

# SOCA ALERTS

## Alert A1A446N

### Criminal Uses of Residential and Commercial Property (2011 Edition)

This Amber SOCA Alerts product is issued by the Serious Organised Crime Agency (SOCA) in collaboration with partners. It warns of dangers and threats from serious organised criminality. It is devised with the aim of bringing about preventative or remedial action. We recommend you use this SOCA Alert to complement existing knowledge and support ongoing improvements to your business processes and procedures.



SOCA is a Home Office Non-Departmental Governmental Body

This SOCA Alert has been produced by SOCA in collaboration with the following partners:



July 2011

## **Criminal Uses of Residential and Commercial Property (2011 Edition)**

### **Overview**

In 2009, SOCA Alerts released a product titled 'Criminal Uses of Residential Properties'. This document provided an insight into how rented domestic properties were being used by organised crime groups to facilitate a wide range of criminal offences, including drug production, child exploitation, DVD counterfeiting, prostitution and 'mass-marketing' fraud.

Intelligence continues to suggest that this information is still relevant, so along with partner agencies, SOCA has produced an updated version.

### **What we would like you to do**

This document is primarily aimed at landlords and lettings businesses that own or manage domestic and commercial rental properties. However, we acknowledge that other businesses, including fast parcel, postal, utility and local authorities, can also play a vital role in identifying and reporting suspicious activity.

By remaining vigilant, you will help reduce the opportunities for criminals to use rental properties for criminal gain and in doing so, avoid the significant financial losses that can occur due to damage to property and other liability costs.

Please use this guide to remind yourselves of the types of criminality that can take place. On page 9 you will find details of where to report your suspicions and on page 12, a useful aide memoire that provides a range of indicators associated with these types of crime.

## Information Report

### DRUG PRODUCTION

Since March 2008, the 3,032 reported<sup>1</sup> **cannabis farms**, many of which were located in discreet residential and commercial premises have more than doubled in number.

After cannabis was reclassified from a class C to a class B drug in January 2009, there was increased media interest around its domestic cultivation. As a result, police went on to receive an increased number of reports of suspicious premises by the public (including postal workers, refuse collectors, Neighbourhood Watch members, delivery firms and utility companies).

*Case study 1 - Police in the West Midlands discovered two Vietnamese nationals in the bricked up basement of a commercial building in Birmingham. Both men had been provided with all the necessary food, cooking and toilet facilities to last for several weeks.*

*The site was only discovered because of the smell of cannabis and because of the new type of brickwork used to seal the entrance.*

### Recent developments



The images to the left are of new types of light source recently found in a cannabis farm in London. Used to stimulate plant growth, these devices emit less heat than traditional light sources making it more difficult for law enforcement to detect these activities through thermal imagery.

The image to the right is an adapted bulb that was found in a cannabis farm. Its construction prevents its heat from escaping into the air; instead it passes along tubing then through an outlet in a wall. This method allows for the heat to be dissipated and easily mistaken for an everyday household item, such as a tumble dryer and not the light source from a cannabis farm.



<sup>1</sup> Extract from UK National Baseline Assessment on the Commercial Cultivation of Cannabis, reporting period April 2007 to March 2008

## **SYNTHETIC DRUG PRODUCTION**

Like cannabis production, rental properties can be used to hide the illegal production of synthetic drugs such as methamphetamine ('ice' or 'crystal meth'), amphetamine ('speed'), LSD and MDMA ('ecstasy'). Much of the production process is very hazardous and uses a number of potentially harmful chemicals. Additionally, there is a potential for severe adverse chemical reactions which can cause explosions and the release of toxic fumes.

**Note:** Properties used as drug factories or farms have, in the past, been protected by 'booby traps', such as wiring the door handles and window frames to the mains electricity supply. While this presents a serious risk of injury or death to individuals, it has also left many properties ruined. In some cases, criminals have even started fires in an attempt to destroy evidence, which due to the nature of the claim; has left owners unable to claim against their insurance.

## **EXPLOITATION OF CHILDREN**

The Child Exploitation and Online Protection Centre (CEOP) is the UK's national lead for issues involving the abuse and exploitation of children.

