



Loans to political parties

Standard Note: SN/PC/3960

Last updated: 27 February 2007

Author: Isobel White and Paul Lester
Parliament and Constitution Centre

Money lent to a political party other than on commercial terms is regarded as a donation under the provisions of the *Political Parties, Elections and Referendums Act 2000*. This note examines the recent developments concerning loans to the main political parties and the provision in the *Electoral Administration Act 2006* that in future all such loans should be treated in the same way as donations. Broader background on the funding of political parties is given in Library Standard Note no 3138 *Funding of Political Parties- A Brief Overview*.

Contents

A.	The <i>Political Parties, Elections and Referendums Act 2000</i>	2
B.	Loans to political parties	3
C.	Review of the funding of political parties	6
D.	Amendment to the <i>Electoral Administration Bill 2005-06</i>	8
E.	Chronology from March 2006 -	9

A. The *Political Parties, Elections and Referendums Act 2000*

The manifesto on which the Government was elected in 1997 included three commitments regarding party funding:

- to oblige political parties to declare the source of all donations above a minimum figure
- to ban foreign funding of political parties
- to ask the Committee on Standards in Public Life to consider how the funding of political parties should be regulated and reformed

The Committee, under the chairmanship of Lord Neill of Bladen, reported in October 1998.¹

The Labour Party's submission to the Neill Committee had raised strong objections to the receipt by the Conservative Party of "soft loans"² and asked the Committee to investigate. Recommendation 6 from the Committee included a broad definition of donations to cover such arrangements and the report commented specifically:

Loans on other than arm's length open-market terms would be presumed to be in part donations, examples being interest-free loans, loans with uncommercial rates of return and loans which revert to gifts (at the time they revert).³

The Government's subsequent White Paper included a draft Bill, which formed the basis of the provisions in the *Political Parties, Elections and Referendums Bill 1999-2000*. With effect from February 2001, the *Political Parties, Elections and Referendums Act 2000* (PPERA) introduced a series of controls on political party registration and finances. Chapter I (sections 50 to 53) defines donations for the purposes of Part IV of the Act which makes provisions for the control of donations to registered parties and their members. Section 50 (2) defines "donation" in relation to a registered party:

- (a) any gift to the party of money or other property;
- (b) any sponsorship provided in relation to the party (as defined by section 51);
- (c) any subscription or other fee paid for affiliation to, or membership of, the party;
- (d) any money spent (otherwise than by or on behalf of the party) in paying any expenses incurred directly or indirectly by the party;
- (e) any money lent to the party otherwise than on commercial terms;

The Electoral Commission published a report on the funding of political parties in December 2004 in which it examined the working of the *Political Parties, Elections and Referendums Act 2000*.⁴

¹ Fifth Report of the Committee on Standard in Public Life, Cm 4057, 1998

² Cm 4057, App V, p 235

³ Cm 4057, para 4.44

⁴ Available at http://www.electoralcommission.org.uk/files/dms/partyfundingFINALproofs_15301-11394__E__N__S__W__.pdf

B. Loans to political parties

There were press reports before the last general election that political parties had been receiving funding in the form of loans rather than donations. An article in the Guardian on 21 April 2005 reported:

The Electoral Commission is to investigate political parties receiving secret monies in the form of private loans rather than donations, evading the need to declare them publicly. The Times newspaper today revealed that the Conservatives had received "a number" of £1m loans from wealthy supporters, which were not disclosed as donations. Electoral law states that all donations over £5,000 have to be made public. But the situation with loans is more opaque. A loan need only be disclosed if it is given on preferential terms - for example at a lower rate or over a longer term than is commercially available. In these cases, the extra interest which would have been paid on a commercial loan must be declared as a donation. A loophole exists, however, as loans given at the market rate are not considered donations - a secret and potentially substantial revenue stream if the amount lent runs into the millions. The Tories do not dispute the factual accuracy of the story, but deny any wrongdoing...The Labour party refused to comment, beyond saying it complied with the Electoral Commission rules itself.

