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Committee on
Standards and Privileges

Mr George Osborne

Sixth Report of Session 2009–10

Report and Appendices, 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 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 George Osborne

Introduction

1. The Parliamentary Commissioner for Standards has sent us a memorandum, reporting on the outcome of his investigation of a complaint against Mr George Osborne, the Member for Tatton. Both the Commissioner's memorandum and a letter we subsequently received from Mr Osborne are appended to this Report.

2. The complaint against Mr Osborne was made by the Chairman of Tatton Labour Party, Mr Laurie Burton.¹ Mr Burton raised a number of questions concerning Mr Osborne's designation of his main home and Mr Osborne's claims against Additional Costs Allowance (ACA) in respect of his second home.² The Commissioner has summarised these in his memorandum, as follows:

the essence of the complaint was that between 2001 and 2003 [Mr Osborne] had wrongly identified his main home for the purposes of his claims against the ACA and that from 2003 he had claimed for mortgage payments that were not necessarily incurred, contrary to the rules of the House.³

The relevant rules of the House are set out at paragraphs 7 to 15 of the Commissioner's memorandum.

3. Where, as in this case, part of a complaint relates to events going back more than seven years, the Commissioner seeks our agreement to an investigation which includes those events. We were satisfied that in this case it was necessary that the Commissioner's investigation should go back more than seven years and we accordingly gave our assent to this on 30 June 2009.

The Commissioner's findings

4. In the following sections, we summarise the Commissioner's findings of fact and conclusions. We then note Mr Osborne's statement, before reporting our own conclusions and recommendation.

Mr Osborne's designation of his main home from 2001 to 2003

5. Mr Osborne was first elected to the House in June 2001. At the time, he already had two homes: one in London; and one in Cheshire, just outside the Tatton constituency.⁴ He had raised a loan to buy the Cheshire property in 2000 by increasing the mortgage on his

¹ Appendix 1, paragraph 3; WE6

² Appendix 1, WE1 and WE4

³ Appendix 1, paragraph 16

⁴ Appendix 1, paragraph 94

London home. As a Member, Mr Osborne claimed ACA for the mortgage interest payments relating to the Cheshire property. As we noted in a recent Report, there was nothing in the rules at the time to prevent a Member claiming for the cost of buying a second home in order to perform their Parliamentary duties and funding it by raising a mortgage on another property.⁵

6. The rules at the time also allowed Members to designate their main home, without further guidance. It appears that soon after being elected Mr Osborne nonetheless sought guidance from the Fees Office and that he was advised that he could designate either property as his main home. The Fees Office were content that Mr Osborne should claim ACA for some of the interest payments on the mortgage secured on his London home, even though he made it clear that the payments for which he intended to claim related to the Cheshire property.⁶ Mr Osborne followed the advice he was given and from the time of his election until 21 July 2003 designated his Cheshire home as his main home for allowance purposes.⁷ During this period, he claimed against the ACA for interest payments on that part of the mortgage secured on the London property that related to the purchase costs of the Cheshire property. The Commissioner finds that:

Mr Osborne's decision to nominate his property in Cheshire as his main home was against the rules because, in fact, his claims on his London property were solely to meet the mortgage interest costs of his Cheshire property, and he was not allowed to claim those costs because he had identified that property as his main home.⁸

7. However, the Commissioner also accepts that Mr Osborne was clear about his intentions when he sought advice from the Fees Office and that he was advised to nominate the Cheshire property as his main home and to claim ACA against the mortgage on his London home.⁹ The Commissioner agrees with the Department of Resources that the original advice was "flawed".¹⁰ He also points out that there is no evidence that Mr Osborne personally benefited from the arrangement. He concludes that it would be unfair to see this as a serious breach of the rules.¹¹

The 2003 mortgage

8. The Commissioner notes that in November 2003, Mr Osborne raised a mortgage loan of £450,000 secured on the Cheshire property, rather than continuing to secure his borrowing for the purchase of that property on his home in London.¹² At the same time, Mr Osborne also designated the London property as his main home. In the Commissioner's judgment,

