

Corporate liability for failure to prevent fraud – what you need to know

From 1 September 2025, large organisations can be held criminally liable if their “associated persons” commit fraud intending to benefit the organisation.

There is no requirement for the organisation's directors or senior managers to have participated in the fraud, or even to have known about it. If convicted, an organisation can face an unlimited fine and serious reputational damage. The only defence is for an organisation to demonstrate that it had reasonable fraud prevention procedures in place.

The offence

The offence is committed when an employee, agent, subsidiary, or other “associated person” of a “large organisation” (as defined) commits a specified fraud offence, for the benefit of the organisation.

The specified fraud offences include: fraud offences in the Fraud Act 2006; cheating the public revenue;

false accounting; false statements by company directors; and fraudulent trading.

The offence has a broad jurisdictional reach and non-UK organisations may come within scope if any element of the fraud takes place in the UK or if the victim is in the UK.

Parent organisations can also face liability on account of the actions of their subsidiaries.

The guidance

The government has published guidance on the new offence which makes clear that organisations cannot rely on existing generic financial crime risk assessments or prevention measures to provide a defence. A bespoke risk assessment, mapped on the offence, will need to be undertaken.

The guidance also notes that whilst there is some overlap with the corporate offence of failing to prevent the facilitation of tax evasion, they are different offences and therefore different prevention procedures will be required for each.

The guidance flags the importance of committing sufficient resources to combatting fraud and the need for regular monitoring and review of policies and procedures.

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Corporate fraud significantly damages confidence in UK companies... time is running short for corporations to get their house in order or face criminal investigation.

Nick Ephgrave QPM,
Director of the Serious Fraud Office

Contact details

If you have questions in relation to the new offence and how it may impact your organisation, please do get in touch.



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