The Electoral Commission said it would review the issue in its statutory review of the election. This review was published on 29 March 2006 and stated that 'if a party were accepting loans that it expected to be converted to donations in order to avoid reporting requirements, the Commission would consider this to be a breach of the spirit of the controls'.⁵

The issue of loans to political parties was raised again in the press when three Labour Party nominations for peerages were blocked by the House of Lords Appointments Commission and it was reported that the nominees had made loans to the party which had not been disclosed to the Commission:

The House of Lords Appointments Commission is now engaged in an unprecedented stand-off, having refused to ratify three Labour nominees for the Upper House. Downing Street, urged on by Labour Party fundraisers who fear that potential backers will be scared off by the prospect of being blocked, is in talks with the commission to try to overturn its objections. The Times has learnt that relations have been soured further because the Labour leadership failed to disclose to the commission the loan from Sir David Garrard, 67, a property developer.

The body, set up by Tony Blair in 2000 to vet all Lords nominees so that they meet "the highest standards of propriety", requires all political parties to declare any financial arrangements that are relevant to peerage nominations.

The Labour Party circumvented electoral law which states that anyone who gives £5,000 or more has to be identified. As the money from Sir David was in the form of a loan, at an unspecified rate of interest, but below that charged by high street banks, it

⁵ *Election 2005: Campaign Spending: The UK Parliamentary Election March 2006* Electoral Commission, para 2.27

is regarded as a commercial transaction and therefore does not have to be declared. In a statement to The Times, the commission said of the Garrard loan: "In vetting for propriety the commission would expect to be briefed on any relationship that could be seen to influence an individual's recommendation."⁶

For further information about the honours system see Library Standard Note SN/PC/2832.⁷

The *Financial Times* reported on 13 March 2006 that the Electoral Commission had again stated that it would comment on the issue when its report on the general election was published but added that the Commission's chairman, Sam Younger, 'believed the practice was against the spirit of the disclosure rules.'⁸

On 14 March 2006 the *Times* reported that the Liberal Democrats had accepted loans before the last election but that the names of the lenders had been disclosed in their return to the Electoral Commission.⁹

The controversy intensified on 15 March 2006 when the Labour Party treasurer, Jack Dromey, said that neither he, nor the chairman of the Labour Party's National Executive Committee, were aware of any loans made to the party before the general election by the three businessmen who had been nominated for peerages, Chai Patel, Brian Townsley and Sir David Garrard:

"Loans were taken out in secret in 2005. The elected chairman [Sir Jeremy] and I, as the treasurer, knew nothing about it. That was absolutely wrong. It should never happen. I intend to get to the bottom of what did happen," said Mr Dromey.....he gave a pledge to ensure that the National Executive Committee of the Labour Party and the new general secretary Peter Watt would "put right those wrongs".¹⁰

The following day the Labour Party announced that it would declare all future commercial loans and the Prime Minister announced that an independent figure would be appointed to start talks between the parties on party funding.¹¹ On 18 March the *Times* reported that the Conservative Party had secured loans of at least £20 million:

The Tory party averted one of the most serious financial plights in its history by securing secret loans of at least £20 million from rich benefactors...Conservative Central Office this week ordered its MPs not to go on the attack over the controversy. The sheer scale of its loans, amassed in the run-up to last year's general election, explains why. Details of the loans, but not the lenders, will be contained in the party's annual report, which will be published in the summer. They will gloss over a deficit of about £12 million last year, one of the biggest on record for the Tory party. Michael Howard plunged the party deep into debt by spending £ 17 million on the election campaign in addition to the £14 million annual running costs last year when it raised just under £ 20 million in conventional donations. The loans, secured by Jonathan Marland, the Tory party treasurer, were spread among a dozen supporters. Lord

⁶ Lords nominees are blocked in Labour loan row, *Times*, 10 March 2006

⁷ Available at <http://www.parliament.uk/commons/lib/research/notes/snpc-02832.pdf>

⁸ Elections watchdog could seek stricter laws on donations, *Financial Times*, 13 March 2006

⁹ Lib Dems accept six-figure loans from supporters, *Times*, 14 March 2006

¹⁰ Labour treasurer claims he did not know of party loans, *Independent*, 16 March 2006