⁵ Eleventh Report, Session 2008–09, HC1101, paragraphs 9 and 10

⁶ Appendix 1, paragraph 101

⁷ Appendix 1, paragraph 94

⁸ Appendix 1, paragraph 107

⁹ Appendix 1, paragraph 108

¹⁰ Appendix 1, paragraph 109

¹¹ Appendix 1, paragraphs 111 and 121

¹² Appendix 1, paragraph 112

this change was not only within the rules as they were at the time, but it was “a sensible decision, since it had the prospect of making more simple and more direct his mortgage arrangements.”¹³ It was also “entirely acceptable” for Mr Osborne to continue to claim the cost of buying his Cheshire property by charging to Parliamentary allowances the interest costs of the new mortgage.

9. In his original complaint, Mr Burton suggested that, because Mr Osborne owned the Cheshire property outright before he was elected to Parliament, he should not have claimed from Parliamentary allowances in 2003 and subsequently for the cost of interest payments on the loan he had raised for its purchase.¹⁴ The Commissioner concludes that “the Cheshire property was undoubtedly being used for the purpose of performing Mr Osborne’s parliamentary duties, and thus the interest on the mortgage used to purchase it was properly chargeable against the ACA.”¹⁵ He rejects this part of the complaint.¹⁶

10. The 2003 loan was for a sum £5,000 greater than the purchase price of the property three years earlier.¹⁷ We return to this point below.

The 2005 mortgage

11. During the course of the investigation of this complaint, Mr Osborne drew the Commissioner’s attention to additional borrowing by him in December 2005, in the form of an increased mortgage on his Cheshire property. This was to meet £10,000 of the cost of some repairs to the property and to cover costs of £25,000 associated with the original purchase.¹⁸ Claiming for interest payments in relation to the costs associated with the original purchase was impermissible under the rules, although Mr Osborne was apparently not aware of this.¹⁹ The Commissioner also notes that, at the time, adding repair costs to a mortgage (rather than claiming for the costs directly) was specifically prohibited by the rules. However, it appears that, once again, Mr Osborne was acting in accordance with flawed advice given by the House authorities when he added these costs to his borrowing.²⁰

12. The Commissioner has pointed out that the sums wrongly claimed in respect of the repairs are modest and that the rules changed very shortly afterwards to permit repair costs to be added to mortgages.²¹ In the Commissioner’s view, it would be “unduly harsh to criticise Mr Osborne for the action he took” in adding the repair costs to his mortgage.²²

¹³ Appendix 1, paragraph 113

¹⁴ Appendix 1, WE1

¹⁵ Appendix 1, paragraph 114

¹⁶ Appendix 1, paragraph 115

¹⁷ Appendix 1, paragraph 97

¹⁸ Appendix 1, paragraphs 98 and 119

¹⁹ Appendix 1, paragraphs 116 and 118

²⁰ Appendix 1, paragraphs 102, 103 and 119

²¹ Appendix 1, paragraphs 119 and 120; WE26

²² Appendix 1, paragraph 119

Mr Osborne's mortgage interest claims

13. The Commissioner notes that Mr Osborne's original loan in respect of the Cheshire property, secured on the London property, covered the purchase price, transaction costs and the initial repairs.²³ As noted above, later loans—in 2003 and in 2005—were also for sums greater than the original purchase price. Members could not claim against the ACA for costs incurred before they were elected to the House; they could, however, claim for the continuing mortgage interest payments relating to the purchase price only. The documentary evidence submitted by Mr Osborne suggests that the mortgage interest he claimed in five of the seven years covered by the complaint did not exceed the interest on that part of the loan which was permitted by the House at the time (ie, the interest on £445,000, subject to the overall limit on claims in any given year). However, the Commissioner has found that “the interest claimed exceeded those costs in both 2005–06 and 2006–07 by a total of £785 and £1,151 respectively.”²⁴

14. The Commissioner concludes that “Mr Osborne was, therefore, in breach of the rules in 2005–06 and 2006–07, but not in any other year, in the claims he made for mortgage interest on his additional property in Cheshire.”²⁵ He has therefore upheld this part of the complaint. The Commissioner does not consider this a serious breach of the rules: “the sums were not particularly large and the mistake was not intended.” He notes that Mr Osborne has offered to repay the sums involved (£1,936, of which he has already paid £270).

