

Business

US asks UK for help on BAE

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THE US Department of Justice has stepped up its probe into allegations of corruption at BAE Systems, the defence contractor, by issuing the British government with a formal request for co-operation.

A letter of request asking for mutual legal assistance was sent to the Home Office earlier this month and is currently being considered.

The request comes just over three weeks after BAE confirmed in a statement to the London Stock Exchange that it is subject to an investigation. The company has always

denied any wrongdoing.

How the Government responds will be the first key test of Britain's relationship with the US under a Gordon Brown premiership. The Serious Fraud Office dropped its investigation into the 20-year-old Al Yamamah arms deal with Saudi Arabia last year after being advised it was a threat to national security.

The scrapping of the case led to international criticism and news of the DoJ probe adds further embarrassment to the Government.

Robert Wardle, the director of the SFO, confirmed he had seen the letter. The Home Office can

refer the matter to the SFO which can then make an independent decision whether it should progress with the request.

"We will do what is appropriate to comply with our obligations to help other jurisdictions but obviously we will take into account the same considerations of national security if they arise," Wardle told *The Sunday Telegraph*. He declined to comment further.

Wardle went on to defend the SFO dropping of the case, arguing it was "the right thing". "We took account of the public interest, we balanced it against the evidence, the difficulties that a

protracted investigation would cause," he said. However, he admitted that damage had been done to "the reputation of the UK as a place which is determined to stamp out corruption".

America's Foreign Corrupt Practices Act (FCPA) is far more stringent than Britain's corruption laws. Under the FCPA, companies can be found guilty of making unauthorised payments to public officials, whereas in the UK prosecutors have to show an intent to corrupt.

The Act also obliges companies to keep a full account of payments which, if they are

absent, can lead to charges of not keeping proper records. Wardle said he would like to see a similar law in the UK, including a concealment offence.

"We are looking at something for the modern world, that recognises the different ways of doing business, of bribing people. It is no longer a question of brown envelopes," he said.

Separately, Wardle confirmed the SFO was continuing its investigation into allegations of corruption involving BAE contracts in Romania, the Czech Republic, Tanzania and South Africa.

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MERLIN PROTESTS SFO CONDUCT

Lawyers acting for Merlin Biosciences, the venture capital firm run by biotechnology entrepreneur Sir Christopher Evans, have made a formal complaint to the new Attorney-General, Baroness Scotland, over a Serious Fraud Office investigation. The lawyers have asked Baroness Scotland to instigate an independent inquiry into the SFO's conduct of the investigation which has been running for nearly two years without anyone being arrested or charged.

Investors in Merlin were briefed on the details of the complaint last week. The SFO began its investigation in 2005 after receiving allegations of financial irregularities relating to certain investments made by Merlin's third fund in 2003. Merlin has consistently denied any wrongdoing and claims the allegations were made by a former employee who had been asked to leave the company. The complaint to the Attorney-General accuses the SFO of dragging out the investigation unnecessarily and putting Merlin investors at risk of "substantial" financial damage.

Among other things, the complaint alleges that SFO investigators were reluctant to accept investors' claims they had not suffered losses. A spokesman for Merlin declined to comment.