In relation to cannabis farming, child victims have in the past been used to manage the cultivation of the crop. Coming from any ethnic background the children, defined as a person under the age of 18, have been found at a number of premises. As CEOP report that demand for cannabis is currently far outstripping supply for domestic cultivation, criminals may seek to increase the production of home grown cannabis through the use of child labour, rather than the less profitable option of importing it.

## **HUMAN TRAFFICKING**

The UK Human Trafficking Centre (UKHTC) has seen a significant increase in intelligence on labour exploitation and the conditions in which workers are housed. These workers housed in properties often live in cramped conditions, leading to additional problems relating to hygiene and the possible damage to property associated with overcrowding. Domestic premises as well as factories, warehouses and other commercial buildings may be used in this way.

A point to note: The UKHTC have also discovered that children are being trafficked into and within the UK for the purposes of sexual exploitation and abuse of the child tax credits/benefits systems.

## PROSTITUTION

Trafficked persons and many illegal immigrants (who cannot afford the smugglers fees), are often found working within the sex industry. To accommodate the increase in supply of workers, brothel keepers and escort agencies have used rented residential properties. It is worth noting that properties at the higher end of the rental market have been just as vulnerable to abuse as cheaper rental properties.

*Case study 2 - In once such case, a 'madam' was sentenced to 20 months in prison after she pleaded guilty to four counts of managing a Cheshire brothel. These included one count of controlling prostitution for gain and one count of trafficking human beings within the UK for sexual exploitation.*

*In addition to her sentence, she received a confiscation order for the sum of £42,095 for proceeds made from her business activities and cash obtained from state benefits. From this investigation, police were able to identify a national coordinated network of that bought in Chinese illegal immigrants to work in sex industry.*

## MASS MARKETING FRAUD

Mass marketing fraud or 'mail scams' continue to target individuals, particularly the elderly and vulnerable, and businesses in the UK. Using 'sucker lists' of potential victims; the single aim of these forms of deception is to con people out of their money. Victims have included people who have lost their life savings through believing they are the winner of a lottery, or in responding to soldier in a lonely hearts column. Criminals will often use the details of rented properties as a business or return address, even though they often operate from outside of the UK jurisdiction. An indicator of this practice may be the appearance of a large volume of continuous mail.

## FIREARM CONVERSION FACTORIES

These are premises where the conversion and re-activation of illegal firearms take place. All manner of properties have been used from a garden shed, to a bedroom, even an old engineering workshop. Depending on the size of operation, these activities may be more obvious than others.



Some are simple workshops with basic tooling; others have included firing ranges in soundproofed buildings using polystyrene sheets. Where you suspect a property has been used, you should immediately report your suspicions to the local police.

## ORGANISED COUNTERFEITING

*Case study 3 - In a recent case, Lothian and Borders Police seized 10,000 counterfeit DVDs during a house search in Edinburgh. As well as the DVDs, officers also found drugs, swords, knives and a stun-gun.*

*This seizure also demonstrates the range of criminal activities that may take place in residential properties.*

Counterfeit production is not a victimless crime; it can affect everyone. Rented residential properties can be used by organised criminals to store counterfeit goods, or as clandestine counterfeiting bases in which copying equipment is used for the wholesale reproduction of music and film titles. Organised criminals are also known to use rented commercial premises as unlicensed sex shops to sell pornographic materials such as magazines, DVDs and videos. Criminals have also been known to use residential and commercial properties for unlicensed cinemas, although these are generally linked to the sex trade.

While counterfeit music and DVD production might only appear to impact on the sales of corporate giants within the music and film industry, it is often directly connected and finances other forms of serious crime. The use of inferior materials to produce poor or unsafe goods, such as counterfeit clothing or electronic products also undermines legitimate businesses. As well as the impact these activities have on the UK economy, it is also the harm these products can cause to the individual.

### **ENERGY THEFT**

Cases involving cannabis production and counterfeiting of DVDs have included evidence of tampering with service connections and electricity meters. Criminals will often tamper with the electrical supply to avoid paying the cost, or significantly overload it, which increases the likelihood of serious injury, shock, electrocution, fire or even an explosion. These actions, while dangerous, can also enable criminals to mask their illegal activities while maximising profit.