¹¹ Blair battles to shake off sleaze claims, *Financial Times*, 17 March 2006

Ashcroft, the former Tory party treasurer, has declared loans of £ 3.5 million. The Times disclosed last year that Lord Laidlaw of Rothiemay, who sold his conference events company last year for £ 768 million, was a second big lender. The Tory party was unable or unwilling yesterday to disclose the identities of the lenders or whether any of them had been, or would be, nominated for peerages.¹²

The *Times* reported on 20 March 2006 that 'it is now clear that in the dash to spend up to the legal limit of £20 million, both main parties accepted huge soft loans to fund the most expensive election in British history.'¹³ Adding that the Prime Minister had overturned the Labour party's policy of refusing such loans the *Times* put forward reasons for this change of policy:

The first was evidence that both the Conservatives and the Liberal Democrats were already circumventing rules introduced in 2001 that every donor of more than £5,000 should have their name published. This did not apply to loans.

The second was that banks and other City institutions would not agree to any further commercial loans because the party's finances were too precarious. There was another key pressure driving the change of policy: donors who were fed up with media attention and wanted the anonymity brought by a "commercial loan".¹⁴

On 20 March 2006 Lord Falconer announced that the Government intended to legislate to make it compulsory for all political parties to disclose any loans they receive and that this would be done by moving amendments to the *Electoral Administration Bill* currently before the House of Lords. The next day the Labour Party named the twelve businessmen who had given the party almost £14 million in loans before the last election.¹⁵

The Electoral Commission sent a letter to all the registered treasurers of the main political parties on 21 March 2006 asking them to ensure they are entirely satisfied that any loans that the party has received and not so far reported are on fully commercial terms and that they involved no benefit to the party which should have been declared and has not been declared.¹⁶ Responses to the letter may be found on the Commission website (see below).

The Public Administration Select Committee (PASC) announced on 15 March that it would conduct a short inquiry into whether the scrutiny system for honours and political peerages was working.¹⁷ Subsequently it issued a special report on 27 March which stated that to avoid any risk of prejudicing future court proceedings, the Committee would delay the taking of oral evidence.¹⁸ A police investigation had begun, following allegations from the SNP and Plaid Cymru that an offence had been committed. The Third Special Report from PASC gives further details:

¹² Loans to Tory party dwarf the £ 14m lent to Labour, *Times*, 18 March 2006

¹³ Blair bypassed committee to accept secret election loans, *Times*, 20 March 2006

¹⁴ *ibid*

¹⁵ Labour seeks to damp down scandal by naming sources of £13.9m loans, *Guardian*, 21 March 2006

¹⁶ Available at http://www.electoralcommission.org.uk/files/dms/LoansLetter20306_20312-14948_E_N_S_W_.pdf

¹⁷ "PASC to probe scrutiny of political honours" PASC PN 15 March 2006. Further information on the honours system is given in Library Standard Note no 2832 *Honours*

¹⁸ HC 1020 2005-6

2. On 21 March it was announced that the Metropolitan Police were to conduct an inquiry into allegations that offences had been committed under the Honours (Prevention of Abuses) Act 1925. Last week, Deputy Assistant Commissioner John Yates contacted our chairman to urge that our inquiry be postponed, because "many of the individuals that you wished to hear evidence from may be the very people that could be central to our criminal inquiry, either as witnesses or suspects." Today (Monday 27 March), he sent a letter amplifying the police's concerns. He suggested that corruption charges could also be involved. This evening, we met him to discuss the implications of continuing the inquiry.¹⁹

The Electoral Commission subsequently announced on 6 April the suspension of their enquiry into loans. Further details are set out in a special page on their website:

We wrote two letters to parties asking them to confirm that any loans received and not reported were on fully commercial terms. We sent one letter to larger parties, those who had previously declared loans in their statement of accounts and those who had reported donations arising from loans, on 20 March and one letter to all other parties with income or expenditure above £5000 on 24 March. You can find out more about this on our statements page and read responses from the parties below. On Friday 31 March we wrote again to registered treasurers asking for a more detailed explanation of the rationale they used in coming to the view that loans were on commercial terms.

