



House of Commons
Committee on
Standards and Privileges

Mr Alan Duncan MP

Eleventh Report of Session 2008–09

Report and Appendix, together with formal minutes

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The Committee on Standards and Privileges

The Committee on Standards and Privileges is appointed by the House of Commons to oversee the work of the Parliamentary Commissioner for Standards; to examine the arrangements proposed by the Commissioner for the compilation, maintenance and accessibility of the Register of Members' Interests and any other registers of interest established by the House; to review from time to time the form and content of those registers; to consider any specific complaints made in relation to the registering or declaring of interests referred to it by the Commissioner; to consider any matter relating to the conduct of Members, including specific complaints in relation to alleged breaches in the Code of Conduct which have been drawn to the Committee's attention by the Commissioner; and to recommend any modifications to the Code of Conduct as may from time to time appear to be necessary.

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The constitution and powers of the Committee are set out in Standing Order No. 149. In particular, the Committee has power to order the attendance of any Member of Parliament before the committee and to require that specific documents or records in the possession of a Member relating to its inquiries, or to the inquiries of the Commissioner, be laid before the Committee. The Committee has power to refuse to allow its public proceedings to be broadcast. The Law Officers, if they are Members of Parliament, may attend and take part in the Committee's proceedings, but may not vote.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/sandp.

Committee staff

The current staff of the Committee are Mr Steve Priestley (Clerk), Miss Rhiannon Hollis (Second Clerk) and Ms Jane Cooper (Committee Assistant).

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Mr Alan Duncan

Introduction

1. On 14 July, we agreed to a request from the Parliamentary Commissioner for Standards that he should accept a self-referral from the Rt hon Member for Rutland and Melton, Mr Alan Duncan. Mr Duncan asked for an inquiry into allegations in the *Daily Telegraph* of 4 July that he had claimed tens of thousands of pounds in mortgage interest on his designated second home even though he had owned the property outright for more than a decade.¹

2. Under procedures agreed by the Committee, the Commissioner may accept a self-referral only with the Committee's consent. That consent will be given only in exceptional circumstances.² Because of the seriousness of the allegation, which involved large sums of money over a long period, and given the wider context of public concern about MPs' expenses, we gave our consent in this case.

3. The Committee's agreement is also required before the Commissioner may inquire into any matter going back more than seven years. Again, such agreement is given only in exceptional circumstances.³ On the basis of the newspaper allegations, we were satisfied that an inquiry into Mr Duncan's case could be carried out satisfactorily only if it took into account evidence going back more than seven years, so on 14 July we also agreed to a request from the Commissioner that he should do so.

4. We were also aware when we considered the Commissioner's request that he had received a letter from the hon Member for Bassetlaw, John Mann, asking for "an investigation into the expenses of Mr Alan Duncan MP."⁴ The Commissioner wrote to Mr Mann, asking him whether he intended to make a formal complaint against Mr Duncan by supplying him with evidence of a breach of the rules,⁵ but he received no reply. It appears also that Mr Mann did not supply Mr Duncan with a copy of his letter to the Commissioner.⁶ We wish to remind all Members of the very clear statement in the Guide to the Rules that "It is a basic courtesy that a Member making a complaint to the Commissioner should at the same time send a copy of the letter of complaint to the Member concerned."⁷ We are of the view that this courtesy should also apply to any correspondence a Member may enter into with the Commissioner that is critical of another Member's conduct, even if it does not amount to a formal complaint.

¹ Appendix 1, paragraph 3

² *Code of Conduct and Guide to the Rules*, June 2009, paragraph 104

³ *Code of Conduct and Guide to the Rules*, June 2009, paragraph 104

⁴ Appendix 1, paragraph 2 and WE1

⁵ Appendix 1, WE2

⁶ Appendix 1, paragraph 8

⁷ House of Commons, *Code of Conduct and Guide to the Rules*, June 2009, paragraph 104

The Commissioner's findings

5. The Commissioner sent us the report of his investigation into the allegations against Mr Duncan in October. It is reproduced in full as Appendix 1 to this Report. The Commissioner has established that:

Mr Duncan purchased a property in London in 1986 for £235,000. He paid for this property through a combination of savings, the proceeds of the sale of a flat, and a small mortgage. The mortgage was paid off around June or July 1991, although the legal charge remained on the property as he expected to purchase another property shortly afterwards and wanted to keep open the option of using the charge to facilitate a new loan.⁸

6. The Commissioner records that before being elected to the House, Mr Duncan purchased a further property, in Rutland, for £275,000, which he funded by securing a mortgage for £271,000 against his London home. He left the legal charge in place on the London property, because he regarded it as more suitable than the Rutland property to be offered as collateral for the loan.⁹ Once elected as the Member for Rutland and Melton, Mr Duncan nominated his London home as his main home and from 1992 to the beginning of 2004 claimed from the Additional Costs Allowance for the interest on the mortgage used to buy the Rutland property in 1991, which remained secured against his London home.¹⁰

7. In January 2004, Mr Duncan took up a new mortgage of £271,406, this time secured against the Rutland property, and redeemed the previous one. He told the Commissioner that he did this in order “to try to set the highest possible standards of conduct” and “to make all [his] affairs absolutely tidy”.¹¹ Mr Duncan paid the redemption costs with his own money.¹²

8. The Commissioner finds that it was reasonable for Mr Duncan to have claimed for the interest on the mortgage which had been secured on his London home solely to enable him to buy his Rutland property.¹³

The rules at the time in relation to a Member's claims for their additional costs required only for the amount claimed to have been spent on additional costs necessarily incurred in overnight stays away from the Member's home. The costs incurred as a result of Mr Duncan's mortgage secured on his London home were solely and exclusively for his constituency property. They were incurred as a result of his overnight stays in his constituency home and away from his London home on

⁸ Appendix 1, paragraph 43

⁹ Appendix 1, paragraph 44

¹⁰ Appendix 1, paragraph 45

¹¹ Appendix 1, paragraph 48

¹² Appendix 1, paragraph 46

¹³ Appendix 1, paragraph 50

parliamentary duties. The costs arising from his occupancy of his constituency property were in my judgement a legitimate call on his Additional Costs Allowance.¹⁴

9. The Commissioner concludes:

I conclude, therefore, that the rules as they were from 1992 to 2004 did not preclude a Member raising a mortgage secured on another property for the purchase of the home against which they intended to claim parliamentary allowances. Mr Duncan was not in breach of the rules in doing so.¹⁵

...

I conclude that Mr Duncan acted reasonably and fully within the rules of the House at the time, in the mortgage arrangements he made for his Rutland property, from when he came to the House in 1992 until he changed the arrangement in early 2004. His mortgage interest costs were necessarily incurred to enable him to have a second home based in his constituency in order to fulfil his Parliamentary duties. There is no evidence that Mr Duncan has wrongly benefited from the arrangement or otherwise acted in a way which was not consistent with the rules of the House at the time.¹⁶

Conclusion

10. **We agree with the Commissioner's conclusion that there was nothing in Mr Duncan's mortgage arrangements that was in breach of the rules.** We are grateful to the Commissioner for conducting such a thorough investigation and for setting out his findings so clearly and comprehensively.

11. We wish to re-emphasise that we will agree to the Commissioner investigating allegations against Members in the absence of a formal complaint only in exceptional circumstances. Investigations of this kind cost public money and can divert resources away from other work. We will not allow the Commissioner's office to be used by Members simply as a means of refuting unfounded allegations that appear in the press. But where the Commissioner informs us that in his judgment an allegation raises wider issues or is particularly serious, we will in the public interest continue to allow exceptions to the general policy.

¹⁴ Appendix 1, paragraph 53

¹⁵ Appendix 1, paragraph 54

¹⁶ Appendix 1, paragraph 56

Appendix 1: Memorandum from the Parliamentary Commissioner for Standards

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Mr Alan Duncan MP

Introduction

1. This memorandum reports on my inquiry into mortgage interest claims made by Mr Alan Duncan, the Member for Rutland and Melton, for his property in his constituency. The Committee agreed to me conducting this inquiry at the request of the Member himself.

Background

2. The matter was first raised with me by Mr John Mann, the Member for Bassetlaw. He wrote to me on 6 July 2009 asking me to investigate Mr Duncan's expenses.¹ I replied to Mr Mann on 7 July, explaining that, in order for me to consider a complaint against a Member, I needed the complainant to provide me with sufficient evidence to justify me undertaking an inquiry into whether there had been a specified breach of the rules of the House.² To help me in considering his request, therefore, I asked him for copies of the evidence on which he had based the statements in his letter and to know why he considered that evidence suggested a breach of the rules. With this assistance, I would then consider whether an inquiry should be instituted.

3. On the same day, 7 July 2009, I received a letter dated 5 July from Mr Duncan.³ He said that he thought it inevitable that I would soon receive a complaint, and therefore wished to refer himself to me without delay. Mr Duncan said that the complaint was that he had "*either cheated or milked the system with [his] mortgage claim*". With his letter Mr Duncan enclosed an article dated 4 July 2009 from the *Daily Telegraph*.⁴ This alleged that Mr Duncan had claimed "*tens of thousands of pounds*" in mortgage interest on his designated second home even though he had owned the property outright for more than a decade. The article claimed that Mr Duncan had bought a country house in Rutland in 1992 without a mortgage being secured against the property, designating it as his second home for the purposes of claiming parliamentary expenses.

4. However, the article alleged, it was not until early 2004 that Mr Duncan took out a £271,000 mortgage on the house. Since then, he was said to have claimed £1,400 a month in mortgage interest payments on the house. In total, the article continued, he had claimed more than £63,000 for the cost of interest on the mortgage. Mr Duncan, the *Telegraph* said, was thought to have claimed mortgage interest for his Rutland property throughout the 1990s, even though the loan had been secured against his London house.

