



# Fraud-Enabled Terrorism Financing: A Neglected Dossier

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## About Project CRAAFT

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## Introduction

Terrorists are able to obtain finances from a wide range of sources as illustrated by those used by the Irish Republican Army (IRA), Al-Qa'ida, Hamas, Hizbullah, Boko Haram, Al-Shabaab and the Islamic State.<sup>1</sup> It was not until 9/11 that the international community instigated the 'Financial War on Terrorism', which was based on a series of counterterrorist financing legislative measures from the UN, EU and the Recommendations from the Financial Action Task Force (FATF).<sup>2</sup> The Financial War on Terrorism consists of five mechanisms: criminalisation; confiscation or forfeiture; asset freezing; a designated terrorism sanctions regime; and the use of suspicious activity reports. These mechanisms, especially the sanctions regime, have been able to limit the funding avenues of some terrorist groups, such as Al-Qa'ida.<sup>3</sup> Therefore, as terrorists have been increasingly unable to secure enough funding via their traditional methods, they have had to turn towards other alternative sources, such as fraud. The legislative provisions have forced terrorism financiers to adapt their funding mechanisms and move away from their traditional funding sources.<sup>4</sup> This paper presents evidence that terrorism financiers have used fraud to obtain funding, often without detection, and it

identifies a new and updated terrorism financing fraud typology.

Typologies have been used by the FATF and the IMF to identify the funding requirements of terrorist organisations.<sup>5</sup> Typologies have focused on identifying the different types of fraudulent activity.<sup>6</sup> Similarly, the Financial Conduct Authority, the National Fraud Authority, the Home Office and commentators have focused on identifying typologies of the victims of fraud.<sup>7</sup> Despite their merit, the typologies have failed to identify the link between terrorism financing and fraud. For instance, the Home Office typology acknowledges that fraud is associated with other types of crime, but does not refer to terrorism. Conversely, there are a small number of typologies which have focused on terrorism financing and fraud.<sup>8</sup> This research adds to the existing literature by highlighting how terrorism financiers have been able to accrue funding by different types of fraud, which this paper identifies as a terrorism financing fraud typology.

1. For general information, see HM Government, *Economic Crime Plan 2019–22* (London: The Stationery Office, 2019). For Al-Qa'ida, see Juan Miguel del Cid Gómez, 'A Financial Profile of the Terrorism of Al-Qaeda and its Affiliates', *Perspectives on Terrorism* (Vol. 4, No. 4, 2010), pp. 1–25; Jimmy Gurule, *Unfunding Terror: The Legal Response to the Financing of Global Terrorism* (Cheltenham: Edward Elgar, 2008), chapters 2 and 3. For Hamas, see Counter Extremism Project, 'Hamas', <<https://www.counterextremism.com/threat/hamas>>, accessed 8 June 2020. For Hizbullah, Boko Haram and Al-Shabaab, see Financial Action Task Force (FATF), 'Terrorist Financing in West and Central Africa', October 2016; FATF, 'Emerging Terrorist Financing Risks', October 2015. For the Islamic State, see FATF, 'Financing of the Terrorist Organisation Islamic State in Iraq and the Levant', February 2015.
2. See Nicholas Ryder, *The Financial War on Terrorism: A Review of the Counter-Terrorist Financing Strategies Since 2001* (London: Routledge, 2015).
3. See Christopher Michaelsen, 'The Security Council's Al Qaeda and Taliban Sanctions Regime: "Essential Tool" or Increasing Liability for the UN's Counterterrorism Efforts?', *Studies in Conflict and Terrorism* (Vol. 33, No. 5), pp. 448–63 and J Gurule, J. *Unfunding Terror - The Legal Response to the Financing of Terror* (Cheltenham: Edward Elgar, 2008).
4. See Nicholas Ryder, 'A False Sense of Security? An Analysis of Legislative Approaches Towards the Prevention of Terrorism Finance in the United States and the United Kingdom', *Journal of Business Law* (2007), pp. 821–50; Umut Turksen and Nicholas Ryder, 'Banks in Defense of the Homeland: Nexus of Ethics and Suspicious Activity Reporting', *Contemporary Issues in Law* (Vol. 12, No. 4, 2014), pp. 311–47.
5. See FATF, 'Terrorist Financing', 29 February 2008; IMF, 'Anti-Money Laundering/Combating the Financing of Terrorism – Topics', <<https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm>>, accessed 1 January 2020.
6. See, for example, KPMG, 'Global Banking Fraud Survey', May 2019, p. 6.
7. Shannon Harvey et al., 'Understanding Victims of Financial Crime: A Qualitative Study with People Affected by Investment Fraud', NatCen, 3 March 2014, pp. 36–45; National Fraud Authority, 'Fraud Typologies and Victims of Fraud: Literature Review', 2009; Home Office, *The Scale and Nature of Fraud: A Review of the Evidence* (London: The Stationery Office, 2018); Michael Levi, 'Organized Frauds and Organizing Frauds: Unpacking the Research on Networks and Organization', *Criminology and Criminal Justice* (Vol. 8, No. 4, 2008), pp. 389–419.
8. See, for example, Frank Perri and Richard Brody, 'The Dark Triad: Organized Crime, Terror and Fraud', *Journal of Money Laundering Control* (Vol. 14, No. 1, 2011), pp. 53–56; Michael Freeman, 'The Sources of Terrorist Financing: Theory and Typology', *Studies in Conflict and Terrorism* (Vol. 34, No. 6, 2011), pp. 465–71.

