

## High Court orders FCA to halt Danish tax fraud probe

UK financial regulator had initiated disciplinary proceedings against businessman linked to £1.3bn scandal

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The UK financial regulator has been ordered to halt its investigation into a businessman allegedly linked to a scheme to fraudulently reclaim £1.3bn in tax from Danish authorities.

The High Court ruled on Wednesday that the Financial Conduct Authority should stop disciplinary proceedings against the businessman, who cannot be named, until after the High Court decides a lawsuit brought by the Danish Customs and Tax Administration (SKAT).

SKAT has brought five claims in the High Court against 100 defendants, mainly financial institutions.

The FCA began its investigation in August 2015 in light of information supplied to it by the Danish tax authorities. It issued a warning notice against the businessman last June, whom the court has ruled should not be identified.

The FCA probe relates to allegations of his involvement in a scheme whereby DKr11bn (£1.3bn) of tax rebates were wrongly claimed from the Danish tax authority, according to the court ruling.

SKAT alleges that between August 2012 and July 2015 the defendants engaged in an unlawful trading strategy that resulted in SKAT wrongfully paying out the tax rebates.

The defendants are contesting the claims, which are due to be heard in a series of linked trials.

On Wednesday, the High Court ruled that the FCA probe should be put on hold until the first High Court trial rules on legal issues — including whether the tax rebate strategy was in line with established market practice.

In his ruling, Mr Justice Jonathan Swift said that there was a “very close correspondence of issues” between the FCA proceedings and the SKAT lawsuit, and said the FCA investigation was a “satellite” of this claim.

He added that the conclusions of the High Court trial would “be of particular assistance” to the FCA’s investigation and that unless the probe was halted, there was a “real risk of serious prejudice” to the businessman.

In a statement, the FCA said it would be seeking permission to appeal.

The watchdog is investigating a number of cases relating to international tax rebate schemes of this sort. It said that pending the outcome of its appeal, it will have to halt proceedings until the High Court determines issues in the case later this year.

Denmark, Germany, Italy and France are among the European countries hardest hit by the [“cum-ex” dividend scandal](#), with governments said to have been duped into refunding billions of euros of dividend taxes that had never been paid.

The schemes involved trading shares repeatedly around dividend payment dates to give the appearance of multiple owners, each of whom could claim a tax refund.