¹ WE 1

² WE 2

³ WE 3

⁴ WE 4

5. I wrote to Mr Duncan on 7 July, telling him that, before I could accept his request for an inquiry, I would need to consult the Committee on Standards and Privileges.⁵ I said I would be very ready to do so in response to his request, but I had to tell him that I had already received a letter about this matter and I expected to receive sufficient evidence for me to regard it as a formal complaint. I told him that if I concluded that there was sufficient evidence provided to justify conducting an inquiry, then I would found my inquiry on the complaint rather than on his letter. The Committee would expect to authorise an inquiry into a self-referral by a Member only in exceptional circumstances.

6. Mr Duncan wrote to me again on 8 July, saying that he had now retrieved his relevant expenses files from the Department of Resources and enclosing correspondence and a file note relating to the matter.⁶ He said that the papers showed “*beyond any doubt*” that his version of events was “*wholly correct*” and that it was “*explicitly recorded as such in 2003*”. He believed that the material proved conclusively “*that [he] acted above and beyond the rules at that time*”. He also said that he had been advised that Mr Mann had submitted a complaint to me about the matter. Mr Duncan expressed his hope that the papers he had enclosed would allow me to dismiss the matter “*in short order without taking up too much of [my] time*”.

7. I wrote to Mr Duncan on 9 July,⁷ confirming that I was considering correspondence I had received from Mr Mann in relation to the matter. I reminded him that to accept a self-referral would be exceptional and that I would need to seek the approval of the Committee on Standards and Privileges before doing so. I warned him also that if I proceeded, I might in any case need to consult the Committee since I might need to ask him about matters going back more than seven years.

8. Mr Duncan wrote to me on 10 July, asking me to clarify whether Mr Mann had in fact made a complaint.⁸ On 13 July I responded, confirming that Mr Mann had written to me asking for an investigation.⁹ I said that unless I heard from Mr Mann before the Committee meeting the next day, I would be submitting to the Committee on Standards and Privileges Mr Duncan’s request that I initiate an inquiry into the allegation made against him in respect of his mortgage claims. I received no further communication from Mr Mann before, on 14 July, the Committee agreed that I should accept Mr Duncan’s invitation to inquire into the allegations made in respect of his mortgage claims. The Committee also agreed that I might make any necessary inquiries into matters going back more than seven years.

⁵ WE 5

⁶ WE 6, 7, 8 and 9, summarised in para 23 below.

⁷ WE 10

⁸ WE 11

⁹ WE 12

The Allegation

9. In essence, the allegation I inquired into was that Mr Duncan claimed for mortgage interest payments on his Rutland property which were not necessarily incurred, because he already owned the home, and because his claimed mortgage interest was in respect of a mortgage on his main home in London.

Relevant Rules of the House

10. The Code of Conduct for Members of Parliament provides in paragraph 14 as follows:

“Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters, and that they observe any limits placed by the House on the use of such expenses, allowances, facilities and services.”

11. The 1992 edition of the Green Book on Parliamentary Salaries, Allowances and Pensions sets out the rules in respect of the Additional Costs Allowance at the time of the reported purchase of the Rutland property. Paragraph 3.1 states that:

“The Additional Costs Allowance (ACA) reimburses Members for expenses necessarily incurred in staying overnight away from their main residence in either London or the constituency (but not both) for the purpose of performing their parliamentary duties”.

12. Paragraph 3.6 states that:

“Each [*ACA claim*] form requires Members to give details of expenditure and to certify that the amount claimed has actually been spent on additional costs necessarily incurred on overnight stays away from home.”

13. In the Green Book on Parliamentary Salaries, Allowances and Pensions published in June 2003 (the edition which was relevant at the time the mortgage was reportedly taken out), Mr Speaker said in his introduction:

“Members themselves are responsible for ensuring that their use of allowances is above reproach. They should seek advice in cases of doubt and read the Green Book with care.”

14. Section 3 of that Green Book sets out the rules in respect of the Additional Costs Allowance. Paragraph 3.1.1 states:

“The additional costs allowance (ACA) reimburses Members of Parliament for expenses wholly, exclusively and necessarily incurred when staying overnight away from their main residence (referred to below as their main home) for the purpose of performing Parliamentary duties. **This excludes expenses that have been incurred for purely personal or political purposes.**”

15. Paragraph 3.2.1 deals with eligibility:

“You can claim ACA if:

- a You have stayed overnight in the UK away from your only or main home, and
- b This was for the purpose of performing your Parliamentary duties, and
- c You have necessarily incurred additional costs in so doing, and
- d You represent a constituency in outer London or outside London.”

16. Paragraph 3.3.1 deals with the location of overnight stays:

“If your main home is in the constituency, you can claim ACA for overnight stays in London - or in another part of the constituency if reasonably necessary in view of the distance from your only or main home.

If your main home is in London you can claim for overnight stays in the constituency.

If your main home is neither in London nor the constituency you can choose in which of these areas to claim ACA.”

17. Paragraph 3.6.1 sets out the required documentation:

“Please supply the following:

If you have a mortgage, a copy of your last statement of interest - and future statements at annual intervals. If this does not demonstrate that the mortgage is in your name, further evidence may be required.”

18. Section 3.9.1 provides a definition of “*main home*”:

“For **other Members** [*i.e. other than Ministers or office holders*], the location of your main home will normally be a matter of fact. If you have more than one home, your main home will normally be the one where you spend more nights than any other. If there is any doubt about which is your main home, please consult the Department of Finance and Administration.”

My Inquiries

19. I wrote to Mr Duncan on 14 July, saying that the Committee had authorised me to undertake an inquiry and to make any necessary enquiries into matters going back more than seven years.¹⁰ I asked him to provide me with a description of the circumstances in which he had purchased his London and Rutland properties, along with the date of each purchase, the value of each property at the time of purchase, and details of any financial arrangements made in the purchase of the properties. I asked him whether he owned his

¹⁰ WE 13

Rutland property outright and, if so, from what date he had owned it. I also asked him for an account, with dates and reasons, of the nomination of his main home since 1992; what claims, if any, he had made under the Additional Costs Allowance for the Rutland property between 1992 and 2004, including any claims in respect of any financial arrangements secured on either the London or Rutland properties; why he had raised a mortgage on his Rutland property in 2004, what the size of that mortgage was and what its relationship was to the value of the property at the time; what claims he had made for mortgage interest on his Rutland property against the ACA in 2003-04 and in each successive financial year; and what advice, if any, he had sought from the House authorities about any of these arrangements.

20. Mr Duncan replied on 23 July.¹¹ He enclosed a letter of 22 July 2009 from his firm of solicitors describing the history of his mortgage arrangements.¹² This stated that Mr Duncan had purchased his Rutland property in 1991, for which he had taken out a mortgage secured against his London home. The solicitors' letter went on to say that on 3 November 2003, Mr Duncan had instructed his solicitor to transfer the official legal charge from his London home to the Rutland property. This required the redemption of the mortgage and the establishment of a similar one under a new agreement. The new mortgage advance of £271,406 was issued on 29 December 2003; the solicitor took up the mortgage on 9 January 2004 and redeemed the previous mortgage at the same time. The solicitors stated that *"We can confirm that your original borrowing had been taken on in order to purchase [the Rutland property] at the outset, and that you explained to [the solicitor] in November 2003 that the reason for your rearrangement of the mortgage was to link the legal charge for the mortgage to the house to which it related."*

21. In his letter, Mr Duncan said that the accusation was that in 2004 he had taken out a new mortgage on his constituency home even though he owned it outright. The implication was that he had *"milked the system"*, using the allowances to fund borrowing which he did not need, and that before that date he had claimed for a mortgage which he either did not have or which did not relate to his second home.

22. Mr Duncan said that since his election to Parliament in 1992 his property arrangements had remained *"exactly the same"*. His main home for parliamentary and tax purposes had always been his London home, which he bought for £235,000 in 1986. His second home for parliamentary and tax purposes had always been his property in Rutland, purchased for £275,000 with a mortgage in 1991. He stated that the property was an *"incomplete development"* at the time at which he had bought it, and that therefore *"the most suitable property to value and offer to the bank as collateral"* was his London home. He had raised a mortgage of £271,000 on his main home in order to purchase the Rutland property, which also needed further spending on it. He stated that he had consulted his bank and that the oldest records retained stated that he had a mortgage of £271,000 on 13 April 1994.

¹¹ WE 14

¹² WE 15

23. Mr Duncan then referred to the documents he had sent to me on 8 July.¹³ These had included a letter he had written to the Fees Office on 21 October 2003, a letter from his bank dated 14 October 2003, and a handwritten file note of 3 November 2003 made by the Head of the Fees Office. The letter of 21 October 2003 said that, although his mortgage was taken out for the purpose of purchasing the Rutland property, the legal charge, against which the mortgage was secured, was registered against his main home in London. In this letter he asked the Fees Office to confirm that it was not necessary to incur “*perhaps as much as £5,000*” to rearrange the mortgage in order to secure it against the Rutland property, and that the written confirmation of his bank would satisfy the new rules.¹⁴ The letter from Mr Duncan’s bank, dated 14 October 2003, which he had sent to the Fees Office confirmed that he was making monthly interest-only payments of £1,142.22 on his mortgage.¹⁵ The handwritten file note dated 3 November 2003 recorded a telephone conversation between Mr Duncan and the then Head of the Fees Office, about these arrangements.¹⁶ The file note stated that Mr Duncan had said that he had a mortgage in respect of his second home secured on his main home, which had no other mortgage charge; that Mr Duncan claimed that to transfer his existing mortgage to his second home would incur charges of £8,000 as it would entail taking out a new loan, and that Mr Duncan had approached his lender who would write to the Fees Office to confirm that the loan related solely to his second home. The note concluded with a comment that it would be useful to obtain confirmation from Mr Duncan’s lender that the cost of arranging a new mortgage was the £8,000 Mr Duncan claimed it would be.

24. In his letter to me of 23 July,¹⁷ Mr Duncan stated that his letter to the Fees Office demonstrated several points: that his mortgage had been raised for the purpose of purchasing his second home, that he had “*proved that to be the case by providing written confirmation to that effect*” from his bank, and that he had requested advice about whether the legal charge for the mortgage needed to be “*aligned with the property to which the loan related*”. He noted that the House’s rules at that time (i.e. in 2003) did not specifically require such a change, and that to have made the change in 2003 would have required the early termination of a fixed-interest loan and a consequent penalty.