## The Terrorism Financing Fraud Typology

The association between terrorism financing and fraud has been identified by Europol, the IMF, the FATF, the National Commission on Terrorist Attacks, the UN and the US Department of the Treasury.<sup>9</sup> However, these sources only provide evidence of a generic association between terrorism financing and fraud. In order to enhance our understanding of the link between terrorism financing and fraud, it is necessary to conduct a more detailed review of the literature and judicial precedent.

### Immigration Fraud and Identify Theft

Identity theft provides a useful starting point from which to map the relationship between terrorism financing and fraud. Identity theft, according to the FBI, is ‘a key catalyst fuelling many [terrorism financing] methods’.<sup>10</sup> The association between identity theft and terrorism financing is associated with the attacks on the World Trade Center

in 1993 and 2001.<sup>11</sup> The 9/11 Commission noted that ‘all but one of the 9/11 hijackers acquired some form of US identification document, some by fraud’.<sup>12</sup> Norman Willox and Thomas Regan went a step further and concluded that *all* of the 9/11 terrorists were involved in some type of identity theft.<sup>13</sup> Convictions for terrorism financing in the US include Mahmoud Youssef Kourani, Mohamad Youssef Hammoud and Barry Walter Bujol Jr.<sup>14</sup> Within the UK, Ciaran Maxwell pleaded guilty to preparation of terrorist acts, possession of a controlled drug and possession of articles to use in fraud. Here, the defendant ‘took images of other people’s bank cards and identity documents when he had access to them whilst they were on operations. He did so with the intention of using them in online [identity] fraud’.<sup>15</sup> Other convictions for identity theft and immigration fraud included Abderrahman Bouanane who was living illegally in Finland and using a false identity.<sup>16</sup> These cases illustrate that the first stage for a terrorism financier to obtain access to funding is to commit immigration fraud to illegally enter a country.<sup>17</sup>

