

Arron Banks

How the businesses of Brexit campaigner 'King' Arron Banks overlap

FT investigation into the wealth of UK's most prominent political donor



Arron Banks with some of his many business and political interests © FT Montage

JUNE 30, 2017 by: Cynthia O'Murchu and Henry Mance

On the first anniversary of Britain's vote to leave the EU, Nigel Farage put on his Union Jack shoes to attend a party at a stately home near Bristol.

The owner of the house, Old Down Manor, is Arron Banks, a 51-year-old insurance entrepreneur who has emerged as Britain's most prominent political donor, claiming that he invested nearly £9m in the run-up to the Brexit vote.

His guests drank champagne and cheered a replay of the television coverage of referendum night. One Ukipper called him "King Arron", while copies of his book *The Bad Boys of Brexit* were laid at each table setting.

Mr Banks has promised to continue to shake up British politics, but a year after the vote, the extent of his wealth and his political intentions is unclear.

Even Old Down Manor is not all that might seem. It is not Mr Banks' home; he runs it as a wedding venue, living in a

modest farmhouse nearby. Old Down Manor Ltd, the holding company, had net liabilities in the most recent set of annual accounts available.



Former Ukip leader Nigel Farage celebrates Arron Bank's £1m donation to the party in October 2014 © Getty

In 2015, Mr Banks told the FT that he was worth around £100m. This year he appeared on the Sunday Times Rich List for the first time, with an estimated net worth of £250m — much of it riding on the then expected planned flotation of Eldon, one of his insurance companies.


But public filings covering Mr Banks' business interests show the use of a range of accounting techniques that mask the value of his investments.

He is a shareholder in at least 20 UK registered companies according to Orbis, a company database. Almost all of their parent companies are offshore in the Isle of Man, Gibraltar and the British Virgin Islands, affording them privacy. His interests worldwide include insurance, banking, diamond mining and political consultancy.

"I started my business with a desk and two phones, and built it from nothing. I earned and created every penny I made," he said earlier this year. Mr Banks built Group Direct, a motor insurer, from a small office above a bakery in Thornbury, Gloucestershire. In 2008, this business reversed into Brightside Group, which was listed on London's Alternative Investment Market. Mr. Banks and his wife say they made £10m from selling their shares in Brightside.

He left in 2012, after a quarrel with his co-founders and two years after that, the

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company was sold to AnaCap, the private equity group, and became heavily lossmaking. AnaCap has since sued its auditors, alleging “serious and widespread” failings at Brightside, including during Mr Banks’ tenure, though he is not a target of the suit.

In 2010 and 2011, Brightside paid Southern Rock Insurance — the Gibraltar-based underwriter in which Mr Banks is a major shareholder — £17m for a software platform and £32.4m for rights to distribute and sell motor insurance. But despite these sales, Southern Rock lost nearly £9m that year and by 2011 it was technically insolvent, without enough reserves to cover potential payouts.

The Gibraltar financial regulator ordered its directors to recapitalise the company.

In the following years Mr Banks and his co-shareholders pumped money into Southern Rock and accepted a “period of ban or self-exclusion from other insurance directorships”. Mr Banks resigned as director of Eldon Insurance in Sept 2013 and Southern Rock in 2014.

Business remained difficult. Between 2010 and 2015, Southern Rock made multimillion losses on its core business in four of the six years. In 2015, the most recent accounts available, Southern Rock posted a loss of nearly £28m on its core business.

But it turned an overall profit by selling policy renewal rights for £73m to ICS Risk Solutions, an Isle of Man company that is majority owned by Mr Banks. This allowed Southern Rock to book upfront profits from future earnings.

Mr Banks told the FT that Southern Rock was a “profitable, sustainable business in good standing” and that its finances could not easily be compared with other underwriting businesses because it also sold financial products. Southern Rock had sold policy rights in order to meet solvency rules, he added.

In the UK, Mr Banks’ insurance group’s main businesses — Eldon Insurance and Rock Services — work closely with Southern Rock, as extensive related-party disclosures show.

