

Hawala on the streets of London

appeared as 'London secret cashmill' in the Evening Standard 24 June 2005

Money transfer to war-torn and desperately poor parts of Africa and Asia is booming on the streets of London. Local immigrants from poor countries use a myriad of tiny shops, restaurants, internet cafes and grocery stores to send back money to their home countries in a form of self-help aid effort. This is an independent supplement to the Government's aid for Africa. But could these shops also be vehicles for money laundering and moving criminal money over to warlords and terrorists?

In the wake of September 11 and Western governments woke up to the risk that money transfer agents funded terrorism. They started a clampdown, inspecting more premises and systems. But their efforts are impeded by the scale of the sector. UK Customs have responsibility for money transmitters and they have registered no less than 995 money transmitter businesses operating out of 18,964 registered premises. This compares with 10,838 branches of the main High Street banks who are regulated by the much tougher and better resourced Financial Services Authority. The FSA has no remit for money transmitters.

Despite the terrorist threat, sanctions for poor management, or total abuse by money transmitters are minimal in the UK. A Customs spokesman said, "There is no provision for compulsory deregistration and we have not compulsorily de-registered any business... . We aim to obtain voluntary compliance [with money laundering regulations]. Penalties can be imposed for non-compliance.'

One money transmitter that has obtained Customs registration is The Blue Nile Arts and Crafts shop on the Clapham Road. Blue Nile does not scream out to you as a money transfer system. Its fascia on a parade of shops in Stockwell says 'Alterations' and Arts and Crafts. A few ethnic products from Ethiopia, like gowns and dresses, local Ethiopian jewelry and incense sticks gather dust. The wallpaper is flaking off the ceiling. A couple of Ethiopians sit behind the counter, one smoking the Arab pipe called the hookah.

If Blue Nile had to rely on its cultural sales, its commercial prospects would be bleak. But refugees from Ethiopia's civil war who have come in large numbers to the UK since the Military regime took over in Addis Ababa, use Blue Nile to remit funds back home. It is basically much cheaper than the only bank in the market. It is also much quicker. A shop attendant at Blue Nile confirmed that his shop transmitted money to Ethiopia.

Yet tens of thousands of pounds are transferred by Blue Nile to Ethiopia, every month, according to one Ethiopian. But Blue Nile may not be quite the agent of charity that some would like to believe.

Blue Nile is owned by two cousins, Abdulkader, an Ethiopian and Almaz, an Eritreian. Abdulkader comes from the tribe that controls the Ethiopian Government and Ethiopians in London, most of whom steer clear of their government, thinking it is murky. One said, 'People say they are the agents of the government.' Almaz denied this, saying local Ethiopians were jealous of Blue Nile's success. 'Abdulkader is not supported by any government or government agent.'

Local Ethiopians also ask how Blue Nile can pay out large quantities of local currency in Addis, when the country's banking system has been wrecked by a decade of civil war and poverty is rife. One

North London-based Ethiopian said, 'They must pay out thousands of pounds every week when they have no established business at the other end.' Almaz claims the source of the money is her family businesses in Ethiopia. 'We have clothes shops in Ethiopia. That is where they go and collect the money. This is a way we recycle the money we make in the shops. This business has not made any profit for the last two years although we hope to make some this year. This is a community service.' Almaz declined to disclose details of the sterling amounts remitted from the UK to Ethiopia or the value of Blue Nile's sales of arts and crafts products.

Speculation about the motives of Blue Nile's owners is rampant in the Ethiopian community. One member thought it might provide a stash of sterling for Ethiopian politicians, if they were forced to flee their country. 'If the government gets kicked out, or if some politician wants to be here, he can take the sterling that has been accumulated.'

Ephram, a taxi driver in North London, uses Blue Nile for perfectly proper purposes. His wife in Addis is pregnant, there have been complications with her pregnancy, and she needs to pay the doctors. So Ephram visits Blue Nile each month and deposits £200. 'The money arrives at my wife's house the same day. I phone her to check that it has arrived. She has no means of support and this pays for her food, bills and any medicines she needs.' Blue Nile does not charge a fee for the transaction, unlike say Western Union, which ships out money to Africa in a more formal way and charges a hefty fee. Instead, it marks down the exchange rate it gives to the recipient and takes that as its cut.