9. Europol, ‘European Union Terrorism Situation and Trend Report 2017’, 2018, p. 12; IMF, ‘Anti-Money Laundering/Combating the Financing of Terrorism – Topics’; Laura Donohue, ‘Anti-Terrorist Finance in the United Kingdom and United States’, *Georgetown Law Faculty Publications and Other Works* (2006), pp. 315–16; Keith Maguire, ‘Fraud, Extortion and Racketeering: The Black Economy in Northern Ireland’, *Crime, Law and Social Justice* (Vol. 20, No. 4, 1993), pp. 273–92; FATF, ‘Terrorist Financing’; National Commission on Terrorist Attacks Upon the United States, ‘Monograph on Terrorist Financing’, 2004, p. 19; UN Office on Drugs and Crime (UNODC), ‘Digest of Terrorist Cases’, 2010, p. 32; US Department of the Treasury, ‘National Terrorist Financing Risk Assessment 2015’, 2015, p. 16.
10. See Dennis M Lormel, Terrorist Financial Review Group, testimony before the Senate Judiciary Committee, Subcommittee on Technology, Terrorism, and Government Information, 9 July 2002; UNODC, ‘Economic Fraud and Identity Related Crime’; Neil Robinson et al., ‘Comparative Study on Legislative and Non Legislative Measures to Combat Identity Theft and Identity Related Crime: Final Report’, June 2011, p. 18.
11. 9/11 Commission, ‘The 9/11 Commission Report’, 2004, p. 72. The relationship between immigration fraud and terrorism financing was illustrated by the conviction of Ibrahim Elgabrowni for using false passports. He was a messenger during the 1993 World Trade Center attack.
12. 9/11 Commission, ‘The 9/11 Commission Report’, p. 390.
13. Norman Willox and Thomas Regan, ‘Identity Fraud: Providing a Solution’, *Journal of Economic Crime Management* (Vol. 1, No. 1, 2002), pp. 1–15.
14. See US Immigration and Customs Enforcement, ‘Mohamad Youssef Hammoud Sentenced to 30 Years in Terrorism Financing Case’, press release, 27 January 2011; US Department of Justice, ‘Texas Man Gets Max for Attempting to Provide Material Support to Al Qaeda’, 24 May 2012, <<https://www.justice.gov/archive/usao/txs/1News/Releases/2012%20May/120524%20Bujol.html>>, accessed 21 September 2020. Others who were convicted include Colleen LaRose and Jamie Paulin Ramirez, Amer Sinan Alhaggai and Naif Abdulaziz M Afallaj.
15. The Queen vs. Ciaran Maxwell, ‘Sentencing Remarks of Mr Justice Sweeney’, 31 July 2017, <<https://www.judiciary.uk/wp-content/uploads/2017/07/r-v-ciaran-maxwell-sentencing.pdf>>, accessed 1 October 2020.
16. Eurojust, ‘Terrorism Convictions Monitor’, No. 32, December 2018, p. 10; Jussi Rosendahl, ‘Knife Attacker Sentenced to Life in Finnish Court’, 15 June 2018.
17. See Martin Rudner, ‘Misuse of Passports: Identity Fraud, the Propensity to Travel, and International Terrorism’, *Studies in Conflict and Terrorism* (Vol. 3, No. 2, 2018), pp. 95–110.

## Credit Card, Personal Loan and Bank Fraud

The second type of fraud associated with terrorism financing is a combination of credit card, personal loan and bank fraud. Related convictions in the US included Khalid Awan and Zoobia Shahnaz.<sup>18</sup> The use of personal loan fraud was illustrated by the 7/7 bombings in London in 2005.<sup>19</sup> The government report concluded that this terrorist cell was ‘self-financed’ and that one of the terrorists, Mohammad Sidique Khan, ‘appears to have provided most of the funding ... [by] credit cards and a £10,000 personal loan. [Khan] defaulted on his personal loan repayments and was overdrawn on his accounts’.<sup>20</sup> Furthermore, Bilal Abdullah and Kafeel Ahmed funded a terrorist attack in Scotland by fraudulent loans credit cards.<sup>21</sup> Amedy Coulibaly funded an act of terrorism in Paris after securing a bank loan by using a fraudulent payslip.<sup>22</sup> Syed Rizwan Farook and Tashfeen Malik fraudulently obtained a loan prior to committing a terrorist attack in San Bernardino.<sup>23</sup> Mohammed Rehman and Sana Ahmed Khan were convicted of preparing acts of terrorism and possessing articles for terrorist purposes.<sup>24</sup> This planned attack was funded by payday loans.<sup>25</sup> Ghulam Hussain pleaded guilty to two terrorism-related offences after he