25. Mr Duncan stated that he had received “*no clear guidance*” from the Fees Office requiring him to rearrange his mortgage, but had nonetheless “*decided to try to set the highest possible standards of conduct – and the perception of such*” by moving the legal charge from his London property to the Rutland property. He incurred a personal cost “*of, as I recall, about £3,500*” in so doing, which he met from his own resources. Mr Duncan said that his bank had confirmed that the legal charge had been moved across in January 2004.

¹³ WE 6 to WE 9

¹⁴ WE 7

¹⁵ WE 9

¹⁶ WE 8

¹⁷ WE 14

26. Mr Duncan noted that:

“The collateral offered to the bank for its loan is, I would suggest, immaterial. I would argue that what matters is the *purpose* for which the loan was raised. In this case it was, and always had been, for the purchase of my constituency home.

In making a change in the legal charge, which is little more than a legal formality, I was acting way ahead of the rules as they were at the time and (in the light of recent events) with some foresight. Even six years later, under today’s rules of the House, it might be considered unnecessary.”

27. Having commented on aspects of the newspaper report, Mr Duncan concluded:

“My mortgage has only ever been in respect of my constituency home and I have only ever claimed for the interest on it, as properly documented with the Fees Office. The arrangements for my main and second homes have not changed since I was first elected in 1992.”

28. I wrote to Mr Duncan on 28 July, thanking him for his explanation and asking him for clarification on a number of points.¹⁸ I asked him to let me know when he had paid off the mortgage on the London home which he had bought in 1986. In particular, I asked whether I was right in assuming that it had been before he took out the mortgage of £271,000 which he had used to buy his Rutland property. I also asked him to confirm whether, as discussed with the then Head of the Fees Office on 3 November 2003, he had in fact approached his lender for a letter confirming that the £271,000 mortgage was raised for the purchase of his Rutland property, and confirming what the cost would be of rearranging the mortgage to link it to that property. I said that the letter from his bank of 14 October 2003, which he had forwarded, and which predated his discussion with the Head of the Fees Office, did not seem to provide that information.¹⁹

29. I also sought Mr Duncan’s help in clarifying for me the cost of the change of the mortgage from his London property to his Rutland property in late 2003. In his letter of 21 October 2003 to the Fees Office, he had suggested that a new mortgage, valuation and legal costs would cost perhaps as much as £5,000. The Fees Office note of 3 November 2003 recorded him as suggesting that it might cost £8,000. In his letter to me of 23 July he had suggested, from memory, that it had cost about £3,500. His letter also suggested that there was a penalty for the early termination of a fixed-interest loan. I asked him to let me know, for clarification purposes, whether the cost of about £3,500 included a fixed-interest loan penalty or whether that had terminated by the time he had come to seek a change.

30. Mr Duncan replied on 30 July.²⁰ He confirmed that, as I had suggested, the mortgage on his London house had been paid off before he purchased the Rutland property: “*at no time was there a mortgage for both, and for all the time that I have had a mortgage for my*

¹⁸ WE 16

¹⁹ WE 9

²⁰ WE 17

constituency property I have not also had any mortgage for my London home". In response to my question about whether he had approached his lender to confirm the purpose of the £271,000 mortgage, he stated that the letter from his bank, dated 14 October 2003, "*was designed to give clear evidence from [his] lender that [he] had a mortgage exclusively for [his] Rutland property*". On the costs of transferring the legal charge, the Fees Office had advised him that it would be helpful to have a document on file from his lender about these only if he had wanted to continue with the existing arrangements. As he had decided to go ahead and make the transfer, "*any further such letter was deemed unnecessary*". The actual costs he had incurred were for legal fees, the valuation of the property and the early termination of a fixed-term loan, which had a year to run and a percentage penalty for early redemption. The range of numbers discussed and mentioned in his letter varied because there was no way of knowing in advance what terms he would be offered. He stated that "*My recollection is that the penalties were something over £3,000.*" He had been able to negotiate with his lender over this cost, which was why it was lower than he had predicted in the documents previously supplied to me. He said that:

"In a sense, the ultimate amount is immaterial...the change I initiated and volunteered to make, although not ever required to do so ... involved an immediate out of pocket cost to me. The change involved a financial outlay and was not in any sense whatsoever of any financial benefit to me."

31. Having considered all the information Mr Duncan had provided, I wrote on 4 August to the Department of Resources, asking for their advice and comments on this matter and enclosing copies of the relevant papers and correspondence.²¹ In particular, I asked them to set out the contacts Mr Duncan had had with the Department on this matter in 2003, and to supply me with copies of any documents related to these contacts. I drew their attention in particular to the fact that Mr Duncan had referred to a number of phone calls with the Department culminating in his discussion with the then Head of the Fees Office on 3 November 2003. I noted that the issue I would need to resolve was whether it was within the rules of the House as they were when Mr Duncan was elected in 1992 for him to have claimed mortgage interest on a mortgage raised the previous year on his London home to pay for his home in Rutland, and whether this arrangement remained within the rules of the House until Mr Duncan changed the arrangement in 2004 by moving his mortgage to his Rutland property.

32. On 4 August, I also wrote to Mr Duncan explaining that I was writing to the Department of Resources to seek their help with the inquiry.²² I asked him on what date he had paid off the mortgage on his London home. I said that I was grateful for his explanation about the date of the letter from his bank. I said that I still had a little difficulty in equating what the then Head of the Fees Office had said—that the letter Mr Duncan had agreed to secure from his bank after 3 November was to confirm that the loan related solely to his second home—with what Mr Duncan had said about such a future letter being to

²¹ WE 18

²² WE 19

identify the costs of transfer should he decide to keep things as they were. I also said that I remained uncertain as to how the letter from his bank of 14 October 2003 could be interpreted as clear evidence from his lender that he had a mortgage exclusively for his Rutland property. I said that I could not find that statement in the text of the letter.

33. Mr Duncan responded to my further questions in his letter dated 7 August.²³ He confirmed that he had met the purchase price of his London house of £235,000 through a combination of savings, the proceeds of the sale of a London flat, and “*a small mortgage which was quickly paid off*”. He could not recall the exact date on which the mortgage was paid off, but the bank’s records from 1994 showed that his only extant loan was then for the £271,000 Rutland mortgage. On my question about the letter from his bank, he suggested that there were two distinct issues. The discussion had not been about whether or not the mortgage was entirely for his second home: “*Obviously it was and it was accepted as such*”. The pertinent matter was whether or not documentation should be placed on file in the event of his choosing to leave the charge on his London home. If he were to leave the legal charge on his London property, “*then it was thought indeed sensible to put on record some paperwork to prove that the loan was for my constituency home*” but this would not be necessary should he choose to move the charge. Given that he chose to move the legal charge, the approach to his bank for the letter referred to by the Head of the Fees Office “*became superfluous*”. The second “*and consequential*” issue was the question of how much it would cost to move the legal charge. He accepted that the letter from his bank “*only goes some of the way to proving*” that the mortgage related only to the Rutland property, which is why he had approached his solicitors. Their letter of 22 July, which he enclosed with his letter to me of 23 July, in his view had clearly substantiated the facts.

34. I replied to Mr Duncan on 10 August, thanking him for clarifying the timing and content of his bank’s letter and confirming that I would rest on his statement that the mortgage was paid off some time between 1986 and 1991, when he had re-mortgaged his London property to buy his Rutland home.²⁴ I also forwarded this exchange to the Department of Resources.

35. On 20 August I received a letter from the Director of Strategic Projects, writing on behalf of the Department of Resources.²⁵ He stated that the Department had no record, other than the letter and note Mr Duncan had already supplied to me, of contact with Mr Duncan in 2003 on the issues in question. However, this “*should not be taken as meaning that other contacts did not occur*”. On whether Mr Duncan had been within the rules in raising the Rutland mortgage on his London home, the Director stated that:

“There is nothing unusual in a person borrowing money to purchase a second home by mortgaging a property which he or she already owns. This is what Mr Duncan did in 1991, before he became a Member.”

²³ WE 20

²⁴ WE 21

²⁵ WE 22

Furthermore,

“When Mr Duncan was first elected in 1992, he decided to claim for the cost of the interest he paid on the loan secured on his London property but used to purchase his Rutland property. The Green Book at the time required a Member to certify that amounts claimed had actually been spent on additional costs necessarily incurred on overnight stays away from home. Interest on mortgage loans was accepted as such a cost. Normally the mortgage will have been secured against the property nominated as the second home. But there was no requirement to this effect. I understand that, at the time, no inquiries would have been made as to the security for the mortgage.”

36. The Director concluded that it seemed to him reasonable that the proper condition for reimbursement of mortgage payments was that the mortgage was “*obtained for the purpose of purchasing the second home, rather than ... necessarily secured on that second home*”. Hence, he believed that Mr Duncan’s arrangements “*would have been within the letter and spirit of the rules as they existed in 1992*” and in the period under consideration, as no relevant changes had been made to the Green Book. Finally, Mr Duncan had made his purchase before he was elected, in expectation of being elected, and the Director said, “*It does not seem to me to be reasonable in these circumstances to say that merely because Mr Duncan had purchased the property before election he was ineligible from the time of his election to claim for mortgage interest on the loan he had secured for that purpose.*”

37. I wrote to Mr Duncan on 2 September, with the letter from the Department of Resources and enclosing my earlier letters to the Department.²⁶ I noted that the Department considered his arrangements had been within the relevant rules for the period in question. I asked for clarification of two points. First, Mr Duncan had said in his letter of 23 July that he had decided to secure the mortgage on his London home because his Rutland house was at the time “*an incomplete development*”. I asked him to let me know what that meant. Second, I referred to the suggestion in his letter of 23 July that he had decided to move his mortgage in November 2003 to set “*the highest possible standards of conduct—and the perception of such*”. I asked him to let me know why he had decided to make the change then and not at any time before.