We made the following statement on 6 April 2006:

Following discussions with the Metropolitan Police, the Electoral Commission has decided to suspend temporarily its enquiries into past loans to political parties pending the outcome of the related police investigation. The Commission is therefore postponing further discussions with the parties on this matter. The Commission will be liaising closely with the Metropolitan Police over the next few weeks.

We believe that the current legal requirements are not sufficient to ensure that the spirit of full public disclosure is met hence we have called for parties to declare full details of all loans, on the same basis as donations.

The Electoral Commission is consulting with political parties on a draft code of conduct for the reporting of loans. Under the voluntary code, political parties would report to the Commission all loans they have received above a certain threshold, including details of the lender, the amount of the loan and the period of the loan.²⁰

C. Review of the funding of political parties

The Prime Minister announced on 16 March that there would be a review of the funding of political parties. Sir Hayden Phillips has been appointed to conduct the review and the terms of reference were announced on 20 March 2006:

To conduct a review of the funding of political parties.

¹⁹ HC 1020 2005-6

²⁰ <http://www.electoralcommission.gov.uk/regulatory-issues/loans.cfm>

In particular:

- To examine the case for state funding of political parties including whether it should be enhanced in return for a cap on the size of donations;
- To consider the transparency of political parties' funding;
- And; to report to the government by the end of December 2006 with recommendations for any changes in the current arrangements.

Sir Hayden Phillips will work closely with stakeholders including, especially, the political parties and the Electoral Commission. He has been asked to aim to produce recommendations which are as much as possible agreed between the political parties with a view to legislation as soon as Parliamentary time allows.²¹

On 16 May 2006 Sir Hayden Phillips announced that his review had started with the launch of a website and his giving evidence to the Constitutional Affairs Select Committee about the way in which the review will be conducted. Sir Hayden said:

The point of having a website is to hear the public's views, in addition to the views of the political parties. It would be extremely useful for me to hear from as many people as possible. I need the public's input into this review. I intend to update the website as the review progresses, taking account of the views expressed.

Others too will be gathering information and expressing their views, for example the Constitutional Affairs Select Committee and the Electoral Commission. I will take careful account of what they say.

In conducting the review I am starting from three basic assumptions:

- The financial health of political parties is fundamental to our parliamentary democracy
- How parties are funded should be fully transparent
- A future system should encourage democratic engagement and be as fair as is possible between parties.

This is an opportunity to find an agreed way forward on an issue that is central to parliamentary democracy in this country.²²

Oliver Heald, Conservative shadow spokesman on Constitutional Affairs, welcomed the review but queried why the Electoral Commission was not undertaking it:

An inquiry was inevitable, given the revelations of the past few days, and we are happy to give our full co-operation to Sir Hayden. However, why is he undertaking the review and not the Electoral Commission? It seems inexplicable. The Government set up the Commission to oversee such matters. The Minister knows that the Commission has produced a report already on the funding of political parties and it

²¹ Lord Falconer's letter to the leaders of all political parties represented at Westminster, 20 March 2006

²² The Review of the Funding of Political Parties website is available at <http://www.partyfundingreview.gov.uk/index.htm>

has a credibility on the issue that, frankly speaking, no political or civil servant is likely to match.²³

The Conservatives published proposals to reform the way in which political parties are funded on 20 March 2006.²⁴ Amongst other measures it was proposed that there should be a ban on all forms of loans to parties, except those from financial institutions on fully commercial terms and that the Electoral Commission should oversee these to ensure that they cannot become disguised donations. Further detail on party funding is given in Library Standard Note no 3138 *Funding of Political Parties- A Brief Overview*.