The Commissioner's overall conclusion

15. The Commissioner concludes:

Taken overall, I do not regard as particularly serious the breaches of the rules which I have identified. Mr Osborne has been consistent in pointing out that he took advice at all times from the House authorities and acted on that advice. The breaches were not major ones, were not intentional and did not provide Mr Osborne with any significant financial benefit. He has offered to pay back the excess sums he claimed for and received in 2005–06 and 2006–07. These amount to £1,936, less the sums he has already repaid.²⁶

Mr Osborne's statement

16. Having received a copy of the Commissioner's memorandum, Mr Osborne has written to our Chairman in the following terms:

²³ Appendix 1, paragraph 116

²⁴ Appendix 1, paragraph 117. For the full figures, see table at Appendix 1, paragraph 100.

²⁵ Appendix 1, paragraph 118

²⁶ Appendix 1, paragraph 124

I am happy to accept the Commissioner's conclusions. I note his overall conclusion that "The breaches were not major ones, were not intentional and did not provide Mr Osborne with any significant financial benefit". I repeat to the Committee the offer I made to the Commissioner to repay £1,666 in order to ensure my claims are entirely beyond reproach.

Conclusions

Mr Osborne's designation of his main home from 2001 to 2003

17. We agree with the Commissioner that Mr Osborne's decision to nominate his property in Cheshire as his main home from 2001 to 2003 and at the same time to claim ACA in respect of mortgage interest payments relating to that property was against the rules. Mr Osborne has accepted this conclusion.

18. The Commissioner's view is that it would be unfair to see this as a serious breach of the rules. It appears not to have been intentional, in that Mr Osborne took advice from the Fees Office and believed the arrangement to be within the rules. Mr Osborne would also have had every right to make the claims that he did make during this period, had he received and followed the correct advice and designated his London home as his main home. There was thus no loss to public funds. We therefore agree with the Commissioner's conclusion. We are nonetheless surprised that even under the relatively relaxed allowances regime of 2001, the Fees Office should have considered it acceptable for a Member to claim ACA on that part of a mortgage which, while it was secured on a second home (at the time, Mr Osborne's house in London), related to the purchase of a designated main home (at the time, Mr Osborne's house in Cheshire).

The 2003 mortgage

19. Although we agree with the Commissioner that Mr Osborne's decision to transfer the security for his mortgage on his Cheshire home in 2003 was sensible, we take the view that the House authorities were wrong to regard the additional £5,000 over the purchase price as *de minimis*. While it was perfectly acceptable for Mr Osborne to borrow the extra sum, it would not in our view have been acceptable for him to claim his interest payments on it, however small such claims might have been. In fact, as the table in the Commissioner's memorandum demonstrates, Mr Osborne did not claim ACA in respect of the extra £5,000.²⁷ We therefore agree with the Commissioner's decision not to uphold this part of the complaint.

The 2005 mortgage

20. We accept the Commissioner's view, that it would be "unduly harsh to criticise Mr Osborne" for adding to his mortgage in 2005 £10,000 for the cost of necessary repairs to his

²⁷ Appendix 1, paragraph 100

Cheshire home. We are more concerned that Mr Osborne at the same time added £25,000 to his mortgage in respect of costs over and above the original purchase price of the property and that he claimed for the interest payments on some of these costs. Although, as with the 2003 mortgage, Mr Osborne was free to borrow such sums as he saw fit, he was not permitted to claim for the interest payments on borrowings that related to costs incurred before his election, other than the purchase price of the property. In this case, it appears that Mr Osborne did claim for such sums because, on Mr Osborne's own evidence, of the £1,936 he claimed over and above the payments that related to the mortgage on the property, only £1,512 related to the cost of the repairs.²⁸