38. Mr Duncan responded on 11 September, enclosing a letter from his solicitors which related to the redemption of the mortgage on his London property and his mortgage history.²⁷ Further to my request in my letter of 4 August for additional information on his London mortgage, he had asked his solicitors to review their files. In the enclosed letter, the solicitors stated that:

“You have asked us specifically to advise you of the status of your borrowings from the bank at the time you bought your property in Rutland. On looking into the records, we can confirm you had none.”

²⁶ WE 23

²⁷ WE 24,25

39. The solicitors stated that Mr Duncan's previous solicitors had acted for him when he bought his London home in 1986 and when a legal charge was put on the house. That same legal charge was used to secure the mortgage which Mr Duncan agreed in 1991 to buy his Rutland home and it was transferred in 2004.

40. The firm stated that Mr Duncan "*paid off [his] London mortgage some months before*" purchasing the Rutland home but, as agreed at the time, the firm was not asked to terminate the legal charge "*because it was anticipated you would soon be buying another property and that by leaving the charge in place you could use it to facilitate a new loan.*" The solicitors could not give "*the exact precise date on which [Mr Duncan's] borrowings were reduced to zero because [he] remitted funds directly to the bank*", and not through the solicitors. The letter stated that "*It would appear, though, that the loan against your London house was fully paid off by about June or July 1991*". When the purchase of the Rutland property was finalised in November 1991, the funds were transmitted through the solicitors' firm. The mortgage was "*a new mortgage, and [Mr Duncan] had no other loans from the bank at the time*". The solicitors concluded that "*There was, therefore, what one might reasonably call a 'cordon sanitaire' of three or four months between paying off the loan on your London home and taking out a new mortgage from scratch to buy your Rutland home.*"

41. In his letter, Mr Duncan went on to explain why he had described his Rutland property as "*an incomplete development*". He described the state of the Rutland property on purchase as follows:

"The house I bought comprised an old farm cottage in a building plot which had been carved out of an old farmyard onto which a further construction (a bit larger than the original cottage) was being built. It was part of a series of developments in and around the old farm which were under construction. Thus ... there was still a fair amount of work to be completed such as plastering, wiring, decoration and fitting out the inside. Some of the interior walls had yet to be built."

However, Mr Duncan stated that "*Even if the property I wished to buy were not 'incomplete' I had always envisaged using my London home as security for anything I decided to purchase in the constituency*". Moreover:

"...although legally concluded, the land assembly had not been finally recorded in the Land Registry. There were therefore some legal loose ends, and no easy way of getting a satisfactory valuation sufficient to avoid annoying delays in being granted a mortgage.

My London house already had a legal charge on it in place with the bank, and its valuation was clear and simple. It was therefore cheaper, quicker, and more efficient to take out a new loan to buy the house by securing it against the (unmortgaged) London home I already owned."

42. In answer to my question about why he had changed his arrangements in November 2003 and not before, Mr Duncan said that "*At that time the whole regime for expenses and allowances was (quite rightly) beginning to become more rigorous.*" At the same time, a more

generous staffing allowance led him to make changes to his office arrangements and, having engaged an independent adviser to ensure he “*did everything correctly*”, he decided “*to conduct a wholesale review of all [his] expenses, allowances, financial arrangements relating to Parliament, and [his] office structure and staffing arrangements*”. It was “*while taking stock of all these matters*” that the issue of the legal charge on his property arose, leading to him seeking advice from the then Fees Office. As part of changes he was making to his arrangements in all areas, he “*decided to transfer it in order to make all my affairs absolutely tidy*”. Hence, moving the charge was “*simply part of this comprehensive review of all [his] parliamentary finances*”.

Findings of Fact

43. Mr Duncan purchased a property in London in 1986 for £235,000. He paid for this property through a combination of savings, the proceeds of the sale of a flat, and a small mortgage. The mortgage was paid off around June or July 1991, although the legal charge remained on the property as he expected to purchase another property shortly afterwards and wanted to keep open the option of using the charge to facilitate a new loan.

44. Mr Duncan purchased a further property, in Rutland, in November 1991 for £275,000. He funded the purchase by securing a mortgage for £271,000 against his London home, and leaving the legal charge in place on that property. Mr Duncan’s evidence is that the Rutland property, which was an old farm cottage in the process of being converted, was in a state of disrepair and the land assembly had not been finally recorded in the land registry. The London property, on the other hand, already had a legal charge on it and, in his view, was more suitable to be valued and offered to the bank as collateral. He had no other loans outstanding on the London property at the time he purchased his Rutland property.

45. Mr Duncan made the Rutland purchase in the expectation of being elected to Parliament in 1992, as indeed he was. His London home has been his main home and his Rutland property his second home for parliamentary purposes from 1992 to the present time. From 1992 to the beginning of 2004 Mr Duncan claimed from the Additional Costs Allowance for the interest on the mortgage used to buy the Rutland property in 1991, which had been secured against his London home.

46. In 2003 Mr Duncan conducted a review of his parliamentary office and financial arrangements. He sought the advice of the Fees Office on whether he should move the mortgage and legal charge for the Rutland property to that property. His evidence is that he received “*no clear guidance*”²⁸ but decided nevertheless to make the change, and in November instructed his solicitor to transfer the official legal charge from his London home to the Rutland property. In January 2004 he took up a new mortgage of £271,406 and redeemed the previous one. Mr Duncan recalls that it cost something over £3,000 to effect these changes. He met this cost out of his own resources.

²⁸ WE 14

47. Mr Duncan considers that his arrangements have been “*wholly proper*”.²⁹ His evidence is that his mortgage:

“has only ever been in respect of my constituency home and I have only ever claimed for the interest on it, as properly documented with the Fees Office. The arrangements for my main and second homes have not changed since I was first elected in 1992.”

48. He decided to move the mortgage from his London property to his Rutland one in order “*to try to set the highest possible standards of conduct*” and “*to make all [his] affairs absolutely tidy*”.³⁰ He does not consider that the rules then required him to make such a change. He made the change voluntarily on his own initiative and he stated that “*The change involved a financial outlay and was not in any sense whatsoever of any financial benefit to me.*”³¹

49. It seems to the Department of Resources “*reasonable that the proper condition for interest payments on a mortgage loan to be payable [under the ACA] was that the mortgage loan was obtained for the purpose of purchasing the second home, rather than that the mortgage loan was necessarily secured on that second home*”.³² The Department also considers that in the circumstances described by Mr Duncan, it would not be reasonable to say that “*merely because Mr Duncan had purchased the property before election he was ineligible from the time of his election to claim for mortgage interest on the loan he had secured for that purpose*”. In conclusion, the Department considers that “*Mr Duncan's arrangements would have been within the letter and spirit of the rules as they existed in 1992*”, and for the rest of the period under review.

Conclusions

50. The evidence I have received demonstrates that, contrary to assumptions made in the allegations against him, Mr Duncan raised a loan in 1991 to enable him to purchase his Rutland property. That loan was initially secured on his London property. From 2004, a new loan for a similar amount was secured on his Rutland property. Those loans provided for Mr Duncan to have a property in his constituency for him to carry out his parliamentary duties.

51. The issue I need to decide, however, is whether Mr Duncan was within the rules of the House at the time when he claimed reimbursement for mortgage interest payments on a mortgage secured on his main home in London.

52. Mr Duncan first bought his Rutland home in 1991 shortly before he was elected to Parliament the following year. Mr Duncan’s evidence is that the property was part of a series of developments around an old farm. There was work to be done on it and some

²⁹ WE 14

³⁰ WE 24

³¹ WE 17

³² WE 22

legal loose ends to be tied up. It was, in my judgement, entirely reasonable at the time before he became a Member for Mr Duncan to decide to take out a mortgage of £271,000 — a little less than the purchase price of £275,000 — and to secure on it his London home so that he could buy his Rutland property.

53. It was equally reasonable, in my judgement, for Mr Duncan to have continued this arrangement once he became a Member of Parliament and to have claimed for the interest on the mortgage which had been secured on his London home solely to enable him to buy his Rutland property. The arrangement was relatively simple in that there was no other mortgage on the London home. The rules at the time in relation to a Member's claims for their additional costs required only for the amount claimed to have been spent on additional costs necessarily incurred in overnight stays away from the Member's home. The costs incurred as a result of Mr Duncan's mortgage secured on his London home were solely and exclusively for his constituency property. They were incurred as a result of his overnight stays in his constituency home and away from his London home on parliamentary duties. The costs arising from his occupancy of his constituency property were in my judgement a legitimate call on his Additional Costs Allowance.

54. I conclude, therefore, that the rules as they were from 1992 to 2004 did not preclude a Member raising a mortgage secured on another property for the purchase of the home against which they intended to claim parliamentary allowances. Mr Duncan was not in breach of the rules in doing so.

55. There was no requirement at the time for Mr Duncan to change his mortgage arrangements when he did so in early 2004. But, it was in my view a reasonable decision for him to have made to transfer the mortgage and the legal charge on his London property to his property in Rutland. The result was a simpler and more transparent arrangement. Mr Duncan bore the full costs of the change.

56. I conclude that Mr Duncan acted reasonably and fully within the rules of the House at the time, in the mortgage arrangements he made for his Rutland property, from when he came to the House in 1992 until he changed the arrangement in early 2004. His mortgage interest costs were necessarily incurred to enable him to have a second home based in his constituency in order to fulfil his Parliamentary duties. There is no evidence that Mr Duncan has wrongly benefited from the arrangement or otherwise acted in a way which was not consistent with the rules of the House at the time.

22 October 2009

John Lyon CB

Written evidence received by the Parliamentary Commissioner for Standards

1. Letter to the Commissioner from Mr John Mann MP, 6 July 2009

I am writing to ask for an investigation into the expenses of Mr Alan Duncan MP. Mr Duncan bought a country house in Rutland in 1992 without a mortgage being secured against the property; this was designated as his "second home".