D. Amendment to the *Electoral Administration Bill 2005-06*

In his announcement on 20 March 2006 that the Government intended to move amendments to the *Electoral Administration Bill*, Lord Falconer said:

This issue affects all political parties and I hope that the Government, political parties and the Electoral Commission will be able to work constructively together to find a solution which allows for transparency and fairness. My intention is to achieve as great a transparency for loans made to political parties as applies to donations under the regime in the *Political Parties, Elections and Referendums Act 2000*.²⁵

A written ministerial statement was issued on 27 April giving further details about the amendments.²⁶ Lord Falconer said that the amendments made provision for loans to political parties 'to be governed by a similar regime of transparency and permissibility to that set out for donations to parties in the *Political Parties, Elections and Referendums Act 2000*.' The main features of the scheme are as follows:

1. Details of all loans to a political party of over £5,000 (and thereafter each additional £1,000 from the same lender) will be required to be reported to the Electoral Commission.
2. The reports are to be made at quarterly intervals, and weekly during the period before a general election.
3. A party would only be permitted to take out loans from the same sources as are permitted to donate to a political party.
4. Details of all loans existing at the time that the provisions come into force will have to be reported to ensure full transparency, but loans existing at that date would not be subject to the permissibility requirements.

The amendment provides for the provisions to be brought into force by order. The Government consider it important that the new regime should be brought into force as soon as possible and will seek to take steps to ensure that that is the case.²⁷

²³ HC Deb 20 March 2006 Vol 444c23

²⁴ Available at http://www.conservatives.com/tile.do?def=news.story.page&obj_id=128657

²⁵ HL Deb 20 March 2006 Vol 680 c12

²⁶ HC Deb 27 April 2006 Vol 445 c51WS

²⁷ *ibid*

In an interview with the *Independent* on the same day Lord Falconer said he was acting ahead of the Phillips inquiry in an attempt to rebuild trust in the system of party funding.²⁸

The new clause on the regulation of loans and related transactions was added to the Bill on 8 May 2006 in Committee (on Recommitment) in the House of Lords.²⁹ The Bill received Royal Assent on 11 July 2006.

E. Chronology from March 2006 -

6 March 2006

Three Labour Party nominations for peerages (Dr Chai Patel, Brian Townsley and Sir David Garrard) are reported as being blocked by the House of Lords Appointments Commission.³⁰

11 March 2006

Further names of Labour donors are listed in an article in the Times.³¹

1. Lord Hamlyn (deceased), donated £6m.
2. Sir Christopher Ondaajtie (author), donated £3m.
3. Lord Drayson, donated £1.1m.
4. Sir Ronald Cohen, donated £1m.
5. William Haughey OBE, donated £1m.
6. Sir Alan Sugar, donated £200,000.

12 March 2006

It is reported in the *Independent on Sunday* that the Appointments Commission has launched an inquiry into Robert Edmiston, a Conservative Party donor and chairman of the Midlands Industrial Council, who was also nominated for a peerage.³²

14 March 2006

The *Times* reports that the Liberal Democrats had accepted loans before the last election but that the names of the lenders had been disclosed in their return to the Electoral Commission.³³

The Public Administration Select committee announces that as part of its current inquiry into ethics and standards in public life it will examine whether the scrutiny of honours and peerages for political service is working. The Committee plans to publish a report within three months.³⁴

²⁸ Parties forced to disclose all loans in wake of cash for honours affair, *Independent*, 27 April 2006

²⁹ HL Deb 8 May 2006 Vol 681 c733-66

³⁰ Watchdog blocks three of Blair's men for Lord's, *Times*, 6 March 2006

³¹ Labour defends peerages for donors, *Times*, 11 March 2006, p.36

³² Cash for honours What am I bid? £10,000? £1m? A loan, no questions asked?..., *Independent on Sunday*, 12 March 2006, p.20

³³ Lib Dems accept six-figure loans from supporters, *Times*, 14 March 2006

³⁴ PASC to probe scrutiny of political honours. Press Notice available at http://www.parliament.uk/parliamentary_committees/public_administration_select_committee/pasc0506pn29.cfm

15 March 2006

Labour Party treasurer Jack Dromey states that neither he nor the Labour Party's National Executive Committee knew about any loans made to the party by Chai Patel, Brian Townsley or Sir David Garrard before the general election.³⁵

20 March 2006

The Labour Party discloses, in a statement on its website, the names of 12 businessmen who had given commercial loans to the party.³⁶