discussed his intention with an undercover police officer to travel to Syria to fight for the Islamic State, and how he had obtained funding for the trip by ‘fraudulently applying for credit cards’.<sup>26</sup> The ability of terrorism financiers to obtain access to this part of the typology is exacerbated by convenient credit.<sup>27</sup> Examples of convenient credit which terrorism financiers could exploit include non-commercial and commercial cash loans, credit tied to the purchase of goods and payday lenders.<sup>28</sup> The ease with which terrorism financiers could secure convenient credit is illustrated by research published by Citizens Advice, which concluded that credit card companies are lending ‘too freely’. The research concluded that approximately 6 million people received a credit limit increase without asking for it from their credit card providers.<sup>29</sup> Therefore, Ranstorp took the view that ‘[terrorist] recruits with good credit histories and those well placed to defraud financial institutions, as well as those with a network of contacts willing to provide funds, are particularly prized’.<sup>30</sup> Some terrorism financiers have used false identities to obtain funds via credit card, personal loan and bank fraud. This clearly illustrates the link between the first and second parts of the fraud typology.

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18. See FBI, ‘Khalid Awan Re-Sentenced to 14 Years’ Imprisonment for Providing Material Support and Resources to Indian Terrorist Organization’, 3 April 2012, <<https://archives.fbi.gov/archives>>, accessed 25 June 2020; US Department of Justice, ‘Long Island Woman Sentenced to 13 Years’ Imprisonment for Providing Material Support to ISIS’, press release, 13 March 2020, <<https://www.justice.gov/opa/pr/long-island-woman-sentenced-13-years-imprisonment-providing-material-support-isis>>, accessed 26 June 2020.
  19. See HM Government, *Report into the London Terrorist Attacks on 7 July 2005* (London: The Stationery Office, 2006).
  20. HM Government, *Report of the Official Account of the Bombings in London on 7th July 2005* (London: The Stationery Office, 2005), p. 23. For a more detailed discussion of the case, see Lewis Herrington, ‘British Islamic Extremist Terrorism: The Declining Significance of Al-Qaeda and Pakistan’, *International Affairs* (Vol. 91, No. 1, 2015), pp. 17–35, 29–30.
  21. Tom Keatinge and Florence Keen, ‘Lone-Actor and Small Cell Terrorist Attacks: A New Front in Counter-Terrorist Finance?’, *RUSI Occasional Papers* (January 2017), p. 13.
  22. *BBC News*, ‘Paris Attacks: Investigators Turn up New Leads’, 19 January 2015.
  23. The loan was paid to Farook by Proper, a California-based online lender. See Dan Whitcomb and Edward McAllister, ‘California Shooters Borrowed £28,000 Before Attack: Source’, 9 December 2015; US Department of Justice, ‘“Wife” of Man Facing Charges of Conspiring with Shooter in San Bernardino Attack Pleads Guilty to Entering into Sham Marriage’, press release, 26 January 2017, <<https://www.justice.gov/usao-cdca/>>, accessed 27 May 2020.
  24. Terrorism Act 2006 (UK), section 5; Terrorism Act 2000 (UK), section 57. Sana Ahmed Khan’s sentence was reduced on appeal to 23 years. *BBC News*, ‘“Silent Bomber” Plotter Who Planned London Terror Attack Has Sentence Cut’, 18 May 2016.
  25. *BBC News*, ‘“Silent Bomber” Plotter Who Planned London Terror Attack Has Sentence Cut’.
  26. Crown Prosecution Service, ‘R v Ghulam Hussain (2017)’, <<https://www.cps.gov.uk/counter-terrorism-division-crown-prosecution-service-cps-successful-prosecutions-2016>>, accessed 14 July 2020.
  27. See Nicholas Ryder and Rachel Thomas, ‘Convenient Credit And Consumer Protection – A Critical Review of the Responses of Labour and Coalition Governments’, *Journal of Social Welfare and Family Law* (Vol. 33, No. 1, 2011), pp. 85–95; Nicholas Ryder, Margaret Griffiths and Lachmi Singh, *Commercial Law: Principles and Policy* (Cambridge: Cambridge University Press, 2012).
  28. For example, the ‘Birmingham rucksack bomb plot’. See David Anderson, *The Terrorism Acts in 2012* (London: The Stationery Office, 2013), p. 26; *Evening Standard*, ‘Would Be Suicide Bombers Tried to Fund Terror Plot with Payday Loans’, 24 October 2012.
  29. Citizens Advice, ‘Uninvited Credit Limit Increases Push People Further into Debt’, 17 November 2017.
  30. Magnus Ranstorp, ‘Microfinancing the Caliphate: How the Islamic State is Unlocking the Assets of European Recruits’, *CTC Sentinel* (Vol. 9, No. 5, 2016), p. 11.

