

Prevention of Fraud Offence – effective 1 September 2025

Of particular interest to: All UK Firms

In Brief

A new corporate Prevention of Fraud offence under the Economic Crime and Corporate Transparency Act 2023 (ECCTA) comes into force on **1 September 2025** (for further details please see 'Useful Links for access to our November Alert'). Organisations now have **less than 6 months** to ensure compliance. The ECCTA introduces **a strict liability offence** for organisations that fail to prevent fraud committed by employees or Associated Persons if the fraud benefits the organisation. Additional reforms under the ECCTA enhance anti-money laundering measures, strengthen law enforcement powers over cryptoassets, transparency in limited partnerships and reform Companies House powers. These changes align with the UK's goals to improve economic transparency and prevent financial crimes.

Summary

The Failure to Prevent Fraud offence applies to "large organisations" and those acting on their behalf if the fraud is committed with the intent to benefit, whether directly or indirectly:

- (a) the organisation itself, or
- (b) any individual or entity, including a subsidiary undertaking, to whom the associate provides services on behalf of the organisation.

This means that where the relevant body is not itself a large organisation, but a subsidiary of a body which is a large organisation, it will be in scope of the failure to prevent fraud offence. Organisations will only have a case against the offence if they are able to demonstrate reasonable procedures in place to prevent fraud.

Large organisations are defined as meeting two out of three of the following criteria:

- Turnover exceeding £36 million
- Balance sheet total over £18 million
- More than 250 employees

The offence under imposes strict liability:

- Senior managers do not need to be aware of the fraud for liability to apply.
- The organisation is liable unless it can demonstrate reasonable fraud prevention procedures.
- Individuals involved in the fraud can still be prosecuted separately.

The UK Home Office has issued guidance on six key principles to help organisations develop effective fraud prevention measures:

1. Risk Assessment: Identify areas vulnerable to fraud.
2. Proportionality of Procedures: Tailor measures to organisational risk.
3. Top-Level Commitment: Senior management must actively support fraud prevention.
4. Due Diligence: Screen third parties and partners to mitigate fraud risk.
5. Communication & Training: Ensure staff understand their responsibilities and communicate the firm's Prevention of Fraud policies to Associated Persons.
6. Monitoring & Review: Horizon scan, review and regularly update fraud prevention procedures.

Conclusion

Failure to implement reasonable fraud prevention procedures could result in corporate liability. **With the 1**

September 2025 deadline approaching, organisations must take proactive steps to identify the impact on their business activities and implement appropriate policies and procedures accordingly.

For more information on how we can help your organisation navigate the Prevention of Fraud Offence or the Companies House changes brought about by the ECCTA, contact your Optima consultant.

Useful Links

[Economic Crime and Corporate Transparency Act 2023: Guidance to organisations on the offence of failure to prevent fraud \(accessible version\) - GOV.UK](#)

[Economic Crime and Corporate Transparency Act 2023](#)

[Economic Crime and Corporate Transparency Act 2023: Factsheets - GOV.UK](#)

[Optima Alert November 2024](#)

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