

British Labour Party under police investigation over illegal donations

By Chris Marsden
4 December 2007

The police investigation into Labour Party funding, launched after Prime Minister Gordon Brown admitted that donations by property developer David Abrahams were illegally funneled through middlemen, will not be a re-run of the “Cash-for-Honours” scandal.

The sums involved may be smaller than the millions loaned by Sir Gulam Noon, Chai Patel, Barry Townsley and Sir David Garrard. Abrahams’s donations were made via Ray Ruddick (£196,850), Janet Kidd (£185,000), John McCarthy (£257,125) and Janet Dunn (£25,000). But the Brown administration is in an even more precarious position than was Tony Blair.

The 15-month investigation under Blair’s premiership was sparked by claims that laws prohibiting the sale of honours had been broken by Labour giving peerages in return for millions of pounds in loans that would never be repaid. The party was also accused of breaching the Political Parties, Referendums and Elections Act 2000, which obliges donations of more than £5,000 to be declared and bans foreign donations.

Blair became the first sitting prime minister to be questioned by the police. His chief fundraiser, Lord Levy, was arrested and questioned twice on suspicion of conspiracy to pervert the course of justice, and his director of government relations, Ruth Turner, three times.

Even so, the Crown Prosecution Service announced on July 20 that no one would face charges because the law demands proof of intent. Peerages may have been given in exchange for loans, the police report stated, but Scotland Yard could find no direct proof that this was agreed in advance. Labour had also insisted that the loans were always to be repaid.

This time around, the revelations of secret donations totaling £670,000 (since 2003) prompted denials by all involved—either that they knew of the subterfuge or that they knew it was illegal.

Peter Watt, who quit as the party’s general secretary, was alone in taking “full responsibility” and admitting he had knowingly allowed Abrahams to use three employees as fronts for donations. He states that he did not know the arrangement was illegal. But many more are already directly implicated, most significantly Harriet Harman, the party chairman—who took a £5,000 cheque “in good faith” from one of Abrahams’s employees, Janet Kidd—and the Labour Party election fundraiser appointed by Brown, Jon Mendelsohn. Harman is married to party treasurer Jack Dromey, who famously declared that he was ignorant of the loan arrangements made surrounding the cash-for-peerages scandal.

Mendelsohn has admitted that he knew a month ago about the unlawful practice and was unhappy with it. He sent Abrahams a handwritten letter to discuss the issue, but only when the story was about to break. He says he never informed Brown. The prime minister says he had “no knowledge” of the donations. When asked whether he knew Abrahams, he resorted to the tortured formulation, “I am sure I may have met him”.

Unlike with the cash-for-honours inquiry, however, there appears little hope of maintaining a united front of silence either within the Labour Party or from Abrahams.

Harman has let it be known that she was steered in Janet Kidd’s direction by Brown’s campaign coordinator, Chris Leslie—again bringing the investigation to the prime minister’s door. Leslie has insisted he was unaware that Kidd was a front for donations from Abrahams. In addition, Hilary Benn turned down an offer of £5,000 from Kidd because he was tipped off by Baroness Jay, the former leader of the Lords and a close ally of Blair that Abrahams was the real donor. Benn then accepted a direct donation from Abrahams.

Worse still for all attempts to deny knowledge, Abrahams has insisted in a public statement that several top Labourites knew of the financial concealment—a source close to him says the figure is at least 10.

Abrahams says he was placed next to Mendelsohn at the annual dinner in London on April 25 for the Board of Deputies of British Jews, where Brown was the guest of honour. Abrahams says he told Mendelsohn “that I regularly donated to the party and I described how it was done through intermediaries for the purposes of anonymity.” Mendelsohn is said to have replied, “That sounds like a good idea”—a claim he denies.

Mendelsohn’s account of his own behaviour is already damning. Though he supposedly discovered the third-party payments after taking office in September, he only reportedly discussed them with Watt and not Brown and did not inform the police or the Electoral Commission.