However, it was in 2004 that Mr Duncan took out a £271,000 mortgage on the house, switching mortgages from his London home to his home in Rutland. Since then, Mr Duncan has claimed £1,400 a month in mortgage interest payments on the house.

I am eager for your thoughts and comments on this matter.

6 July 2009

2. Letter to Mr John Mann MP from the Commissioner, 7 July 2009

Thank you for your letter of 6 July asking for an investigation into the expenses of Mr Alan Duncan MP.

As you know, in order for me to consider a complaint against a Member of Parliament, I need the complainant to provide me with evidence which is sufficient to justify me making an inquiry into whether there has been a specified breach of the rules of the House.

To help me in considering your request, therefore, it would be very helpful to have copies of the evidence on which you have based your statements and to know why you consider that evidence suggests a breach of the rules.

If you can help me in the necessary preparation of your complaint, then I will, of course, consider whether an inquiry should be instituted on the basis of what you have told me.

7 July 2009

3. Letter to the Commissioner from Mr Alan Duncan MP, 5 July 2009

I enclose an article from yesterday's *Daily Telegraph* suggesting that I'm a mortgage flipper. I think it inevitable that you will soon receive a frivolous and malicious complaint, inspired I am sure by a national newspaper, be it the DT or some other.

I would therefore like to beat them to it, and refer myself without delay to you. The complaint is that I have either cheated or milked the system with my mortgage claim.

I will send you tomorrow my exchanges with the *Daily Telegraph* over the last few weeks, which prove beyond doubt that their journalism is designed to deceive while also trying to escape the legal consequence of their actions.

5 July 2009

4. Extract from *Daily Telegraph* article of 4 July 2009

MPs' expenses: Alan Duncan claimed £63,000 in mortgage 'flip'

Alan Duncan, a senior Conservative MP, has claimed tens of thousands of pounds in mortgage interest on his designated second home – even though he had owned the property outright for more than a decade, The Daily Telegraph can disclose.

Mr Duncan, the shadow leader of the House of Commons, bought a country house in Rutland in 1992 without a mortgage being secured against the property.

He designated the house as his “second home” for the purposes of claiming parliamentary expenses.

However, it was not until early 2004 that the multi-millionaire MP took out a £271,000 mortgage on the house. Since then, Mr Duncan has claimed £1,400 a month in mortgage interest payments on the house. In total, he has claimed more than £63,000 for the cost of interest on the mortgage.

The arrangement will lead to questions over whether Mr Duncan, a former oil trader, is milking the parliamentary allowances system. He has been appointed by David Cameron to lead the Conservative campaign to clean up the system.

Last night, the shadow minister admitted that he had switched the mortgage on his London home to the Rutland property in 2004. However, he explained that he had taken out a loan against his million-pound London town house to purchase the Rutland house in 1992.

...

In 2003, MPs were ordered to provide evidence of a home loan when claiming mortgage interest payments for their designated second home.

Mr Duncan is thought to have claimed mortgage interest for his Rutland property throughout the 1990s, even though he now admits the loan had been secured against his London house.

...

Mr Duncan declined to say how much he paid for the Rutland property in 1992 and whether this had been less than the £271,000 mortgage he subsequently took out in 2004.

His spokesman said: “For all the time Alan has been a Member of Parliament his London home has been at the same address and has been his main home both for tax purposes and parliamentary purposes.

“Similarly, his constituency home has been at the same address and has been his second home for both tax purposes and parliamentary purposes.

“The mortgage was taken out for the original purchase of his constituency home. This loan was secured at that time against his London home, even though it was used to purchase the constituency home.

“When he renewed his mortgage in early 2004, he realigned the security given to the bank with the property to which the loan directly related.

“The mortgage has always been in respect of the constituency property and any claim made against it in allowances has been entirely and exclusively for that purpose.”

4 July 2009

5. Letter to Mr Alan Duncan MP from the Commissioner, 7 July 2009

Thank you for your letter of 5 July which I received this morning, asking that I accept a self-referral from you in respect of your mortgage claims against the Additional Costs Allowance.

Before I could accept a self-referral, I would need to consult the Committee on Standards and Privileges. I would be very ready to do so in response to your request, but I should say that I have already received a letter about this matter and I expect to receive sufficient material for it to become a formal complaint. If so, and if I conclude that there is sufficient evidence provided to justify me making an inquiry of you, then I would accept the complaint and not follow the self-referral route which, as you know, the Committee would expect to authorise only in exceptional circumstances.

I will be back in touch either if I do receive a formal complaint with sufficient evidence or following a reference to the Committee.

7 July 2009

6. Letter to the Commissioner from Mr Alan Duncan MP, 8 July 2009

Further to my letter of Sunday 5th July, and the copy documents of my emails to the Daily Telegraph which I sent you yesterday (Tuesday 7th) I have since successfully retrieved my relevant expenses files from the Department of Resources.

I am also advised (which was otherwise unknown to me) that Mr John Mann MP has submitted a complaint to you about my conduct.

I know you are facing a heavy burden of complaints at the moment, so I hope that the papers I now enclose will allow you to dismiss this matter in short order without taking up too much of your time.

The correspondence and file note I attach to this letter show beyond any doubt that my version of events is wholly correct and that it was explicitly recorded as such in 2003. I believe they prove conclusively that I acted above and beyond the rules at that time; acted with foresight and propriety, and that far from milking the system I in fact incurred a private cost of £3,500 in order to place my affairs beyond reproach even though I was not formally requested or required to do so.

8 July 2009

7. Letter to the Head of the Fees Office from Mr Alan Duncan MP, 21 October 2003

I would appreciate your advice on the rules governing the ACA. As we all know, it is now necessary to provide invoices against claimed costs. In addition, you will understandably require evidence of the interest claimed on any mortgage.

Although my mortgage was taken out for the purpose of purchasing my constituency home (as verified in writing by my bank) the formal legal charge, against which the mortgage is secured, is registered against my principal residence in London.

May I therefore confirm that it is not necessary to enter into the expense (perhaps as much as £5,000 - new mortgage, valuation, legal costs etc) of totally re-arranging my mortgage to secure it against my second home, and that the written confirmation of the Royal Bank of Scotland will satisfy the new rules?

21 October 2003

8. Note of telephone conversation between Mr Duncan and the Head of the Fees Office on 3 November 2003

Member has mortgage on second home secured on his main home, which has no mortgage charge. He claims that to transfer his existing mortgage to his second home would incur charges of £8,000 since it would be in fact taking out a new mortgage on his second home. He has approached his lender, who will write to us confirming that the loan relates solely to his second home.

It would be useful to obtain confirmation from his lender that the cost to him of a new mortgage on his second home is the £8,000 he claims it would be.

3 November 2003

9. Letter to Mr Alan Duncan MP from the Royal Bank of Scotland, 14 October 2003

Re: Mortgage account number [...]

I am writing to confirm that your monthly payments on the above mortgage total £1142.22 per month and this is purely on an Interest Only basis.

I trust this is satisfactory. However, if you require further clarification, please do not hesitate to contact me.

14 October 2003

10. Letter to Mr Alan Duncan MP from the Commissioner, 9 July 2009

Thank you for your letter of 8 July and for the attachments to it.

I am happy to confirm that I am considering correspondence I have received from Mr John Mann MP in relation to this matter. As you know, to accept a self-referral would be exceptional and I would need to seek the approval of the Committee on Standards and Privileges before doing so. I may need anyway to consult them since I may need to ask you about matters going back more than seven years.

I will, therefore, come back to you as soon as possible after the Committee's meeting next week. If I proceed with the matter, then I will need to write to you to ask for information to ensure that I understand the sequence of events and the context in which they occurred. I would then need to come to my own view on whether the arrangement was within the rules of the House as they existed at that time, consulting the Department of Resources before I do so.

I shall, of course, do my best to resolve this as quickly as possible. I already appreciate very much the help you are giving me in achieving that.

9 July 2009

11. Letter to the Commissioner from Mr Alan Duncan MP, 10 July 2009

I apologise if I appear to be picky but am I to understand from your letter that the status of your correspondence with John Mann MP is that he has indeed made a complaint? If so, at what point in your assessment might I expect to be informed of what exactly it is that he has alleged about my conduct?

10 July 2009

12. Letter to Mr Alan Duncan MP from the Commissioner, 13 July 2009

Thank you for your further letter of 10 July.

I quite understand your concern about the status of Mr Mann's correspondence. At present, the position is that Mr Mann has written to me asking for an investigation. I have written to inform him that he has not yet provided me with the evidence on which he appears to have based his allegations or why he considers these suggest a breach of the rules. I have not yet received a response.

The present position, therefore, is that, unless I hear from him before the Committee meets, I will be submitting to the Committee on Standards and Privileges your request that I initiate an inquiry into the allegation made against you in respect of your mortgage claims.

The Committee meets tomorrow, 14 July and I will be in touch with you as soon as possible after that.

I hope that has helped clarify the position.

13 July 2009

13. Letter to Mr Alan Duncan MP from the Commissioner, 14 July 2009

The Committee on Standards and Privileges has agreed that I should accept your referral to me of the allegations made in respect of your mortgage claims. They have also agreed that I may make any necessary inquiries into matters going back more than seven years.

You first wrote to me about this on 5 July with your request. Having not yet received a substantiated complaint on the matter, I referred your request to the Committee and they agreed to this inquiry.

In essence, the allegation is that you claimed for mortgage interest payments on your Rutland property which were not necessarily incurred, because you already owned the home, and because your claimed mortgage interest was in respect of a mortgage on your main home in London.

I enclose an online copy of the *Daily Telegraph* article of 4 July where these allegations were made.

The Code of Conduct for Members of Parliament provides in paragraph 14 as follows:

"Members shall at all times ensure that their use of expenses, allowances, facilities and services provided from the public purse is strictly in accordance with the rules laid down on these matters, and that they observe any limits placed by the House on the use of such expenses, allowances, facilities and services."