One way of trying to prevent the misuse of energy supplies is for property owners to have tamper-proof meters installed on their properties. This might form one of the conditions within the terms of a tenancy contract.

### **The vulnerabilities – becoming involved in organised crime**

Illegal activity can take place when insufficient due diligence checks are carried out on the prospective tenant. Common failures include:

- Limited or no background checks are undertaken other than seeing a passport or an identity document from a prospective tenant.
- Accepting minimal references such as a telephone number which is stated to belong to a previous landlord.

- Failure to take any bank or employment details *possibly* because the rent is paid in cash.
- Not following up and obtaining promised references.
- Not undertaking regular inspections of the property.
- Failure to challenge reports of tradesmen or utility providers being denied entry to the property to conduct routine maintenance or take meter readings.
- Not intervening when sub letting of the property becomes evident.
- Failure to report suspicions or concerns to the police or other authorities.

## **Risks to you as the Landlord or Letting Agent**

**Loss of Rental Income  
Damage to Property and Cost of Repairs  
Blacklisting by Mortgage Brokers and Insurance Providers  
Threat of Civil Action or Criminal Prosecution  
Personal Injury Claims**

### **Consequences for a landlord**

Criminal activities such as the ones described in this report can carry a serious threat to the health and safety of occupiers and neighbours; through flooding, fire, explosions and exposure to toxins. There are also environmental risks, anti-social behaviour, as well as criminal damage to properties. In some cases, properties have been so badly damaged or exposed to hazardous toxins that the property is deemed unfit for future habitation, as well as being blacklisted by mortgage lenders and insurance providers.

Under the Misuse of Drugs Act 1971, a landlord or property manager can be investigated and if convicted, receive a maximum of 14 years in prison and/or a fine if they allow the production of controlled drugs to take place in accommodation owned or controlled by them. Under this legislation there is also the potential for premises to be seized or forfeited.

Under the Proceeds of Crime Act 2002, the rental income from a property used in criminal activities could constitute the proceeds of crime. For example, any rental income from a person found to be organising or controlling a brothel could be interpreted as 'living on the earnings of a prostitute'. Anyone disguising the source of

income as being legitimate rather than criminal, or knowingly allowing such income to be generated, could be deemed an accomplice and prosecuted for money laundering.

Dependent on the level of involvement, some landlords could find themselves being categorised as the employer. Therefore, any assistance (whether innocent or otherwise) that is given to the tenants could incriminate a landlord and lead to them being convicted as complicit in the crime. For example, some landlords may assist tenants in opening bank accounts, advertising, procuring goods and services etc. Without due diligence, these actions could lead to a landlord to being exposed to charges of criminal involvement.

It is therefore important that at all times steps are taken to validate the identity and references of a prospective tenant(s), carry out regular inspections on the property, challenge inappropriate behaviour and - if necessary - report suspicious activities to the authorities. Together with a greater awareness of the potential risks, this will help protect legitimate landlords/letting agents from being unwitting participants in the facilitation of crime and from possible civil or criminal proceedings.

### **How to report your suspicions**

It is important to stress that none of the types of criminal activity mentioned in this SOCA Alert are victimless crimes. If you suspect a particular type of criminality is taking place at a property, please contact Crimestoppers anonymously on 0800 555 111 or via their website [www.crimestoppers-uk.org](http://www.crimestoppers-uk.org). Alternatively, you can contact the relevant authority as listed below or the police.

To report child abuse, or instances of child trafficking, you should call the Child Trafficking Advice and Information Line (CTAIL) on 0800 107 7057 or go to: [www.ceop.police.uk/report-abuse/](http://www.ceop.police.uk/report-abuse/).

For fraud related matters you can report this to [www.actionfraud.org.uk](http://www.actionfraud.org.uk) or by telephone on 0300 123 2040. More information and advice about mass marketing fraud can also be found by visiting Consumer Direct at [www.consumerdirect.gov.uk](http://www.consumerdirect.gov.uk).

