

Failure to Prevent Fraud

1 September 2025

The government issued guidance on the new corporate offence of failure to prevent fraud (under s199 of the Economic Crime and Corporate Transparency Act), on 6 November 2024.

[Relevant organisations](#) must implement fraud prevention procedures or risk an unlimited fine.

What organisations are in scope?

The offence applies to '**large organisations**', defined in the legislation as those meeting at least two of the following conditions, a turnover of more than £36m, more than £18m in total assets, or more than 250 employees. It also applies to their **subsidiaries** regardless of where the organisation is headquartered or where subsidiaries are located.

However, **smaller organisations** should be aware that they may fall under the definition of an 'associated person' (a person or entity whose actions, in effect, may lead to the prosecution of a large organisation) while they provide services for or on behalf of large organisations. In these circumstances, small organisations may be subject to contractual or other requirements imposed by large organisations in respect of the failure to prevent [fraud offence](#).

Recap on the offence

A relevant organisation will be criminally liable where a specified fraud offence is committed by a person associated with the organisation (such as an employee or agent) with the **intention** of **benefiting** the organisation or its clients. If the organisation is a victim of the offence, it is not criminally liable.

It is a strict liability offence, meaning that there is no requirement to prove the organisation, or its senior managers had any prior knowledge of the fraud, for the offence to be committed.

The definition of a 'specified fraud offence' (or 'base fraud') captures the fraud and false accounting offences most relevant to large organisations, such as fraud by false representation, false accounting, false statements by company directors and cheating the public revenue.

How does a large organisation defend itself?

The only defence is that at the time of the offence, the organisation had reasonable fraud prevention procedures in place. Failure to implement a robust, proportionate fraud prevention framework may lead to dire consequences for a large organisation – the maximum penalty for a conviction under the offence is an unlimited fine.

Organisations need to act now

The focus on fraud committed for the intended **benefit** of the organisation is significant and may mean that existing fraud risk assessments and associated procedures are no longer sufficient to meet the requirements of the new legislation. Up until now, organisations have generally concentrated their attention and resources on fraud that could harm their businesses. The new legislation means that organisations should review their existing fraud prevention frameworks to ensure that they are fit for purpose and could protect them from potential prosecution.

The [government guidance](#) outlines **six principles** that organisations should implement, to prevent a specified fraud offence from being committed and to protect themselves from potential prosecution for the failure to prevent it. The principles are consistent with the prevention procedures already found in the other corporate 'failure to prevent' offences (bribery and the facilitation of tax evasion):

- Top level commitment.
- Risk assessment.
- Proportionate, risk-based prevention procedures.
- Due diligence.
- Communication (including training).
- Monitoring and review.

Organisations should act now to ensure that they have sufficient time to undertake the fraud risk assessment and make the appropriate changes, to rely on the defence by 1 September 2025.

Organisations may already have existing procedures for investigating frauds or attempted frauds against them. However, it is likely that they need to extend them to cover frauds that are intended to benefit the organisation.

Questions to consider:

- Could your organisation be in scope of this offence?
- Do you have a steering committee set up to drive this agenda?
- Have you commenced a risk assessment to consider fraud risks as a potential beneficiary of fraud?
- Is your organisation clear on the identity of its 'associated persons'?
- Have you updated policies, communicated the approach and updated controls?

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