The Green Book on Parliamentary Salaries, Allowances and Pensions (1992 edition) sets out the rules in respect of the Additional Costs Allowance at the time of the reported purchase of your Rutland property.

Paragraph 3.1 states that:

"The Additional Costs Allowance (ACA) reimburses Members for expenses necessarily incurred in staying overnight away from their main residence in either London or the constituency (but not for both) for the purpose of performing their parliamentary duties".

Paragraph 3.6 states that:

"Each [ACA claim] form requires Members to give details of expenditure and to certify that the amount claimed has actually been spent on additional costs necessarily incurred on overnight stays away from home."

In the Green Book on Parliamentary Salaries, Allowances and Pensions published in July 2004 (the edition which was relevant at the time the mortgage was reportedly taken out), Mr Speaker said in his introduction:

“Members themselves are responsible for ensuring that their use of allowances is above reproach. They should seek advice in cases of doubt and read the Green Book with care.”

Section 3 of that Green Book sets out the rules in respect of the Additional Costs Allowance.

Paragraph 3.1.1 states:

“The additional costs allowance (ACA) reimburses Members of Parliament for expenses wholly, exclusively and necessarily incurred when staying overnight away from their main residence (referred to below as their main home) for the purpose of performing Parliamentary duties. This excludes expenses that have been incurred for purely personal or political purposes.”

Paragraph 3.2.1 deals with eligibility:

“You can claim ACA if:

- a You have stayed overnight in the UK away from your only or main home, and*
- b This was for the purpose of performing your Parliamentary duties, and*
- c You have necessarily incurred additional costs in so doing, and*
- d You represent a constituency in outer London or outside London.”*

Paragraph 3.3.1 deals with the location of overnight stays:

“If your main home is in the constituency, you can claim ACA for overnight stays in London - or in another part of the constituency if reasonably necessary in view of the distance from your only or main home.

If your main home is in London you can claim for overnight stays in the constituency.

If your main home is neither in London nor the constituency you can choose in which of these areas to claim ACA.”

Paragraph 3.6.1 sets out the required documentation:

“Please supply the following:

If you have a mortgage, a copy of your last statement of interest - and future statements at annual intervals. If this does not demonstrate that the mortgage is in your name, further evidence may be required.”

Section 3.9.1 provides a definition of “main home”:

“For other Members [i.e. other than Ministers or office holders], the location of your main home will normally be a matter of fact. If you have more than one home, your main home will normally be the one where you spend more nights than any other. If there is any doubt about which is your main home, please consult the Department of Finance and Administration.”

I would welcome your comments on this complaint in the light of this summary of the relevant rules. In particular it would be helpful if you could let me know:

1. in respect of your London and Rutland properties:
 - a. the circumstances in which you purchased each of the properties and the dates of purchase;
 - b. the value of each of the properties at the time of purchase;
 - c. details, including dates, of any finance arrangements used in the purchase of the properties; and

- d. whether, and if so, the date on which you owned your Rutland property outright;
2. the history, with dates and reasons, for the identification of your main homes since 1992;
3. what claims, if any, you made under the Additional Costs Allowance, for the Rutland property between 1992 and 2004, including any claims in respect of any finance arrangements secured on either the London or Rutland properties;
4. why you raised a mortgage on your Rutland property in 2004, the size of the mortgage and its relationship to the value of the property at the time;
5. what claims for mortgage interest on your Rutland property you made against the ACA in 2003-04 and each successive financial year;
6. what advice, if any, you have taken from the House authorities about any of these arrangements.

I appreciate that you sent me some information which would help to respond to some of these matters in your letter to me of 8 July and you may wish to refer to that material in your response to this letter.

Any other comments you would wish to make to help with my inquiry would, of course, be very welcome.

I attach a note setting out the procedure I follow, although in this case, of course, there is no complainant.

It would be very helpful if you could let me have a response to this letter within the next three weeks. If there is any difficulty about this, or you would like a word on any matter arising from the complaint, please contact me at the House. I would be very grateful for your help on this matter.

14 July 2009

14. Letter to the Commissioner from Mr Alan Duncan MP, 23 July 2009

I acknowledge receipt of your letter of 14th July. I confirm I have read it closely and now seek to answer all your questions in as much detail as I can.

I am in the peculiar position of having referred myself to you while only being able to hazard a guess at the exact nature of the complaint that has been levelled at me by the *Daily Telegraph*. I also note that the *Daily Mirror* has reported that Mr John Mann MP confirmed to them that he intended to lodge a complaint.

The accusation, as I understand it, is that in 2004 I took out a new mortgage on my constituency home even though I owned it outright. The implication is therefore that I used the parliamentary allowance to fund borrowings which I did not need (or as the *Daily Telegraph* chose to put it, have 'milked' the system), and that in the years preceding 2004 I must have been claiming for a mortgage which either I didn't have or which did not relate to my second home. None of this is true.

Ever since I was first elected in 1992 my property arrangements have remained exactly the same. My main home for both parliamentary and tax purposes has been the London home I bought in 1986 for £235,000. It was paid for by a combination of the sale of a London flat, savings, and a small mortgage which was quickly paid off.

My second home both for parliamentary and tax purposes has always been my property in Rutland, which was bought in 1991 for £275,000 with a mortgage. Because the house was at the time an incomplete development the most suitable property to value and offer to the bank as collateral was my London home. Thus the total amount borrowed for my purchase of a constituency house, which also needed further spending on it, was £271,000. This amount was raised for the sole purpose of buying my Rutland property.

I have consulted my bank about the history of my mortgage borrowing. From 1986 until 1994 everything was handled by the branch with whom I banked. In 1994 the bank's mortgage handling moved from the

individual branch to a central mortgage office. As a result the bank's records only go back as far as 1994. On 13th April 1994 (the transfer date) their records show I had a mortgage of £271,000.

I have already sent you a copy of my letter to the Fees Office of 21st October 2003 and [the Head of the Fees Office's] handwritten file note, along with a letter of verification from my bank. The Fees Office letter refers to a number of pertinent facts.

First, it states clearly in what was a different climate for the rules six years ago that my mortgage had been taken out for the purchase of my constituency home. Second, it refers to my having proved that to be the case by providing written confirmation to that effect from my bank. Third, it refers to the question (on which I was seeking advice) about whether the legal charge for the mortgage needed to be aligned with the property to which the loan related.

The rules at the time did not require anything as specific as the alignment of the legal charge with the property itself, and for me to make such a change at the time required the early termination of a fixed interest loan which incurred a penalty.

Despite receiving no clear guidance from the Fees Office requiring me to re-arrange my mortgage, I nonetheless decided to try to set the highest possible standards of conduct - and the perception of such - by moving the formal legal charge from my London property to my Rutland property. This incurred a personal cost (not claimed against any allowance) of, as I recall, about £3,500.

My bank confirms that in January 2004 the legal charge was moved across, and the amount borrowed both before and after the change was the same £271,000. The collateral offered to the bank for its loan is, I would suggest, immaterial. I would argue that what matters is the purpose for which the loan was raised. In this case it was, and always had been, for the purchase of my constituency home.

In making a change in the legal charge, which is little more than a legal formality, I was acting way ahead of the rules as they were at the time and (in the light of recent events) with some foresight. Even six years later, under today's rules of the House, it might be considered unnecessary.

Thus, in no sense can I reasonably be accused of having 'flipped' anything, as my home ownership and declaration circumstances have remained exactly the same since the day I was first elected. Nor is it anything other than deliberately deceptive to state that I owned my constituency home 'outright'. I always had a mortgage which was, is and always has been, related to that property.

The *Daily Telegraph's* use of pejorative language is unjustified. Its headlines and report, on close reading of my own statement which follows, quite obviously do not match the facts. Their escape route is the use of the word 'on'. They state, as if this proved their point, that I did not have a mortgage 'on' my Rutland house.

They know full well that I did indeed have a mortgage in respect of my Rutland house, and that a £271,000 loan had been taken out from the outset for the sole purpose of buying it. It is perhaps therefore unfortunate for the *Daily Telegraph* that there is such detailed evidence about my mortgage affairs on the files of the Fees Office.

Indeed [the Head of the Fees Office's] written note of 3rd November 2003 helpfully opens with the words "*Member has mortgage on 2nd home secured on his main home, which has no mortgage charge.*" He continues "*He has approached his lender who will write to us confirming that the loan relates solely to his second home.*"

In other words, there has been evidence on file for nearly six years which quite explicitly, in every respect, rebuts any accusation that could possibly be levelled against me by either the *Daily Telegraph* or anyone else. The detailed content of this six year old letter proves clearly that the transfer of the legal charge was, and remains, the one simple reason for any change in my mortgage arrangements.

I also enclose a letter from my solicitors which corroborates these facts.

My mortgage has only ever been in respect of my constituency home and I have only ever claimed for the interest on it, as properly documented with the Fees Office. The arrangements for my main and second homes have not changed since I was first elected in 1992.

I have endeavoured to establish that I have fully complied with the various stipulations of Section 3 of the Green Book which you cite in your letter, and to answer all the questions 1-6 which you have put to me.

I believe that my letter to the Fees Office of 21st October 2003 and my subsequent action offer you incontrovertible evidence that my arrangements have been wholly proper and have not changed at all since 1992.

I hope this will suffice for you to be able to reach a satisfactory conclusion.

23 July 2009

15. Letter to Mr Alan Duncan MP from his solicitors, 22 July 2009

I am writing to you to outline the history of your mortgage arrangements in relation to [your property in] Rutland.

[X Solicitors], who used to handle your legal affairs have since been incorporated into this firm, and I have retrieved your files in order to establish the facts. [Solicitor Y] acted for you for the original purchase of [the Rutland property] in 1991, for which you took out a mortgage, secured against your London home.

You wrote to [Solicitor Y] on 3rd November 2003 instructing him to act on your behalf to transfer the official legal charge from your London home to [the Rutland property]. Doing this required the redemption of that mortgage and the establishment of a similar one under a new agreement. The mortgage advance was issued by RBS on 29th December 2003. The gross advance was £271,406.00. [Solicitor Y] took up the mortgage from RBS on 9th January 2004 and at the same time he redeemed the previous mortgage.