1. Rod Aldridge - £1m – Executive Chairman/founding chairman of Capita.
2. Richard Caring - £2m – Owner of fashion supplier International Clothing Designs and restaurateur. Head of the Children's Charity.
3. Gordon Crawford - £500,000 – Software entrepreneur.
4. Professor Sir Christopher Evans - £1m – Biotechnology entrepreneur.
5. Sir David Garrard – £2.3m - Property Developer.
6. Nigel Morris - £50,000 – Helped create Capital One, a US credit card company based in Virginia.
7. Sir Gulam Noon - £220,000 – Owns a food empire; knighted in 2002.
8. Dr Chai Patel - £1.5m – Founder of the Priory Clinic.
9. Andrew Rosenfeld - £1m – Chairman of Minerva, a property company.
10. Lord Sainsbury of Turville – £2m – Frontbench spokesman in the House of Lords on trade and industry; Peerage 2002.
11. Barry Townsley - £1m – Stockbroker.
12. Derek Tullet - £400,000 – Financier; CBE 1997.

26 March 2006

An article in *the Observer* cites loans from businessmen Michael Hintze and Johan Eliasch as key to the Conservative Party's success in the 2005 general election.³⁷

31 March 2006

The Conservative Party publishes a list of 13 benefactors who are currently loaning them a total of £16m, according to press reports.³⁸

1. Michael Hintze - £2.5m - Philanthropist
2. Charles Wigoder – donations £20,000, loans £100,000 – CEO of Telecom Plus, made life peer in 2004
3. Lady Victoria de Rothschild – donations £129,500, loans £1m – Conservative treasurer 2001-2006
4. Henri Angest – donations £636,000, loans £550,000 – Director of Arbuthnot Latham
5. Lord Ashcroft – donations £938,000, loans £3.6m – Deputy chairman of Conservative Party, peerage 2000

³⁵ "Labour treasurer claims he did not know of party loans" *Independent* 16 March 2006

³⁶ Statement on Commercial Loans, *Labour Party* website, 20 March 2006

[http://www.labour.org.uk/index.php?id=news2005&ux_news\[id\]=commercialloans&cHash=cb17f63643](http://www.labour.org.uk/index.php?id=news2005&ux_news[id]=commercialloans&cHash=cb17f63643)

³⁷ Tories mired in funding row as new backer is revealed: Pressure mounts for Cameron to name more election donors, *The Observer*, 26 March 2006, p.5

³⁸ Tory Cash Crisis: The Lenders, *The Guardian*, 1 April 2006, p.6

6. Jonas Eliasch – loans £2.6m – Chief of Head NV
7. Lord Laidlaw – donations £2.7m, loans £3.5m – peerage 2004
8. Lord Steinberg – loans £250,000 – Owner of Stanley Leisure, life peer 2004
9. Raymond Richards (deceased) – loans £1m
10. Graham Facks-Martin – loans £50,000 – retired farmer
11. Dame Vivien Duffield – loans £250,000 – awarded CBE 1989
12. Alan Lewis – loans £100,000 – Former Conservative treasurer
13. Nigel Alliance – donations £56,000, loans £450,000 – Director of N Brown, awarded OBE

9 April 2006

Financier Michael Brown, the Liberal Democrats' biggest donor, having given £2.4m to the party, denies ever 'requesting or expecting' a peerage for his support, according to press reports.³⁹

13 April 2006

Des Smith, an adviser to Downing Street, is arrested in connection with police investigations into nominations for peerages. He is later released on bail.⁴⁰

26 April 2006

Michael Brown is accused of large-scale fraud in a criminal prosecution brought by his bank, HSBC.⁴¹

7 May 2006

The *Sunday Telegraph*, which had disclosed the previous week that Sir Cameron Mackintosh, the West End theatre owner, had turned down a peerage in return for a loan, reports that he is to be interviewed by police conducting the inquiry into allegations that offences had been committed under the *Honours (Prevention of Abuses) Act 1925*.⁴²

16 May 2006

The Public Administration Select Committee announces:⁴³

In order to allow the police to progress their inquiries further, we will not, at this stage take further evidence from those classified as key witnesses in the police inquiry, but we reserve the right to do so at a later point.