## Tax Fraud

Tax fraud is a frequently used method of terrorism financing. For example, in the US, tax fraud convictions associated with terrorism financing include Pedrouz Sedaghaty and Soliman Hamd Al-Buthe,<sup>31</sup> and Emadeddin Muntasser, Muhammed Mubayyid and Samir al-Monla.<sup>32</sup> There is evidence to suggest that terrorism financiers in Europe have used tax fraud to obtain funding. For example, Europol stated, ‘in Spain, members of a terrorist cell were engaged in value-added tax and other fraud in different parts of the EU to fund the cost of travelling to conflict areas’.<sup>33</sup> Tax fraud is an important funding avenue for terrorists in the UK.<sup>34</sup> For example, the Ulster Volunteer Force (UVF), the Ulster Defence Association (UDA) and the IRA exploited loopholes relating to tax exemption status. The Inland Revenue lost £7 million in tax revenue, the UVF and UDA each earned £1.5 million, while the IRA accrued £28.5 million.<sup>35</sup> In 2015, Thomas Murphy, who is regarded as a key terrorism financier for the IRA, was convicted of tax evasion in the Republic of Ireland and sentenced to two years’ imprisonment.<sup>36</sup> Although there are no reported tax fraud convictions relating to terrorism financing in the UK, it has been suggested that Al-Qa’ida has secured funding via this method. For example, *The Times* reported that UK taxpayer money had

been used to fund acts of terrorism including terrorist attacks in London.<sup>37</sup> The report suggests that £80 million was funnelled to Al-Qa’ida representatives in Pakistan and Afghanistan.<sup>38</sup> In 2003, HMRC connected these frauds with Shehzad Tanweer, one of the terrorists who detonated his improvised explosive device on the Aldgate train in 2005, yet it appears that the information was not disclosed to law enforcement agencies or the UK Security Services.<sup>39</sup> There are two important points to note here. First, the monies which terrorist groups have obtained via tax fraud are higher than those acquired by the first two parts of the typology. Second, VAT fraud has been a staple funding avenue for terrorist groups in the UK.

## Student Loan Fraud

A recent development in the evolution of terrorism financing and fraud is the misuse of student loans. The FATF highlighted how terrorism financiers in the Netherlands had acquired funding from student benefits.<sup>40</sup> Tom Keatinge and Florence Keen argue that student loans are ‘ideal for the limited costs associated with lone actor or small cell attacks’.<sup>41</sup> Florence Gaub and Julia Lisiecka note that ‘in the UK ... jihadists have funded their trips with student loans’.<sup>42</sup> Examples for this part of the typology