“Party officials knew of my wish to retain my privacy and were only too happy to accept my money via intermediaries,” Abrahams states.

In addition to Mendelsohn, the *Sunday Times* claims that Abrahams has compiled a list of names “who were aware of his ‘illegal’ arrangement to fund [Labour] secretly” that “will be passed to the Metropolitan police.”

Three former Labour Party general secretaries are alleged to have known of the secret arrangements—David Triesman, Matt Carter and Peter Watt. Triesman, now Brown’s minister for intellectual property, signed off 3 donations emanating from Abrahams totalling £75,000, Carter 5 donations totaling £77,000, and Watt 11 donations totalling £511,000. Triesman and Carter have denied the allegations.

The latest revelations prompted Conservative Party leader David Cameron to insist that it “beggars belief” that Brown did not know of the donations.

Initial claims portraying Abrahams as a publicity-shy and relatively unknown figure—Abraham’s own explanation for his actions—have been widely discredited.

Stephen Pollard, a former head of the Fabian Society who now heads a pro-free market European think-tank, has written that Abrahams regularly attended Fabian Society meetings up until Pollard left office in 1995, where he “mixed freely with Labour back-bench MPs, frontbenchers, NEC members and Shadow Cabinet members. And in the North East, where he was based, he would almost certainly have mixed regularly with North East MPs such as the former Cabinet ministers Alan Milburn, Stephen Byers and Peter Mandelson, the former Chief Whip Hilary Armstrong, and—as the then MP for Sedgfield—Tony Blair.”

Abrahams has indeed met Blair, Lord Levy and Baroness Jay a number

of times since 2003 at fundraising events and claims to have been to 10 Downing Street on “several occasions.” He sat on the front row when Blair gave his resignation speech in Sedgefield on May 10, 2007. He was photographed with Peter Watt at a Jewish museum dinner and was a member of Labour Friends of Israel, elected to its national executive in 1991. Brown’s confidante Mendelsohn became the organisation’s director in 2002, and is reported to have bitterly clashed with Abrahams—leading to the latter’s expulsion.

While Brown says that he “probably met him on occasion,” Abrahams, when asked by the *Daily Telegraph* how familiar he was with the prime minister, replied, “You don’t remember how many times you’ve eaten porridge for breakfast.”

Abrahams’s relations with Labour in the northeast go back even further. His father, Bennie, was a Labour councillor and Lord Mayor of Newcastle in 1981-1982. David joined the Labour Party at age 15 and later became a councillor. In 1991, he attempted to stand as a party candidate in Richmond, but was deselected after a woman and a young boy he claimed were his wife and son were revealed to have been paid to pose as such.

Greg Stone, a Liberal Democrat member of Newcastle City Council, told the BBC he had failed to dislodge Labour’s Phil Wilson in a contest he maintains was largely funded by Abrahams. He identified donations totalling £62,000 made to the Labour Party by two of Abrahams’s intermediaries on the day that a by-election was announced.

Another possibly damaging feature of Abrahams’s connection with the party is his business dealings. An investigation has been launched into why Durham Green Developments was granted planning permission for a multimillion, 540-acre business park on green-belt land by Durham City Council, after his application was initially refused. Abrahams runs the company under a registered business name, David Martin. The Conservatives have raised questions in parliament noting that the application was approved (when the Department of Transport’s Highways Agency lifted its objections) after nearly £160,000 had been donated to Labour in the names of Ray Ruddick and Janet Kidd, who are listed as the only two directors of Durham Green Developments.

Abrahams himself is not a director of the company, but it is registered at his home address in Gosforth, Newcastle.

Durham City Council told the BBC that “it was obvious from an early stage that Mr. Abrahams was the main figure behind the development, even though he was using the name David Martin,” which is Abrahams’s registered business name. However, The BBC points out that, far from being obvious, “We could only find a single mention of that name [Martin] in the files on the proposed development at the council’s planning offices in Durham” and no mention of David Abrahams. “In the letter, to Northumbrian Water, ‘David Martin’ offers to pay for a study into the likely impact of the development on a local sewerage works, amid concern it would lead to a big increase in foul odours.”