ROCK SERVICES LIMITED
Notes to the Financial Statements
For the year ended 31 December 2015

14. Related party transactions

The following transactions were carried out with related parties during the year, including both cash transactions which merely passed through the company and also expenses incurred by the company which were subsequently recharged as reflected in the profit and loss account:

	2015 Income £'000	2015 Expense £'000	2014 Income £'000	2014 Expense £'000
Recharge of goods and services to/from group entities				
Southern Rock Intellectual Property Limited	-	-	-	-
Southern Rock Management Services Limited	29	-	-	-
Southern Rock Holdings Limited	297	-	-	-
Panacea Limited	74	-	-	-
Southern Rock Insurance Company Limited	19,408	-	21,704	-
Rock Holdings Limited	82	-	-	-
E Development 2 Limited	783	-	-	-
	20,673	-	21,704	-
Recharge of goods and services to/from entities controlled by key management				
Better for the Country Limited	287	-	-	-
Chartwell Political	332	-	-	-
Distribution Rocks	15	-	39	-
Duly Holdings Limited	875	-	-	(77)
Eldon Insurance Services Limited	27,533	-	26,069	-
ICS Risk Solutions Limited	647	-	488	-
LibLabCon	7	-	-	-
Molten Rock Limited	98	-	24	-
Old Down Country Park	53	36	54	(91)
Old Down Limited	-	10	-	-
Precision Risk & Intelligence Limited	67	-	957	-
Precision Risk Services Limited	523	-	690	-
Vavista	36	70	57	-
	30,473	116	28,378	(168)

A page from Rock Services Ltd's 2015 accounts showing 'related party' disclosures

Eldon operates the motor insurance brand GoSkippy, and prominently advertises on the website of Leave.EU, Mr Banks’ pro-Brexit campaign group. The company’s profitability is difficult to assess because of its high administrative expenses, which closely track turnover.

In 2015, it achieved a profit of just £284,000 on a turnover of £33.6m while paying £33.4m in administrative expenses. It received a £3,000 UK tax credit.

ELDON INSURANCE SERVICES LIMITED Statement of Comprehensive Income For the year ended 31 December 2015			
Statement of Comprehensive Income			
	NOTES	2015 £'000	2014 £'000
Turnover	2	33,691	30,298
Gross Profit		33,691	30,298
Administration expenses	3	(33,415)	(28,992)
Operating Profit		276	1,306
Interest receivable		5	8
Profit on ordinary activities before tax		281	1,314
Tax on profit on ordinary activities	7	3	(298)
Profit for the financial year		284	1,016
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		284	1,016

The notes on pages 10 to 18 are an integral part of these financial statements.

A page from Eldon's 2015 accounts. The company's profitability is difficult to assess because of its high administrative expenses, which closely track turnover

In the same year, it sold £25.7m of services to Southern Rock Insurance in Gibraltar and bought £27.5m of services from Rock Services, a UK company, of which Mr Banks is a director.

Through his lawyers, Mr Banks said a £250m valuation of Eldon Insurance was “speculative”, but that it could be justified because Eldon's earnings before interest, taxation, depreciation and amortisation were forecast internally to rise to £20m. He also said that there were no plans to float Eldon Insurance Services, although he subsequently told the FT that a flotation could take place “maybe next year”.

The FT has contacted Mr Banks' holding companies in the Isle of Man, to obtain its annual accounts, but had not had a response at the time of publication.

Mr Banks has diversified his holdings. Over the years he built stakes in an offshore bank, a provider of trustees to high net worth individuals, and — through Southern Rock Insurance — even uranium mining in Niger. More recently, he has taken shares in a sports consultancy.

His charity, Love Saves the Day, claims to provide grants in the Commonwealth including Lesotho and Belize. Established in 2014, and registered with the Charity Commission in June 2014, its most recent

accounts — which cover the period to May 2016 — show no income received and no grants made.

One of the charity's founding trustees was suspended in March this year by the UK's solicitor regulation authority for one year, for in effect facilitating money laundering into Belize by a third party. "When it was brought to our attention she was being investigated in the UK we stopped using her", a spokesman for Mr Banks said, adding that Mr Banks made a lot of donations personally outside of the charity "depending on the request".



Arron Banks provided money to Leave.EU in the form of a £6m loan, he says to avoid inheritance tax © AFP

It is also unclear how much Mr Banks actually spent on Brexit. He provided money to Leave.EU in the form a £6m loan — he says to avoid inheritance tax. Leave.EU's first annual accounts, show that as of September 2016 that loan — which is due to be repaid at the end of this year — was still outstanding.

Meanwhile his Better for the Country Ltd — which donated nearly £2m to Grassroots Out — another Brexit campaign group — is owed £1.3m by related parties, and owes £2m to related parties.

This article has been amended to show that Eldon Insurance received a tax credit in 2015.

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