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31. See *US vs. Mubayyid*, United States Court of Appeals, First Circuit, 1 September 2011, 658 F.3d 35.
  32. US Department of Justice, ‘Former Officers of a Muslim Charity, Care International, Inc., Convicted’, press release, 11 January 2008, <[https://www.justice.gov/archive/opa/pr/2008/January/08\\_nsd\\_021.html](https://www.justice.gov/archive/opa/pr/2008/January/08_nsd_021.html)>, accessed 18 September 2020. Further examples include: Johnathan Paul Jimenez; Michael Todd Wolf; and Hossein Lahiji, Najmeh Vahid Dasterjerdi and Houcine Becher Ghoul.
  33. Europol, ‘European Union Terrorism Situation and Trend Report 2016’, 2017, p. 12. Also, see Europol, ‘Counter-Terrorist Operation: Spanish National Police Disrupts Criminal Organisation Which Finances Al-Qaeda’, press release, 19 June 2019, <<https://www.europol.europa.eu/newsroom/news/counter-terrorist-operation-spanish-national-police-disrupts-criminal-organisation-which-financed-al-qaeda>>, accessed 18 June 2020. Pedro Felício, head of Europol’s economic operations and property crime unit, provided three examples of how tax fraud has been used by terrorism financiers. First, in Sweden and Denmark, a tax-fraud scheme worth £8.5 million was believed to have funded Al-Qa’ida. Second, the German police disrupted a £54-million VAT fraud scheme for terrorist groups in 2015. Finally, information found in a cave in Pakistan that was used by Osama bin Laden as a hideout led investigators to a criminal network based in Italy that stole £900 million through VAT fraud on CO<sub>2</sub> certificates. See European Parliament, ‘Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance Ordinary Meeting’, 28 June 2018, <<https://multimedia.europarl>>, accessed 30 June 2020.
  34. John Horgan and Max Taylor, ‘Playing the “Green Card” – Financing the Provisional IRA: Part 1’, *Terrorism and Political Violence* (Vol. 11, No. 2, 1999), p. 8.
  35. Andrew Silke, ‘In Defense of the Realm: Financing Loyalist Terrorism in Northern Ireland – Part One: Extortion and Blackmail’, *Studies in Conflict and Terrorism* (Vol. 21, No. 4, 1998), p. 349.
  36. The conviction and sentence of 18 months was upheld in the Court of Appeal. See *BBC News*, ‘Who is Thomas ‘Slab’ Murphy?’, 26 February 2016.
  37. Tom Harper, ‘Taxman Kept Quiet While £8bn Fraud Helped Fund Osama bin Laden’, *The Times*, 30 March 2019.
  38. Sara Elizabeth Williams, ‘£80m of British Taxpayers’ Money “Funnelled to Al-Qaeda” in Decades-Long Scam’, *The Telegraph*, 31 March 2019.
  39. It has been reported that Shehzad Tanweer left £121,000 in his will, even though he worked on a part-time basis in a fish and chip shop. See Sophie Goodchild, ‘The Mystery of the London Bomber and His Secret Wealth’, *The Independent*, 8 June 2006. HMRC became aware of the tax fraud scheme as early as 1995. See Wadood Mushtaq, ‘Imran Hussain’s Father Says Not Responsible for Scottish-Pakistani Son’s £300m Fraud’, *Geo News*, 24 November 2019, <<https://www.geo.tv/>>, accessed 22 June 2020.
  40. FATF, ‘Terrorist Financing in West and Central Africa’, p. 25.
  41. Keatinge and Keen, ‘Lone-Actor and Small Cell Terrorist Attacks’, p. 13.
  42. Florence Gaub and Julia Lisiecka, ‘The Crime–Terrorism Nexus’, European Union Institute for Security Studies, 12 April 2017.

include Taimour Abdulwahab, Yahya Rashid and Salman Abedi.<sup>43</sup> The use of student loans echoes the problems associated with credit fraud and despite the small number of cases, the threat posed by this part of the funding model must not be underestimated.

## Insurance Fraud

Insurance fraud is another mechanism by which terrorism financiers have acquired funding, with reported cases in the US and Germany.<sup>44</sup> The FATF reported that these fraudulent insurance schemes are referred to as ‘crash for cash’ and often involve fraudsters deliberately crashing into vehicles of innocent motorists or submitting false claims for accidents. The FATF highlighted several instances in Spain where terrorism financiers committed frauds by faking traffic accidents and hiring bogus policies. The FATF stated that terrorism financiers ‘needed to obtain funds quickly ... by faking numerous and rough traffic accidents which exposed them to detection’.<sup>45</sup> The threat posed by fraudulent insurance claims was recognised in the 2017 National Risk Assessment where ‘individuals ... falsely claim to have been defrauded or where individuals apply for a loan under false pretences’.<sup>46</sup> Collins noted that ‘insurance fraud also offers some rich possibilities ... the IRA bombed many businesses in Northern Ireland, with

the compliance of the business owners, so that the owners could claim the resulting insurance’.<sup>47</sup>