We can confirm that your original borrowing had been taken on in order to purchase [the Rutland property] at the outset, and that you explained to [Solicitor Y] in November 2003 that the reason for your re-arrangement of the mortgage was to link the legal charge for the mortgage to the house to which it related.

Please do not hesitate to contact me if you require any further information.

22 July 2009

16. Letter to Mr Alan Duncan MP from the Commissioner, 28 July 2009

Thank you for your letter of 23 July responding to mine 15 July following your self-referral about the mortgage claims on your Rutland property.

I was most grateful for this explanation. It would be most helpful if you could clarify for me the following points:

1. Could you let me know when you paid off the mortgage on the London home which you bought in 1986? In particular, am I right in assuming that it was before you took out the mortgage of £271,000 which you used to buy your Rutland property?
2. Could you confirm whether, as discussed with the then head of the Fees Office on 3 November 2003, you did in fact approach your lender for a letter confirming that the £271,000 mortgage was raised for the purchase of your Rutland property, and confirming what the cost would be of rearranging the mortgage to link it to that property? The letter of 14 October 2003 which you have forwarded, and which predates your discussion with [the Fees Office], does not seem to fit that bill.
3. Could you help clarify for me the cost of the change of the mortgage from your London property to your Rutland property in late 2003? In your letter of 21 October 2003 to the Fees Office, you suggested that new mortgage, valuation and legal costs would cost perhaps as much as £5,000. The Fees Office note of 3 November 2003 records you as suggesting that it might cost £8,000. In your letter to me you suggest, from memory, that it cost about £3,500. Your letter also suggests that there was a penalty for the early termination of a fixed-interest loan. Could you let me know, for clarification purposes, whether the cost to change of about £3,500 included a fixed-interest loan penalty or whether that had terminated by the time you came to seek a change?

I apologise for coming back to you on these points, but your response will be helpful to me in ensuring that I do have a reasonable understanding of the position. I hope it might be possible to let me have a response to this within the next two weeks, although I appreciate that we are now in the recess. When I have your response, I am likely to consult the Department of Resources.

Thank you for your continued help on this matter and for such a timely response.

28 July 2009

17. Letter to the Commissioner from Mr Alan Duncan MP, 30 July 2009

Thank you for your letter of 23rd July. It contains three questions which I am happy now to answer to the best of my ability.

1. *The London mortgage*

You are correct in stating that my mortgage on my London house had been paid off by the time I bought my Rutland home. At no time was there a mortgage for both, and for all the time that I have had a mortgage for my constituency property I have not also had any mortgage for my London home.

2. *Lender's letter*

My 3rd November conversation with [the Head of the Fees Office] was the culmination of a number of phone calls over a number of weeks with others who worked with him. By the time I wrote to the Fees Office on 21st October I had already contacted my bank. This had prompted their letter to me of 14th October which was designed to give clear evidence from my lender that I had a mortgage exclusively for my Rutland property. It is this approach to the bank to which [the Head of the Fees Office] is initially referring in his notes.

It was suggested by the Fees Office that it would be helpful to secure more detailed evidence from the bank about the costs of transferring the legal charge but only if I wanted to continue with the existing arrangements. In other words, if I was proposing not to move the legal charge then it would be wise to have something on file which justified keeping things as they were. As I instead decided to go ahead and realign the legal charge, any further such letter was deemed unnecessary, so I took no further steps to document in advance the cost I was likely to incur.

3. *The costs of the change*

The costs I incurred were for legal fees, the valuation of my property and the early termination of a fixed-term loan. The fixed-term had about a year to run and there was a percentage penalty for early redemption. My recollection is that the penalties were something over £3,000. The range of numbers discussed and mentioned in my letter and in [the Head of the Fees Office's] notes varied because there was no way of knowing clearly in advance what terms I was likely to be offered on a new mortgage compared with the one I already had. It was largely down to my being able to negotiate with the lender once I had decided to proceed with the change. In that sense, one could only make an estimate of the broader financial consequences.

In a sense, the ultimate amount is immaterial. The fact is, the change I initiated and volunteered to make, although not ever required to do so either by the rules or the Fees Office, involved an immediate out of pocket cost to me. The change involved a financial outlay and was not in any sense whatsoever of any financial benefit to me.

I hope this satisfactorily answers the questions you put.

30 July 2009

18. Letter to Director of Operations, Department of Resources from the Commissioner, 4 August 2009

I would welcome your advice and comments on an inquiry I am conducting at the Member's request in respect of mortgage interest claims made by Mr Alan Duncan MP.

I enclose a copy of Mr Duncan's initial letter to me of 5 July and the online version of a Daily Telegraph article of the previous day; Mr Duncan's e-mail to my office of 7 July with copies of e-mail exchanges with that newspaper; a copy of Mr Duncan's letter to me of 8 July with copies of documents showing his contacts with the Department of Finance and Administration in 2003 and a copy of a letter from the Royal Bank of Scotland of 14 October 2003; my letter to Mr Duncan of 14 July initiating my inquiry; Mr Duncan's response of 23 July with attachment, my letter to him of 28 July; and his response of 30 July.

In essence, the allegation I am inquiring into is that Mr Duncan claimed for mortgage interest payments on his Rutland property which were not necessarily incurred, because he already owned the home, and because his claimed mortgage interest was in respect of a mortgage on his main home in London.

I would welcome your comments on these allegations and on Mr Duncan's response. In particular, it would be helpful if you could set out the contacts which Mr Duncan had with the Department on this matter in 2003, including copies of documents related to these contacts (you will see that Mr Duncan refers to a number of phone calls with the Department culminating in his discussion with the then Head of the Fees Office on 3 November 2003). The issue I will need to resolve is whether it was within the rules of the House as they were when Mr Duncan was elected in 1992 for him to have claimed mortgage interest on a mortgage raised the previous year on his London home to pay for his home in Rutland; and whether this arrangement remained within the rules of the House until Mr Duncan changed the arrangement in 2004 by moving his mortgage to his Rutland property.

I appreciate we are now in the recess, but it would be very helpful if you could let me have a response to this letter by the first week in September.

4 August 2009

19. Letter to Mr Alan Duncan MP from the Commissioner, 4 August 2009

Thank you for your letter of 30 July responding to mine of 23 July on my inquiry into the mortgage claims on your London property.

I was most grateful to receive this, and thank you for such a prompt response.

I am now writing to the Department of Resources to seek their help with this inquiry.

For the sake of completeness, it would be very helpful if you could give me the date on which you paid off the 1986 mortgage of £235k on your London home.

I was grateful for your explanation about the date of the RBS letter. I still have a little difficulty in equating what the then head of the Fees Office says – which is that the letter you had agreed to secure from RBS after 3 November was to confirm that the loan related solely to your second home – with what you say about such a future letter being to identify the costs of transfer should you have decided to keep things as they were. And I remain uncertain how the RBS letter of 14 October 2003 can be interpreted as clear evidence from your lender that you had a mortgage exclusively for your Rutland property. I cannot find that statement in the text of the letter.

I would welcome, therefore, any further response to the three points raised in this letter. Meanwhile, I will write to you again when I hear back from the Department of Resources.

4 August 2009

20. Letter to the Commissioner from Mr Alan Duncan MP, 7 August 2009

Thank you for your letter of 4th August. I note you will be writing to the Department of Resources.

You ask in your letter for me to give you "the date on which I paid off the 1986 mortgage of £235k on my London home". I have never had a mortgage of this amount on my London house.

In my letter to you on 23rd July I wrote:

"My main home for both parliamentary and tax purposes has been the London home I bought in 1986 for £235,000. It was paid for by a combination of the sale of a London flat, savings, and a small mortgage which was quickly paid off."

I do not have the precise date on which this was completed; as I explained in the same letter my bank's records only go back as far as 1994.

As my letter to you of 30th July said:

"You are correct in stating that my mortgage on my London house had been paid off by the time I bought my Rutland home. At no time was there a mortgage for both, and for all the time that I have had a mortgage for my constituency property I have not also had any mortgage for my London home."

On your second point, you refer to two separate issues which it would be useful for me to help disentangle. At the time of my discussion with the then Fees Office, whether or not my mortgage was entirely for my second home was not really the issue. Obviously it was and it was accepted as such. The pertinent matter was whether I should provide documentation for the file in the event that the legal charge remained on my London home. The second and consequential issue was the question of how much it would cost me if I were to move the legal charge.

In other words, if I was going to keep the legal charge on London then it was thought indeed sensible to put on record some paperwork to prove that the loan was for my constituency home, but if I were to move the legal charge so that everything was formally aligned to Rutland then no such documents were thought to be necessary.

Given that I chose to move the legal charge, the approach to my bank for the letter mentioned in [the Head of the Fees Office's] note became superfluous. I quite accept that the bank's letter of 14th October only goes some of the way to proving that my mortgage related only to my property in Rutland. That is why I approached my solicitors asking them to look into their records, as a result of which you have been sent their emphatic letter of 22nd July which substantiates the facts clearly.

I would also add that if I indeed had a continuing loan for the purchase of my London home then it would have appeared in the records from 1994. Given that there is no such reference whatsoever this further substantiates the fact that my borrowings related entirely to my Rutland property.

I can but reiterate the simple straightforward facts as follows: the structure of my mortgage and home ownership were in place before I even became an MP. They and my declarations to the Fees Office have remained exactly the same since I was first elected in 1992.

7 August 2009

21. Letter to Mr Alan Duncan MP from the Commissioner, 10 August 2009

Thank you for your letter of further letter of 7 August responding to mine of 4 August and again for such a prompt reply.

I apologise for suggesting that the mortgage on your London home was £235k. I understand it was less than that. I would have been helpful to have had an idea of the date when you paid off your London mortgage and an indication of its size. But otherwise, I will rest on your statement that the mortgage was paid off some time between 1986 and 1991 when you re-mortgaged the London property to buy your Rutland home.