## Additional Information – Money Laundering

Money laundering offences are defined in Section 7 of the Proceeds of Crime Act (POCA) 2002. Offences include receiving, transferring or disguising the proceeds of crime. Criminals will seek to obtain assistance from otherwise legitimate businesses to distance themselves from the proceeds of crime, or to move the proceeds beyond the reach of UK law enforcement. If you think you are about to be or have been used to facilitate a crime, or as a vehicle for money laundering, then you should report it to the police as soon as possible.

Where businesses actively help criminals launder their proceeds, POCA allows for sentences of up to 14 years in jail. In addition, under certain circumstances, criminal confiscation and or civil recovery action can be taken following prosecution for money laundering offences. For more information visit [www.soca.gov.uk](http://www.soca.gov.uk)

More information about responsibilities associated with the reporting of money laundering can be obtained from business professionals who may be directly linked to your business. For instance you may be able to discuss this Alert with your company accountant, solicitor or a banking representative.

If, as a result of information provided to you by SOCA, you know or suspect that there has been money laundering or terrorist financing activity you can also make a report to SOCA under Part 7 Proceeds of Crime Act 2002 and the Terrorism Act 2000. Whilst this reporting method is mandatory to businesses that fall within the reporting sector<sup>2</sup>, it is also open to other businesses, outside of the financial sector, as a means of reporting suspicions about money laundering. If you decide to make a report in this way we request that you include the key word **AA446AA** within the text. This reference is specific to the Alerts process and helps us to manage similar topic reports. Guidance on making suspicious activity reports is available at [www.soca.gov.uk](http://www.soca.gov.uk).

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<sup>2</sup> Businesses that fall within the reporting sector are articulated within the Proceeds of Crime Act 2002.

## Feedback

The SOCA Alerts process is the way in which SOCA provides information to the private sector. To help us to improve this service, we would welcome any feedback you have on both the Alert itself and the information provided to you. Please email all feedback to [alerts@soca.x.gsi.gov.uk](mailto:alerts@soca.x.gsi.gov.uk) and include the reference **AA446AA** in the subject line.

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POTENTIAL CRIME INDICATORS	Firearm Factories	Illicit Drug Production	People Trafficking	Prostitution & Child Exploitation	Counter-fetting	Mass Marketing
<b>THE TENANCY</b>						
The duration of the let is usually short (possibly less than six months)		✓	✓		✓	
The purpose and the duration of the let is vague		✓	✓	✓		✓
Rent is paid in cash, either in full or for a significant period of the let	✓	✓	✓	✓	✓	✓
Cheap properties with a large floor area	✓	✓	✓			
Cheap properties with multiple rooms		✓	✓	✓	✓	
Properties that provide discreet access/egress	✓	✓	✓	✓	✓	✓
Domestic properties, often in respectable areas, with good transport links and close to town centres - make excellent distribution hubs	✓	✓	✓	✓	✓	✓
Physical signs and the appearance of the tenant might be associated with drug abuse, e.g. unfriendly, secretive, pensive, nervous etc	✓	✓	✓	✓		
Frequent visitors, large numbers of people, a disproportionate number of children to adults, signs of long term multiple occupancy		✓	✓	✓	✓	✓
<b>PHYSICAL SIGNS RELATING TO TENANTED PROPERTY</b>						
Excessive use of air fresheners, strong, sweet, or pungent smells and fumes such as ammonia/bleach, cat urine, strong solvent and burnt rubber		✓				
Type and levels of noise are inconsistent with the type of property, e.g. the noise from machinery or equipment, numbers of people, vehicles	✓	✓	✓		✓	
Windows remain closed, even in warm weather. Blinds or curtains are always drawn; windows blacked out with foil/bin bags to stop anyone seeing inside; walls insulated and soundproofed	✓	✓			✓	
Signs of electrical equipment, temporary power sockets, extension leads and cabling visible inside. Signs of interference to the electrical supply	✓	✓			✓	
Excessive rubbish and waste inconsistent with normal use of the property, e.g. chemical containers, cold medication packaging, refuse or other industrial type materials, black spray paint cans	✓	✓	✓		✓	
High volumes of traffic - people coming and going at all times of the day and night, including deliveries or collections	✓	✓	✓	✓	✓	
Access to premises denied to landlords, neighbours or other visitors	✓	✓	✓	✓	✓	✓
Signs of laboratory glassware and associated equipment		✓				
Despite being rented the property may appear unoccupied					✓	✓
High volumes of mail delivered – letters or official documentation				✓		✓
<b>THE RISKS AND POTENTIAL OUTCOMES</b>						
<ul style="list-style-type: none"> <li>• LOSS OF RENTAL INCOME, BLACKLISTING BY MORTGAGE AND INSURANCE PROVIDERS</li> <li>• Fire hazard through bypass or tampering with the electricity supply. In some instances tenants will deliberately start a fire to a property to cover their tracks before a police raids occurs</li> <li>• Physical damage to the internal fabric of the property including water damage from hydroponics use</li> <li>• Hazards from booby traps - set up when the property is unoccupied e.g. electric wires attached to door knobs and window frames</li> <li>• Cost of removal of waste and rubbish, repair and redecoration. In extreme cases the building may require to be demolished if through contamination of off hazardous substances it is declared unsafe by Local Authorities or Health and Safety officials</li> <li>• Inconvenience that will be encountered following a police raid and investigation</li> <li>• The potential of facing a criminal prosecution if clear audit and clarity of role cannot be established in respect of the letting of the property</li> </ul>						



