



The impact of Covid-19

The economic downturn and the vulnerability of SMEs from Serious Organised Crime

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**Scottish Business
Resilience Centre**

THE RESPONSE TO COVID – 19 BY SMES

As many businesses struggle due to financial hardship, they will seek out possible business strategies to lighten the shock, and look to government initiatives, deferred tax payments, business rate relief and bounce back loans to provide support. When these legitimate options have been exhausted, SMEs may become desperate and look for quick and risky solutions they would not have previously considered. Beware of the ever present threat from SOC as they move in to fill that funding gap and offer very attractive investment deals or loans. SMEs should be aware of the old adage:

‘If it appears too good to be true – it probably is.’

This is particularly relevant to cases where the company that is struggling has a good trading record, is well known locally and in particular, has ongoing public sector/local government contracts. Some of these businesses will be vulnerable with their cash flow hit and balance sheets under pressure. The temptation to sell out to apparently cash rich buyers - or to take on an investment or ‘Business loans’ from them - is likely to be irresistible to some.

THE RISK OF ENGAGING WITH SOC LINKED BUSINESSES

- SOC linked businesses have funding models that have the advantage of criminal cash behind them. This enables them to facilitate unfair attractive bids when applying for contracts.
- The presence of a SOC linked company will squeeze out legitimate local competition
- While the new business runs in the foreground, Serious Organised Crime runs in the background. The new business is linked to this and therefore supports the SOC business model

- The new SOC linked business will be used as a front to conduct criminal activities behind the guise of a legitimate business. Cash, drugs, weapons, stolen goods and victims of human trafficking all need moved around. Will your business be used to do this?
- The new SOC linked business may be used to launder criminal proceeds through clever accounting
- As well as money laundering, your business may be used to indulge in shortcuts, unscrupulous or fraudulent activity all designed to maximise profit margins at the expense of hard earned business ethics and integrity
- Maximising profit margins is often at the expense of others, including the exploitation of human beings through human trafficking or modern slavery.
- As owner, Director or shareholder – There is a fairly good chance that you may lose control of your business
- The profits from the new business may be used to fund further other serious criminality – thus completing a ‘vicious circle’ and adding to the misery that SOC brings to local communities
- Much of the above activity will gain the attention of law enforcement agencies and you may become involved in criminal investigations

SUPPORT FOR SMES

Careful consideration should be given to seemingly lucrative opportunities. Support is available from a number of sources (not exhaustive);

Scottish Business Resilience Centre

<https://www.sbrcentre.co.uk/>

Scottish Government support

<https://www.gov.scot/publications/coronavirus-covid-19-support-for-businesses/pages/business-support-fund/>
<https://findbusinesssupport.gov.scot/>

Scottish Enterprise

<https://www.scottish-enterprise.com/support-for-businesses/coronavirus-covid-19-advice>

UK Government

<https://www.gov.uk/guidance/coronavirus-covid-19-information-for-individuals-and-businesses-in-scotland>

Citizens Advice Scotland

<https://www.cas.org.uk/>

OTHER USEFUL LINKS

Find your local council

<https://www.mygov.scot/find-your-local-council/>

Police Scotland

<https://www.scotland.police.uk/>

Crimestoppers


<https://crimestoppers-uk.org/>


Scotland's Serious Organised Crime Strategy

<https://www.gov.scot/publications/scotlands-serious-organised-crime-strategy/>

Given the rapid pace of developments, the overview of the impact of Covid upon SOC is not a comprehensive position and as such responses to this and what this means for SMEs are still very much a work in progress. This alert is the 1st response to this issue and will be updated accordingly.

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