21. Mr Osborne was, in our view, mistaken when he suggested to the Commissioner that instead of adding the cost of the repairs to his Cheshire home to his mortgage, he "could have claimed over £10,000 from public funds for repairs on the ACA."²⁹ In 2005–06, Mr Osborne claimed just £101 less than the ACA ceiling of £21,634. There was, as the Commissioner states, insufficient 'headroom' for a claim of £10,000. We agree with the Commissioner that it is difficult to see how the 2005 mortgage arrangement represented a significant saving to taxpayers, although it is evident that a later remortgage (in 2008) has resulted in savings.³⁰

22. In our view, the Commissioner is clearly right to conclude that Mr Osborne broke the rules in 2005–06 and 2006–07, by claiming for mortgage interest payments in relation to costs he incurred before he became a Member and in relation to the cost of repairs. Mr Osborne has accepted that he broke the rules, but we agree with the Commissioner that the sums were not particularly large and the mistake was not intended.

Mr Osborne's mortgage interest claims

23. Mr Osborne also suggested to the Commissioner that he claimed almost £10,000 of mortgage interest from his ACA less than he could have claimed over the period 2001 to 2008.³¹ Of course, as with the repairs, Mr Osborne could only have claimed this amount if there had been sufficient 'headroom' beneath the annual ceiling for the ACA. It is quite clear from the table in the Commissioner's memorandum that there was insufficient 'headroom' to accommodate a claim for such a sum.³²

24. The question arises of whether Mr Osborne's point would have carried greater force if there had been sufficient 'headroom' in his allowance. In our view, it is reasonable for us and anyone else who judges Members' conduct to have regard to the extent to which a Member has not claimed sums to which he or she might have been entitled. We do not believe, however, that it would be right to seek to offset in a formal way 'underclaims'

²⁸ Appendix 1, WE26

²⁹ Appendix 1, WE20

³⁰ Appendix 1, paragraph 119 and WE6

³¹ Appendix 1, paragraph 87

³² Appendix 1, paragraph 100

against ‘overclaims’, as a way of balancing the books. This is a principle we have sought to establish in a previous Report and it is one we intend to maintain.³³

Overall conclusion

25. Like the Commissioner, we consider that the breaches of the rules identified in his memorandum on Mr Osborne were not major breaches and were not intentional. We entirely accept that Mr Osborne derived no significant financial benefit from them. Mr Osborne has emphasised that he has sought at all times to minimise the cost of his claims, for example by seeking the best value mortgage deals. It was of course in Mr Osborne’s own interest to do this, but we appreciate that his actions also helped to make his claims lower than they might otherwise have been. This is no more or less than we would expect from any Member.

Recommendation

26. Mr Osborne has accepted that he breached the rules. In our view, these breaches were unintended and relatively minor. Mr Osborne has already repaid £270, to which he has added interest. We recommend that Mr Osborne repay £1,666; this is the remainder of the £1,936 which we have concluded he should not have claimed.

³³ Sixth Report, Session 2008–09, HC 316, paragraph 22

Appendix 1: Memorandum from the Parliamentary Commissioner for Standards

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Complaint against Mr George Osborne MP

Introduction

1. This memorandum reports on my inquiry into a complaint that between 2001 and 2003 Mr George Osborne, the Member for Tatton, wrongly identified his Cheshire home as his main home for the purposes of his claims against the Additional Costs Allowance (ACA) and that from 2003 he claimed unnecessarily for mortgage interest payments on his Cheshire home.

2. The first part of the complaint relates in large measure to events of more than seven years ago. In such cases, I am required to consult the Committee on Standards and Privileges before accepting the complaint for investigation.¹ I consulted the Committee on 30 June and it agreed to me initiating an inquiry into this part of the complaint.