17 May 2006

The *Guardian* reports that Scotland Yard has seized more than 1,000 documents from Whitehall departments and agencies in connection with their investigation.⁴⁴

³⁹ "Lib Dem Backer Withdraws Funding from 'Muppets'", *Independent on Sunday*, April 9 2006,

⁴⁰ "No 10 adviser arrested over cash-for-peers row", *Independent*, 14 April 2006

⁴¹ "Lib Dem donor is accused of forgery over \$1bn trading" *Times*, 26 April 2006

⁴² "Mackintosh faces police questions", *Sunday Telegraph*, 7 May 2006

⁴³ *Propriety and Honours – update from PASC*, Public Administration Select Committee, 16 May 2006

⁴⁴ "Scotland yard Step up Inquiry", *Guardian*, 17th May 2006

23 June 2006

Lord Levy appears before the Constitutional Affairs Select Committee to give evidence on the future of party funding. The Committee do not question him on his part in the 'cash for peerages' issue for fear of interfering with the police inquiry.⁴⁵

8 July 2006

The *Times* reports that Sir Gulam Noon's peerage was blocked after the House of Lords Appointments Commission discovered from an article in the newspaper that he had made a loan to the Labour Party but not disclosed this on the forms which went to the Commission.⁴⁶

10 July 2006

The Public Administration Select Committee publishes its interim report on Propriety and Honours.⁴⁷

11 July 2006

The *Electoral Administration Act 2006* receives Royal Assent. The Act makes provision for loans to political parties to be subject to the same controls as those set out for donations to parties in the *Political Parties, Elections and Referendums Act 2000*. The provisions come into force on 11 September 2006.

12 July 2006 Lord Levy, the Labour Party's fundraiser, is arrested and questioned about loans accepted by the party and peerages offered to donors.⁴⁸

15 July 2006

The *Times* reports that two Government ministers, Lord Sainsbury of Turville and Ian McCartney, have been questioned by police.⁴⁹

17 July 2006

In an interview with the BBC's *Politics Show* the Prime Minister said that no one in the Labour Party had sold honours or peerages. He also commented that 'there are places in the House of Lords that are reserved for party nominees for their party supporters...these are not honours, they are working peerages reserved for party supporters, Conservative supporters, Labour supporters, Liberal Democrat supporters. In my view, it is absurd to say that if someone supports a political party financially – helps it pay its bills, run its election campaign – that they should be debarred from...those places reserved specifically for party supporters.'⁵⁰

20 September 2006

Sir Christopher Evans, the founder of Merlin Biosciences, who lent Labour £1million, is arrested and questioned by police.⁵¹

⁴⁵ "No Questions for Levy as MPs Discuss Cash for Peerages row", *Guardian*, 23 June 2006

⁴⁶ Peerage for curry king blocked as £14m loan was too hot to handle, *Times*, 8 July 2006

⁴⁷ *Propriety and Honours: interim findings*. Fourth report of the Public Administration Select Committee 2005-06. HC 1119 2005-06.

⁴⁸ Arrest brings 'cash for honours' row to No 10's doorstep, *Times*, 13 July 2006

⁴⁹ Two ministers are questioned as inquiry nears Blair's door, *Times*, 15 July 2006

⁵⁰ PM claims that no one in his party sold honours, *Independent*, 17 July 2006

⁵¹ "Third man arrested in peerage scandal", *Independent*, 21 September 2006

23 October 2006

Michael Howard, the former leader of the Conservative Party, is interviewed by police investigating nominations for peerages.⁵²

28 October 2006

The Electoral Commission reveals that it is reviewing the donation of £2.4 million to the Liberal Democrats from the disgraced financier, Michael Brown, in the light of evidence from the High Court which had ruled that Brown's company was fraudulent and had never traded.⁵³

10 November 2006

The *Daily Telegraph* discloses that the treasurers of the Conservative Party raised £4 million in loans in 2003 and £16 million in loans to fund the 2005 general election.⁵⁴

11 November 2006

Lord Sainsbury of Turville resigns from the Government.