## Non-Profit Organisations

One of the most documented examples of fraud used by terrorism financiers are non-profit organisations (NPOs).<sup>48</sup> The FATF reported that Al-Qa’ida, the Liberation of Tamil Eelam and the Islamic State have used NPOs.<sup>49</sup> They added that terrorism financiers have used NPOs in Belgium, the UK, Russia and the US to obtain access to funding.<sup>50</sup> Related terrorism financing convictions include the former leaders of the Holy Land Foundation, Naseer and Khalid Ali and Mohammed and Shafiq Ali.<sup>51</sup> The use of misapplied charitable donations and the targeting of NPOs is one of the most commonly used parts of the terrorism financing typologies. Research has suggested that this funding mechanism is one of the central funding mechanisms used by many terrorist groups.<sup>52</sup>

## Mortgage Fraud

The connection between terrorism financing and mortgage fraud is difficult to detect.<sup>53</sup> However, there are several instances in the US that illustrate the link including

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43. On Taimour Abdulwahab, see *The Local*, ‘Suicide Bomber Lived Off Swedish Student Aid’, 18 February 2013, <<https://www.thelocal.se/20130218/46250>>, accessed 17 September 2020. On Yahya Rashid, see *R v Yahya Rashid*, 2016, EWCA Crim 568. The court stated, ‘On 25 February 2015 Rashid purchased flights for Morocco for himself, Khalid Abdul-Rahman, Ibramim Amouri, Swaleh Mohamed and Deqo Osman, Swach Mohamed’s wife at a total cost of £906. It appears that the funds were derived from the student loan he had obtained’. On Salman Abedi, see Robert Mendick, ‘Exclusive: Manchester Suicide Bomber Used Student Loan and Benefits to Fund ‘Terror Plot’’, *The Telegraph*, 27 May 2017.
44. Insurance Fraud News, ‘Terrorism and Insurance Fraud “Significantly Linked”, Says British Experts’, 6 November 2014, <[https://insurancefraud.org/news\\_archives/terrorism-and-insurance-fraud-significantly-linked-says-british-experts/](https://insurancefraud.org/news_archives/terrorism-and-insurance-fraud-significantly-linked-says-british-experts/)>, accessed 22 May 2020; John Kane and April Wall, ‘Identifying the Links Between White-Collar Crime and Terrorism’, April 2015, <<https://www.ncjrs.gov/pdffiles1/nij/grants/209520.pdf>>, accessed 22 June 2020; *New York Times*, ‘German Court Convicts Three Men of Aiding Al Qaeda’, 5 November 2007.
45. See FATF, ‘Terrorist Financing in West and Central Africa’, p. 16.
46. HM Government, *National Risk Assessment of Money Laundering and Terrorist Financing 2017* (London: The Stationery Office, 2017), p. 32.
47. See Silke, ‘In Defense of the Realm’, p. 122.
48. For a more detailed discussion, see Peter Romaniuk and Tom Keatinge, ‘Protecting Charities from Terrorists ... and Counter-Terrorists: FATF and the Global Effort to Prevent Terrorist Financing Through the Non-Profit Sector’, *Crime, Law and Social Change* (Vol. 69, No. 2, 2018), pp. 265–82; Clive Walker, ‘Terrorism Financing and the Policing of Charities: Who Pays the Price?’, in Colin King and Clive Walker (eds), *Dirty Assets: Emerging Issues in the Regulation of Criminal and Terrorist Assets* (London: Routledge, 2014).
49. See, for example, FATF, ‘Risk of Terrorist Abuse in Non-Profit Organisations’, June 2014, p. 18; FATF, ‘Financing of the Terrorist Organisation Islamic State in Iraq and the Levant’, pp. 18–20.
50. See FATF, ‘Terrorist Financing’, pp. 12–13.
51. FBI, ‘No Cash for Terror: Convictions Returned in Holy Land Case’, 25 November 2008, <<https://archives.fbi.gov/archives>>, accessed 15 July 2020. For a more detailed discussion, see Jeroen Gunning, ‘Terrorism, Charities, and Diasporas’, in Thomas Biersteker and Sue Eckert (eds), *Countering the Financing of Terrorism* (London: Routledge, 2008), pp. 93–125; *R. v. Nasser et al.* (Irfan Nasser), 2012, EWCA Crim. 2; *BBC News*, ‘Ali Twins Jailed for Funding Terrorism Abroad’, 1 August 2012.
52. See Gurule, *Unfunding Terror*.
53. FATF, ‘Money Laundering and Terrorist Financing Through the Real Estate Sector’, June 2007), p. 5. See also Perri and Brody, ‘The Dark Triad’, p. 53.