Background

3. Mr Laurie Burton, of Knutsford, wrote to me on 17 June 2009, asking me to investigate two matters relating to the mortgage claims made by Mr Osborne.² The first was whether it was necessary to his parliamentary duties for Mr Osborne to have taken out a mortgage on his Cheshire home in 2003 that Mr Burton believed, on the basis of Land Registry documents and a *Daily Mail* article of 11 June³, was worth more than Mr Osborne had paid for the house. The second was that, despite owning the Cheshire property outright and reportedly making clear that it was his second home, Mr Osborne claimed for two years on the mortgage for his London main residence. Mr Burton argued that two questions arose: whether it was necessary for Mr Osborne to claim for staying away from his main home when he owned the second home outright, and what happened to the money which Mr Osborne had claimed against his London main residence.

4. I replied to Mr Burton on 19 June⁴, summarising my understanding of the allegations he had made, including those in the *Daily Mail* article of 11 June. I also asked him if he wished to make a formal complaint against Mr Osborne and, if so, what the actions of Mr Osborne were that Mr Burton believed were in contravention of the rules of the House.

The Complaint

5. Mr Burton wrote to me on 21 June.⁵ He confirmed that he did wish to make a formal complaint against Mr Osborne on the basis of my summary of his allegations as set out in my letter of 17 June, together with “*some modifications resulting from the details of*

¹ *The Guide to the Rules relating to the conduct of Members, February 2009*, HC (2008-09) 735, para 104.

² WE 1

³ WE 2

⁴ WE 3

⁵ WE 4

Members' expenses subsequently published". Mr Burton alleged that, according to Land Registry records, Mr Osborne had purchased a Cheshire property in September 2000 for £445,000 cash. He commented, "This had nothing to do with parliamentary duties, as at that time he was not, and had never been, a Member of Parliament. It was obviously a second (holiday?) home. At that time his main residence was in London, where he had lived with his family since 1998." Mr Burton said that, following Mr Osborne's election to the House in June 2001, he had designated his London home, which was mortgaged, as his second home in order to claim against the ACA for the mortgage payments. Mr Burton also alleged that published expense details showed that Mr Osborne had taken out a mortgage on the Cheshire house in 2003 for an amount £5,000 in excess of the purchase price. He had then redesignated the property as his second home and claimed against the ACA for the new mortgage payments.

6. Mr Burton also suggested that Mr Osborne had avoided paying capital gains tax when he sold his London home in 2006 because this tax would have been payable if it had still been his designated second home.

Relevant Provisions of the Code of Conduct

7. 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."

8. The Green Book on Parliamentary Salaries, Allowances and Pensions published in February 2001 is the edition which is relevant to the first part of the complaint. Section 3 provides the rules in respect of the ACA. Paragraph 3.1.2 states:

"The Additional Costs Allowance (ACA) reimburses Members of Parliament for expenses incurred when staying overnight away from their main home whilst performing their parliamentary duties. This can be in either London or the constituency."

9. Paragraph 3.2.1 of the Green Book deals with eligibility:

"...If you represent constituencies outside London you can claim ACA expenses in either London OR your constituency. If you have a home both in the constituency and in London, you should tell the Fees Office which one is your main home. ..."

10. Paragraph 3.3.1 includes the following definition of additional costs:

"These include any additional costs necessarily incurred in staying overnight for performing parliamentary duties, but does not include any expenses that have been incurred for purely personal or political purposes..."

If there is any doubt about whether an expense may be met from the allowance or if a receipt is required, please contact the help line numbers for advice.”

11. The Green Book published in June 2003 is the edition which is relevant to the second part of the complaint. In the Speaker’s introduction, he said:

“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.”

12. Section 3.1.1 of the Green Book sets out the scope of the ACA as follows:

*“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.**”*

13. Section 3.2.1 sets out eligibility criteria in the following terms:

“You can claim ACA if:

a You have stayed overnight 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”

...