16 November 2006

The Public Administration Select Committee publishes a letter from John Yates, Temporary Assistant Commissioner, updating the Committee on the progress of the investigation into possible breaches of the *Honours (Prevention of Abuse) Act 1925* and PPERA 2000. Yates said that his team had conducted 90 interviews to date and that the final stages of the investigation had been reached: he hoped to forward the file to the Crown Prosecution Service in January 2007.⁵⁵

21 November 2006

Lord Rennard, the Liberal Democrats Chief Executive, is interviewed by City of London police regarding a £2.4million political donation received from the company of Michael Brown.⁵⁶

22 November 2006

Patricia Hewitt, the Secretary of State for Health, is questioned by police investigating nominations for peerages.⁵⁷

14 December 2006

The Prime Minister is interviewed by police at 10 Downing Street in relation to the 'cash for honours inquiry'.⁵⁸

⁵² Howard questioned by police, *Daily Telegraph*, 24 October 2006

⁵³ Lib Dems face £2.4m demand 'in weeks', *Times*, 28 October 2006

⁵⁴ Lord Levy 'got the idea for secret loans from the Conservatives', *Daily Telegraph*, 10 November 2006

⁵⁵ Available at

http://www.parliament.uk/parliamentary_committees/public_administration_select_committee/pasc0607pn01.cfm

⁵⁶ "Detectives interview Lib Dem chief over £2.4m party donation", *Times*, 21 November 2006

⁵⁷ "Police question Hewitt over cash for honours", *Daily Telegraph*, 23 November 2006

⁵⁸ "Blair Questioned by police over loans for peerages", *Times*, 15 December 2006

29 December 2006

John McTernan, the Prime Minister's political secretary, is interviewed under caution by the police over a Downing Street email trail in the "cash for peerages" inquiry.⁵⁹

18 January 2007

The eleventh report from the Committee on Standards in Public Life was released. The report focused on the performance of the Electoral Commission. The report said that the Commission 'has not fulfilled its role as a regulator of party political funding and campaign expenditure' and describes it as having "a lack of courage, competence and leadership".⁶⁰

19 January 2007

Ruth Turner, the director of government relations at Downing Street, is arrested under caution and bailed without charge after questioning.⁶¹

24 January 2007

Jack McConnell, Scotland's First Minister, is questioned as a witness by police in connection with the "cash for honours" inquiry. The police asked Mr McConnell about his nomination of Colin Boyd (formerly Lord Advocate in Scotland).⁶²

27 January 2007

The Prime Minister is interviewed for a second time as a witness by police.⁶³

30 January 2007

Lord Levy is arrested for a second time by police on suspicion of honours offences and conspiracy to pervert the course of justice.⁶⁴

6 February 2007

The *Guardian* reports that the Crown Prosecution Service has decided not to prosecute Des Smith on grounds of "insufficient evidence".⁶⁵

The *Daily Telegraph* writes that Jonathan Powell, the Prime Minister's chief of staff, is to be interviewed for a second time under caution.⁶⁶

20 February 2007

The *Financial Times* reveals that Ruth Turner was interviewed for a third time by police.⁶⁷

⁵⁹ "PM's aide interviewed in peerage inquiry", *Independent*, 29 December 2006

⁶⁰ Eleventh Report: Review of the Electoral Commission, *Committee on Standards in Public Life*, 26 January 2007, available at: <http://www.public-standards.gov.uk/11thinquiry.aspx>

⁶¹ "Top Blair aide arrested over 'cash for honours'", *Independent*, 20 January 2007

⁶² "McConnell quizzed in honours probe", *Financial Times*, 24 January 2007

⁶³ "How the interview was kept secret for six days", *Independent*, 2 February 2007

⁶⁴ "Blair's fixer is arrested over honours 'cover-up'", *Daily Telegraph*, 31 January 2007

⁶⁵ "City academics fundraiser cleared in honours inquiry", *Guardian*, 7 February 2007

⁶⁶ "Blair's right-hand man to be quizzed again on honours", *Daily Telegraph*, 6 February 2007

⁶⁷ "No 10 aide questioned for third time over cash-for-honours", *Financial Times*, 22 February 2007