Thank you too for helping me to disentangle the issue about the timing and content of the RBS letter.

As you know, I have already written to the Department of Resources seeking their comments on this matter. I will copy your letter to them so that they can take it into account in preparing their comments. When I hear from them, I will be back in touch.

10 August 2009

22. Letter to the Commissioner from the Director of Strategic Projects, Department of Resources, 20 August 2009

Thank you for your letter of 4 August.

We have no records of contacts in 2003 with Mr Duncan on the matters you raise beyond the letter which Mr Duncan sent to [the Head of the Fees Office] on 21 October 2003 and [the Head of the Fees Office's] note of 3 November 2003, both of which you have seen. This should not be taken as meaning that other contacts did not occur.

You ask whether it was within the rules of the House in 1992 for Mr Duncan to have claimed mortgage interest on a mortgage raised the previous year on his London home to pay for his home in Rutland, and whether this arrangement remained within the rules of the House until Mr Duncan moved his mortgage to his Rutland property in 2004.

There is nothing unusual in a person borrowing money to purchase a second home by mortgaging a property which he or she already owns. This is what Mr Duncan did in 1991, before he became a Member.

When Mr Duncan was first elected in 1992, he decided to claim for the cost of the interest he paid on the loan secured on his London property but used to purchase his Rutland property. The Green Book at the time required a Member to certify that amounts claimed had actually been spent on additional costs necessarily incurred on overnight stays away from home. Interest on mortgage loans was accepted as such a cost. Normally the mortgage will have been secured against the property nominated as the second home. But there was no requirement to this effect. I understand that, at the time, no inquiries would have been made as to the security for the mortgage.

It seems to me reasonable that the proper condition for interest payments on a mortgage loan to be payable was that the mortgage loan was obtained for the purpose of purchasing the second home, rather than that the mortgage loan was necessarily secured on that second home. For this reason, I believe that Mr Duncan's arrangements would have been within the letter and spirit of the rules as they existed in 1992.

This would have remained the case in the period about which you are inquiring. No relevant changes were made in successive editions of the Green Book during this period, though, as you are aware, the issue of location of the second home and related questions came under greater scrutiny after the Trend case in 2003.

I have also considered whether the fact that Mr Duncan purchased his Rutland home before he became a Member is relevant. It is clear that the purchase was made in anticipation of election as a Member. It does not seem to me to be reasonable in these circumstances to say that merely because Mr Duncan had purchased the property before election he was ineligible from the time of his election to claim for mortgage interest on the loan he had secured for that purpose.

Please let me know if I can help further.

20 August 2009

23. Letter to Mr Alan Duncan MP from the Commissioner, 2 September 2009

I have now heard back from the Department of Resources about the mortgage arrangements you made for your second home.

I enclose a copy of my letter to them of 4 August 2009, my further letter to them of 10 August with which I enclosed our correspondence of 4 and 7 August; and a copy of the Department's response of 20 August.

As you will see, the Department considers that the arrangements you made on your election in 1992 for claiming the cost of the interest on the loan secured on your London property in order to purchase your Rutland property was within the rules as they existed at that time, and that they remained within the rules at the time when you decided to change the arrangement in 2004 by moving your mortgage to your Rutland property.

I would welcome any comments you may wish to make on the Department's letter. There are in addition two points which it would be helpful if you could clarify so that I fully understand the sequence of events.

1. You said in your letter of 23 July that you decided to secure the mortgage on your London home because your Rutland house was at the time, "an incomplete development". Could you let me know what that means? Was it a property requiring considerable renovation or was it a new property yet to be built, or were you making a different point?
2. Your letter of 23 July suggests that you decided to move your mortgage in November 2003 to set "the highest possible standards of conduct—and the perception of such". Could you help me on why you decided to make the change then and not at any time before? This would be helpful for me in understanding the timing of the decision.

I am sorry to come back on these two points. I understand from your office that, in response to my letter of 10 August, you are helpfully trying to identify the date when you paid off the mortgage on your London house. If you could include your response to this letter when you write to me about that matter, that would be most helpful. Subject to what you say, I hope that will enable me to move to concluding my work on this inquiry.

2 September 2009

24. Letter to the Commissioner from Mr Alan Duncan MP, 11 September 2009

I refer to your letter to me of 4th August; my reply to you of 7th August; and your further letter of 2nd September along with its enclosed copy letters to and from the Department of Resources.

In your letter of the 4th August you asked me if possible to supply you with the date on which I paid off my London mortgage. Following my initial reply of 7th August I asked my solicitors once again to review the files they hold in order to retrieve any information that might prove helpful. I now enclose their letter to me of 4th September which, I hope you agree, strongly reinforces the points I have made in our recent correspondence.

Your letter of 2nd September also invites further comment from me both about the house I bought in Rutland, and about the 'high standards' I was trying to set.

You asked what I meant by saying that the Rutland property I bought was 'an incomplete development'. The house I bought comprised an old farm cottage in a building plot which had been carved out of an old farmyard onto which a further construction (a bit larger than the original cottage) was being built. It was part of a series of developments in and around the old farm which were under construction. Thus, when I decided to buy it, there was still a fair amount of work to be completed such as plastering, wiring, decoration and fitting out the inside. Some of the interior walls had yet to be built. Also, although legally concluded, the land assembly had not been finally recorded in the land registry. There were therefore some legal loose ends, and no easy way of getting a satisfactory valuation sufficient to avoid annoying delays in being granted a mortgage.

My London house already had a legal charge on it in place with the bank, and its valuation was clear and simple. It was therefore cheaper, quicker, and more efficient to take out a new loan to buy the house by securing it against the (unmortgaged) London home I already owned. Even if the property I wished to buy were not 'incomplete' I had always envisaged using my London home as security for anything I decided to purchase in the constituency for which I had been selected.

You further asked me to explain the context in which I stated that I was trying to set the 'highest possible standards of conduct - and the perception of such', and why I chose that particular moment to make the change in the legal charge relating to my mortgage. At that time the whole regime for expenses and allowances was (quite rightly) beginning to become more rigorous. Also, particularly for the staffing allowance, they were becoming more generous. As a result of the increased salary provision I decided to base my caseworker in the constituency rather than in Westminster, and this required me to make my then secretary redundant so that I could relocate my office.

I wanted to do this properly and so engaged an independent adviser to steer me through the relevant employment law and make sure I did everything correctly. While doing so I decided to conduct a wholesale review of all my expenses, allowances, financial arrangements relating to Parliament, and my office structure and staffing arrangements.

As a result of the advice I received I ensured I provided proper staff contracts and that the salaries of my staff were within the recommended range. The appointment of a caseworker locally was made after a process of open recruitment and professional evaluation. My constituency office was rigorously separated from any political activity, so that there was an impeccable divide between the parliamentary and the political. No money was paid loosely to the constituency association as some MPs were still doing, and the rent paid by me for my office was established by a professional surveying company at arms length.

In reviewing the expenses and allowances I claimed I decided never to claim for food, which I regarded as something anyone should just pay for themselves, and never to claim for anything without a receipt, even though quite substantial amounts were allowed to be claimed each month with no receipts at all.

While taking stock of all these matters the issue of the legal charge on my property arose, and that is why I asked the then Fees Office for guidance. Even though there was no requirement to make any change whatsoever I decided to transfer it in order to make all my affairs absolutely tidy - hence my comment about 'their perception as such'. Moving the legal charge was simply part of this comprehensive review of all my parliamentary finances.

Furthermore, at the end of 2003 I published on my website all the amounts I had spent and claimed under the expenses and allowances system, and as such was the first MP ever to offer this information publicly.

It is in the context of this overall exercise in reviewing all my finances and procedures that I believe I am justified in claiming that moving my mortgage charge was (but one) part of attempting to set the highest possible standards, and also that it was 'ahead of its time'.

I hope this reply satisfactorily answers all the queries you have put to me.

11 September 2009

25. Letter to Mr Alan Duncan MP from his solicitors, 4 September 2009

Thank you for your letter asking us to look once again into the files to establish some further facts about your mortgage history. I hope our letter to you of 22 July gave most of the information you are seeking.

You have asked us specifically to advise you of the status of your borrowings from the bank at the time you bought your property in Rutland. On looking into the records, we can confirm that you had none.

[X Solicitors] acted for you when you bought your London home in 1986, and when you did so a legal charge was put on the house. It is that same legal charge which was used to secure the mortgage you took out in 1991 to buy your Rutland home and which was transferred. as we have already explained. in 2004.

You paid off your London mortgage some months before you bought your Rutland home but, as agreed at that time, this firm was not asked to terminate the legal charge because it was anticipated you would soon be buying another property and that by leaving the charge in place you could use it to facilitate a new loan.

We cannot give you the exact precise date on which your borrowings were reduced to zero because you remitted funds directly to the bank, and not through us. It would appear, though, that the loan against your London house was fully paid off by about June or July 1991. When you finalised the purchase of your Rutland home in November that year, the funds for the mortgage were sent to this firm in order to complete the transaction. It was a new mortgage, and you had no other loans from the bank at the time.

There was, therefore, what one might reasonably call a 'cordon sanitaire' of three or four months between paying off the loan on your London home and taking out a new mortgage from scratch to buy your Rutland home.

I hope this answers your question satisfactorily.

4 September 2009

Formal minutes

Tuesday 3 November 2009

Members present:

Mr David Curry, in the Chair

Mr Kevin Barron
Mr Andrew Dismore
Nick Harvey
Mr Elfyn Llwyd

Mr Chris Mullin
The Hon Nicholas Soames
Mr Paddy Tipping
Dr Alan Whitehead

Draft Report [Mr Alan Duncan], proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraph 1 read, amended and agreed to.

Paragraphs 2 and 3 read and agreed to.

Paragraph 4 read, amended and agreed to.

Paragraphs 5 to 11 read and agreed to.

A Paper was appended to the Report.

Resolved, That the Report, as amended, be the Eleventh Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

[Adjourned till Tuesday 10 November at 9.30 am]