14. Section 3.9.1 defines “main home” as follows:

“For [Members 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.”

15. Similar paragraphs have been included in successive Green Books in force between June 2003 and March 2009 (when the ACA was replaced by Personal Additional Accommodation Expenditure (PAAE)).

My Inquiries

16. I wrote to Mr Osborne on 30 June, inviting his comments on the complaint.⁶ I noted that the essence of the complaint was that between 2001 and 2003 he had wrongly identified his main home for the purposes of his claims against the ACA and that from 2003 he had claimed for mortgage payments that were not necessarily incurred, contrary to the rules of the House. I also said that I would not be inquiring into any liability Mr Osborne may have had for capital gains tax on the sale of his London property in 2006 since that was a matter for Her Majesty's Revenue and Customs. I asked what were the circumstances in which Mr Osborne came to acquire his Cheshire residence and his successive London residences with dates, finance arrangements and a brief description of the accommodation each provided; whether, and if so when between 2001 and 2003, he had designated his Cheshire residence as his main home; the reasons why he considered his Cheshire residence to be his main home during this period; whether, and if so when in 2003, he designated his London residence as his main home; the reasons why he considered his successive London residences to have been his main home from 2003 and what were the circumstances that led him to make the change from his Cheshire designation.

17. I also asked Mr Osborne whether, and if so why, he raised a mortgage on his Cheshire home in 2003, the size of the mortgage and its relationship to the value of the property at the time; what claims for mortgage interest on his Cheshire home he had made against the ACA in 2003-04 and in each successive financial year; whether, and for what reason, he considered that those costs were necessarily incurred for the purpose of performing his parliamentary duties, given that he apparently owned the home outright before 2003; to what use he had put the capital thus released, and whether any of it was used in support of the costs of his London residence; what the circumstances were and what arrangements were made for the change in his London house in 2006, and what advice, if any, Mr Osborne had taken from the House authorities about any of these arrangements.

18. Mr Osborne replied on 15 July.⁷ He said that he believed that he had, at all times, followed the rules set out in the Green Books published in February 2001 and June 2003. He said that all the allowances he had claimed had been incurred for the purpose of allowing him to stay overnight in pursuit of his parliamentary duties since his election in June 2001 to the seat of Tatton, some 180 miles from London. He only owned a property in Cheshire in order to fulfil his duties as a constituency Member there, and had never sought to exploit the allowances for personal gain. He had consulted the Department of Finance and Administration (the Fees Office) in advance of designating his homes for the purposes of claiming parliamentary allowances, both in 2001 and 2003. He also consulted the Fees Office in advance of the mortgages he took out against his house in Cheshire in 2003 and 2005. He commented, "*Both at their request and on occasions unsolicited, I also submitted copies of all the relevant paperwork, including mortgage statements, letters from the mortgage*

⁶ WE 5

⁷ WE 6

companies and mortgage arrangement documents. At no point has anyone from the Fees Office contacted me in person or in writing to express any concern about my arrangements. All my claims for mortgage interest were accepted by the Fees Office and paid out in full."

19. Mr Osborne said that, in accordance with the requirements of the Green Book, he had borne in mind the need to obtain value for money. He commented, *"Indeed, I apply that principle both to the expenses which are allowable against parliamentary expenses and those expenses I incur personally. That explains the regular re-mortgaging of both the houses in Cheshire and London, every two or three years and usually with different mortgage providers, in order to obtain the best mortgage deals and to avoid paying the more costly Standard Variable Rate (SVR)."*

20. In response to the specific points I had raised, Mr Osborne said that he had purchased a London property in April 1998 jointly with his wife. It had been bought for £710,000, secured against a joint interest-only mortgage of £150,000. In 1999, he had been selected as the prospective Conservative candidate for Tatton. Initially, he and his wife had rented a small cottage in the constituency. In October 2000, *"in the reasonable anticipation that I would be elected at the forthcoming election and that we would start a family"* he and his wife had purchased the Cheshire property. He noted that the property was located six miles from the constituency border, and a 12 minute drive from a station which had an hourly direct service to London, the service he and his family usually used to travel to the constituency. Mr Osborne commented, *"Only in the last year has a frequent direct train service been provided to a station within the constituency. I would not have bought the house if I had not hoped and anticipated that I would become shortly thereafter the MP for Tatton and therefore [it] is exclusively connected with my parliamentary duties."*