Ephram said, 'you go there with the cash. They give you a receipt. They ask for your name and address and the name and phone number of the intended recipient. But they don't have to know you and they don't ask for a passport. You could make up all the details.' Ethiopians find Blue Nile through a network of restaurants, agents and shops scattered round North London. The manager of an internet cafe on Blackstock Road in Finsbury Park, called HostNet, says he passes customers and money onto Blue Nile although, he would not use Blue Nile himself. He is an Eritreian and is politically opposed to the Ethiopian government and all its activities. Four Ethiopian restaurants, on a half a mile stretch of the Caledonian Road also accept funds on behalf of Blue Nile.

Ethiopians are some of the newest migrants to the UK and their cash transfer facilities are among the more rudimentary. Somalis have been here much longer and have more formal networks serving this 200,000 strong community. No Western bank transmits money to war-torn Somalia, so money remitters virtually have the field to themselves.

The main money transfer system to Somalia, called El Barakhat, was closed down by the American government in the wake of September 11 2001 on the grounds that it carried terrorist money. The families of many Somalis living in Britain were badly hit as the money was frozen enroute London Mogadishu. Allegations about terrorist involvement have been retracted by the US but the money remains untouched in bank accounts in Dubai. Threats of revenge against El Barakhat's owner forced him into exile and he is unable to restore the money to its rightful owners.

Many Somali operators stepped into the breach left by El Barakhat and today 12 separate firms operate out of a host of internet cafes, grocery stores and shop fronts in North London. The largest is Dahabshii, the owner of the Somali telephone system. Dhabshii's office in Whitechapel has some of the trappings of a conventional bank with a glass screen protecting the cashier and a fascia advertising itself as a 'hawala', Arabic for money transfer agent.

UK Somalis remit \$6m a year back home, and about a third of it passes through Dahabshiil's 70 UK agents who are based in a network of internet cafes and grocery shops around north London. The firm has 200 agents worldwide. No-frills systems compete strongly with the more formalised Western Union which is the only alternative money transfer agency to Somalia. Dahabshiil charges just £4 to send £100 compared with Western Union's £18. The fee charged by Dahabshiil drops to 2% of amounts above £500. Yet Dr Saad Ali Shire, its manager, says the system is 'very formal'. Dahabshiil is registered with the UK Customs and it emphasises strong anti-money laundering practices.

Dr Shire says checking the identity and honesty of depositors is not a problem, 'Somalia has a very strong tribal system, and Somalis trust members of their own tribe to handle their money. A tribe's agent knows every member of a tribe. An agent in the UK is likely to know the person who brings in the money and the agent in Somalia knows the person who is supposed to receive the money.'

Customers can be tracked down a refugee camp using the tribal connections, even if the local agent does not have an address. Dr Shire: 'The paying agents know the members of his tribe. You have a biological identifications system. It's like having finger prints.'

Money put through Somali agents cannot be tracked beyond a certain point. It might be funding the warlords commanding parts of Somali and the Horn of Africa, admits Dr. Shire. Their private armies and military vehicles need to be funded.. 'It is possible that family members in the UK help out warlords, but I don't think there's an organised system for sending them money. I wouldn't know if someone was sending a warlord money. If you are a tribal leader you might call a relative and say, 'can you help?'

Darsan, another Somali remittance company, says it has blacklisted those Somalis connected with warlords. When a payments tops few hundred pounds, the UK agent gets suspicious, and Somalis are prohibited from sending more than £2000. Agents in Africa are also advised against sending the same person more than one payment a month.

Bank of Asia (UK) a money transfer agent based on Bethnal Green Road, which sends money to Bangladesh says there is no limit to amounts it will accept in cash although a passport is required for those sending more than £1,000. Depositors sign a form which says, 'We hereby declare that money paid to you by me/us was or is not derived obtained by any illegal means... including but not limited to any unlawful drug dealings.'

People who are dependent on money sent through these money transfer systems complain that they are exploited by unscrupulous agents. Recipient who may be so destitute that they cannot resist being pressurised into taking part of the money they receive from the agent in the form of food which they have to buy from the agent's own shop. He may allow them to take the rest in cash.

Aid, government or private, comes with strings attached. Money transmission is no exception.