The *Telegraph* reported, “The Secretary of State to whom the Highways Agency answered was Douglas Alexander, who went on to become Gordon Brown’s election co-ordinator. As a result, the Conservative MP Chris Grayling has demanded that the Government discloses whether ministers have discussed planning applications with Mr. Abrahams, Mr. Ruddick or Mrs. Kidd.”

Labour’s Scottish leader, Wendy Alexander, Douglas Alexander’s sister, has been forced to return an illegal donation from someone not on the electoral roll. Paul Green, a Jersey-based businessman. Charlie Gordon, who raised the money for Alexander’s leadership campaign, stood down as Labour’s shadow transport minister. Green alleges that he had been specifically asked for £950, just short of the £1,000 limit over which all donations must be reported.

The emergence of the present scandal comes immediately as a result of manoeuvres by the Conservatives over party funding. Talks on party funding collapsed last month after the Tories rejected a cap on donations

from individuals of £50,000 and on spending covering the whole of a parliament, including local level spending, which would have curtailed heavy spending by Tory donors in marginal seats. They countered by demanding that the £50,000 cap be extended to cover trade unions funding Labour.

According to the *Observer*, the Tories responded to the collapse of the talks by launching a campaign to “expose Labour’s dodgy donors and their donations”—Operation Under the Water. A Conservative central office researcher, Richard Hardyment, filed a request under the freedom of information laws to the Highways Agency asking it to “provide him with details of all its correspondence with Durham Green Developments about its recent planning application for a development near junction 61 of the A1 [and] for correspondence with persons acting on behalf of Durham Green Developments including but not exclusively Raymond Ruddick and Janet Kidd.”

This was a month before the pro-Tory *Mail on Sunday* revealed their names.

The Tories’ aim in exposing Labour’s “dodgy donors” is to force it to cut the two thirds of its funds that still come from the trade unions—£10 million. In this, it appears to have been successful. Brown has been forced by the present scandal to accept a £50,000 cap providing this covers only additional donations and not the annual Labour Party affiliation fee of a political levy payer in the trade unions.

The readiness of the trade unions to continue funding Labour in no way alters the fact that the party functions as the representative of big business, which is what provides the essential impulse for its efforts to secure finance from rich donors—by hook or by crook.

Abrahams is Labour’s third largest fundraiser since Brown came to power, behind multimillionaires Lord Sainsbury and Mahmoud Khayami. But the money they give in donations and loans only hints at the full extent of Labour’s reliance on corporate backers and how the party’s personnel benefit personally from this—MPs who go on to sit on boards or take up well-paid positions as advisors, not to mention the lobby industry that surrounds the government and secures lucrative contracts in the ongoing privatisation of vast swathes of the public sector.

Jon Mendelsohn, one must recall, was previously a joint founder with Neal Lawson and Ben Lucas of the lobbying firm LLM Communications that became embroiled in the scandal known as “Lobbygate.” In June 1998, *Observer* reporter Greg Palast, posing as businessman with ties to Enron, caught the firm trading “cash for access.” Lawson was recorded stating that if Palast paid £5,000 to £20,000 per month, “We can go to anyone. We can go to [then chancellor] Gordon Brown if we have to.”

“This government likes to do deals,” Lucas told Palast

That Mendelsohn was appointed by Brown to supposedly clean up party finances—and that Abraham has given at least £312,000 since Brown became Labour leader—demonstrates why the party has not been able to distance itself from the sleaze allegations surrounding Blair’s premiership. Sleaze and corruption are not an aberration to be policed, but an essential function of government in the service of an oligarchy. And that is why Rupert Murdoch’s *Sun* continues to back Brown, insisting that whereas he “is on the ropes and taking a beating,” “He has the steel and experience to fight back. It is as vital for Britain as it is for Mr. Brown himself that he does so as soon as possible.”

To contact the WSWWS and the
Socialist Equality Party visit:

<http://www.wsws.org>