21. Mr Osborne said that the purchase price of the Cheshire property was £445,000. When the cost of legal fees, mortgage arrangement fees and moving fees were added to the purchase price, and also the cost of some essential repairs and basic decoration, he had calculated that he would need at least £470,000 to buy and move into the house. As the sellers wanted a quick sale and the mortgage company had said that increasing the existing mortgage would be far easier and quicker than taking out a new one against a new property, Mr Osborne and his wife had raised £470,000 by increasing the interest-only mortgage of £150,000 on their London home to £620,000. He commented, *"This, I understand, is common practice when people purchase second properties."* In 2003, he had replaced that single mortgage with two separate mortgages—one secured against the Cheshire property and the other against the London property. In July 2006 he and his wife had moved house in London. Mr Osborne said, *"I have never claimed any parliamentary allowances against [the new London property] or ever designated it as anything other than my main residence for parliamentary purposes."*

22. Mr Osborne said that, between June 2001 and July 2003, he had designated his Cheshire residence as his main home for parliamentary purposes, on the advice of the Fees

Office. On 21 July 2003, he had completed an ACA 1 form, a copy of which he enclosed with his letter⁸, which identified his London property as his main residence and his Cheshire property as “*my second residence*”.

23. Mr Osborne said that, following his election to the House, he met with a representative of the Fees Office to discuss his arrangements for claiming the Additional Costs Allowance. He believed that this type of meeting was offered to all new Members. Although he had no notes of the meeting, he had a clear recollection of its contents as he had been considering what was the appropriate designation of his two homes and had wanted advice. He had explained that he had purchased the Cheshire property in the anticipation that he would be elected there, and had met the costs of the purchase, and the costs associated with moving in and doing some essential repairs and basic redecoration, by securing an additional £470,000 of mortgage against his London home. He had also explained that, at the time, he was, with his family, dividing his time equally between London and Cheshire, but expected that his child would eventually go to school in London “*and so therefore I saw that in the long term as my main home*”. He said that the Fees Office representative advised that “*in my family circumstances the rules would allow me to designate either property as my ‘main home’ but that it would be sensible to designate Cheshire as my ‘main home’ and claim ACA against the London home as that was the property against which the mortgage used to purchase the house in Cheshire had been secured.*”

24. Mr Osborne said that the Fees Office representative had also advised that he could always reconsider the issue when the terms of his mortgage allowed him to re-mortgage, which was not until 2003. Mr Osborne said that he had pressed on whether this would conflict with the designation for the purposes of capital gains tax, and the representative had told him that “*capital gains tax designation was irrelevant as far as the parliamentary authorities were concerned*”. He commented, “*I was repeatedly told that, as far as the rules were concerned, it did not matter which property I designated.*” Following that advice, he had therefore designated his Cheshire residence as his main home for parliamentary purposes and claimed ACA against the interest-only mortgage secured on his London residence.

25. Mr Osborne did not have copies of his ACA claims for the period 2001 to 2003, and believed that the Fees Office did not either, but he remembered that “*I claimed it for mortgage interest and (to the best of my recollection) nothing else. I am certain that I never claimed for furniture or utility bills or other costs associated with the London residence.*” He had, however, found in his files a copy of his mortgage statement for 31 August 2002 to 31 August 2003, which showed his monthly interest payments were £2,868 falling to £2,816. In that year he had paid £34,161 in mortgage interest costs. He added, “*According to Fees Office records, my total ACA claims for 2001 and 2002 were £3,119⁹ and £18,058*

⁸ Not included in the written evidence.