Ahmad Jebril and Nemr Ali Rahal.<sup>54</sup> Nonetheless, the FATF were able to provide a number of instances where mortgage fraud was used by terrorism financiers in Belgium and Spain.<sup>55</sup> There are no reported convictions of mortgage fraud associated with terrorism funding in the UK. However, some have noted that ‘mortgage fraud is being used a lot by organised rings to provide safe housing for organised criminals and terrorists’.<sup>56</sup> In 2008, the Association of Chief Police Officers reported that there was no evidence of mortgage fraud directly funding acts of terrorism, but that mortgage fraud could be used to fund safe houses.<sup>57</sup> Indeed, the FATF stated that because of an investigation by the UK financial intelligence unit, the police were able to identify terrorism financiers who had engaged in mortgage fraud.<sup>58</sup>

## Benefit Fraud

Benefit fraud is one of the most frequently identified frauds linked with terrorism financing. The FATF has identified foreign terrorist fighters who have used benefit fraud,<sup>59</sup> particularly in the Netherlands,<sup>60</sup> Denmark,<sup>61</sup> Sweden<sup>62</sup> and France.<sup>63</sup> The Swedish Defence University stated that citizens who travelled to join the Islamic State financed their trips ‘through the misuse of social welfare allowance and other state benefits’.<sup>64</sup> In June 2012, Munir Awad was convicted of planning to commit a terrorist attack in Denmark which was funded by ‘sickness benefits’.<sup>65</sup>

Mohammed Merah, who killed seven people in France, stated that his only income was ‘state benefits worth €475 a month’.<sup>66</sup> In June 2016, Nader Elhuzayel and Muhanad Badawi were convicted of attempting to provide material support to the Islamic State and aiding and abetting the attempt to provide support to the Islamic State. Elhuzayel was guilty of 26 counts of bank fraud, and Badawi was found guilty of federal financial aid fraud.<sup>67</sup> In November 2019, Guled Omar was convicted for conspiring to provide material support to ISIL by attempted financial aid fraud.<sup>68</sup>

## Conclusions

Fraud is a popular method for financing terrorist attacks and this paper has identified a terrorism financing fraud typology. Frequently used methods in Europe are benefit fraud, credit card/personal loan/bank fraud, NPO fraud and tax fraud. It is difficult to determine which type of fraud within the typology is the most frequently used, which are declining in usage and which are becoming more popular. What is not in doubt is that fraud continues to be used to support terrorist groups and autonomous terrorist entities across Europe. Terrorists have exploited the benefits afforded by the EU to its citizens, including access to credit, manipulated welfare payments and exposed loopholes in the funding of higher education. Furthermore, one recent study has illustrated the connections between cryptoassets, social media platforms

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54. *The Telegraph*, ‘US Hate Preacher Who “Inspired” London Terror Attackers Is Convicted Fraudster’, 7 June 2017; *US v Nemr Ali Rahal*, 2006, Case No. 05-CR-80476.
55. FATF, ‘Money Laundering and Terrorist Financing Through the Real Estate Sector’, pp. 9, 22–24.
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and fraud.<sup>69</sup> Fraud has become a common and easy funding mechanism for disparate terrorist entities. The approach towards investigating and prosecuting suspected instances of fraud and terrorism financing varies between countries. For example, the UK approach is hampered by an inconsistent enforcement prosecutorial stance from the Crown Prosecution Service. A review of terrorism-related prosecutions between 2016 and 2019 illustrates that out of 114 convictions, only three were related to fraud.<sup>70</sup> By contrast, in the US, law enforcement agencies have used fraud investigations, arrests and prosecutions to disrupt terrorists.

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