### Protecting this document

This is a government document that has been graded as **NOT PROTECTIVELY MARKED**. There are no specific requirements for storage or disposal and it can be considered as safe for wide distribution within your organisation. This can extend to its use for training or awareness programmes for staff. However, unless otherwise specified, this information is not intended for general public dissemination and should not be included on public facing websites, external mailing lists, social media or other outlets routinely used by you to deliver information to the public. We therefore request that you risk manage any onward dissemination in a considered way.

### Alert Coloured Roundels

SOCA Alerts are marked with either a Red or Amber Roundel. This is designed to indicate the urgency of the warning. Red may indicate a more immediate or specific threat, whilst those marked Amber will provide more general information that may complement existing knowledge.

### SOCA Prevention Department

Recognising that the private sector is often the victim of serious organised crime and is engaged in its own efforts to prevent, deter and frustrate criminal activity, SOCA's Prevention Department seeks to forge new relationships with business and commerce that will be to our mutual benefit – and to the criminals' cost. By issuing Alerts that warn of criminal dangers and threats, SOCA seeks to arm the private sector with information and advice it can use to protect itself and the public. For further information about this SOCA Alert, please contact the SOCA Alerts team by email [alerts@soca.x.gsi.gov.uk](mailto:alerts@soca.x.gsi.gov.uk) or by telephoning 020 7238 8541. For more information about the Serious Organised Crime Agency go to [www.soca.gov.uk](http://www.soca.gov.uk).

### Reducing harm – Providing information back to SOCA

We would like to remind you of the provisions contained in Section 34 Serious Organised Crime and Police Act 2005. These provisions say that any information provided by you to SOCA, in order to assist SOCA to discharge its functions which include the prevention and detection of crime, will not breach any obligation of confidence which you may owe to any third party or any other restriction on the disclosure of information. S34 requires that disclosures of personal information about living individuals by you to SOCA must still comply with the provisions of the Data Protection Act 1998 (DPA), but you may be satisfied that disclosure by you of such personal information to SOCA in order to assist SOCA to prevent and detect crime is permitted by the DPA. Please, therefore, submit all S34 information to [alerts@soca.x.gsi.gov.uk](mailto:alerts@soca.x.gsi.gov.uk).

### Handling advice – Legal information

*This information is supplied by SOCA under Section 33 of the Serious Organised Crime and Police Act 2005. It is exempt from disclosure under the Freedom of Information Act 2000. It may also be subject to exemption under other UK legislation. Except where permitted by any accompanying handling instructions, this information must not be further disclosed without reference to SOCA in accordance with Section 35(1) of the Serious Organised Crime and Police Act 2005.*

*This report may contain 'Sensitive Material' as defined in the Attorney General's guidelines for the disclosure of 'Unused Material' to the defence. Any sensitive material contained in this report may be subject to the concept of Public Interest Immunity. No part of this report should be disclosed to the defence without prior consultation with the originator.*

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