⁹ The Department of Resources later corrected this figure to £18,009. See WE 32.

respectively.¹⁰ *This is relevant because it shows that I only ever claimed for mortgage costs incurred in the purchase of my Cheshire residence, and never claimed for the full cost of the whole mortgage or for any of the portion that had originally been used to purchase my London residence.*”

26. With effect from 21 July 2003, Mr Osborne had changed the designation of his main home from Cheshire to London, and nominated his Cheshire home as his second home. He had continued the designation of his London home as his main home when he moved home in London in July 2006. Mr Osborne said that there had been three reasons for his change of main home designation in 2003. First, this was when the terms of the mortgage secured against his London home allowed it to be changed without incurring expensive penalty costs. Second, his family life was changing, and he anticipated that he would now be spending four full days a week in London while the House was sitting, and weekends and recesses only in Cheshire. Third, the stricter definition of ‘main home’ introduced in 2003 rendered “*out of date*” the advice he had received from the Department of Finance and Administration in 2001, and Members were now required on the new ACA form to identify clearly a ‘main’ and ‘second’ home. Mr Osborne commented, “*By then it was clear that I would be spending more nights a year in London.*” He therefore submitted the new ACA 1 form identifying London as his main home and Cheshire as his second home. He also split the existing mortgage in two, one for London and one for Cheshire, and from then on he had claimed against the ACA in respect of his Cheshire home.

27. Mr Osborne said that in November 2003 he had raised a £450,000 interest-only mortgage against his Cheshire home. He had wanted to raise at least £470,000 (the amount by which he had increased his London mortgage in 2000 in order to purchase and move into the Cheshire property). However, £450,000 was the maximum the mortgage company would allow given the then value of the Cheshire property. He commented, “*Even so, the costs of arranging the new mortgage, and valuing the property, amounted to several thousand pounds. I did not have a record of the exact value of the property then, but it had clearly risen substantially from the £445,000 we had paid for it since 2000 because of the general uplift in property prices in the area.*” He had spoken to the Fees Office before creating the new mortgage in Cheshire, and changing the designation of his main home. He said that “*They said it was within the rules and approved the change*”. He had sent them a copy of the new mortgage details and the Fees Office had started paying out claims against the new mortgage.

28. Mr Osborne gave details of his claims against the ACA for mortgage interest in respect of the Cheshire property as set out in the following table:

¹⁰ Mr Osborne subsequently said that the references to 2001 and 2002 were references to the financial years 2001-02 and 2002-03 respectively (see WE 22).

Financial Year	Total mortgage interest claimed against ACA (£)
2003–04	No information available. Neither his office nor the Fees Office have a record.
2004–05	15,293
2005–06	18,361
2006–07	18,700
2007–08	19,438

29. As to why Mr Osborne considered that the costs arising from the mortgaging of the Cheshire property were necessarily incurred for the purpose of performing his parliamentary duties, given that he and his wife apparently owned the property outright before 2003, he commented that the costs were “*entirely associated with the interest on the mortgage secured against my home in Cheshire. I only own that home because it allows me to perform my parliamentary duties in my constituency, and stay overnight when I am more than 180 miles from Westminster.*” As he had explained, he had only previously owned the property outright because the £470,000 mortgage he had taken out to purchase it had been secured against his London home. He commented, “*In 2003 the terms of the mortgage contract meant I was able to unite the mortgage with the home it had been used to purchase, without incurring penalty charges.*”

30. Mr Osborne said that neither I nor the complainant had asked about his re-mortgage in 2005, when he increased the size of the mortgage on his Cheshire property to £480,000, again on an interest-only basis. However, he wanted to volunteer information which he had already provided to various media enquiries in the interests of complete transparency. Mr Osborne said that in 2005, the lock-in period on the mortgage he had secured in 2003 had expired, and he had to renegotiate to avoid an increase in mortgage payments as the interest rate moved on to the lender’s Standard Variable Rate (SVR). Due to the further increase in property prices in the intervening period, he was able to achieve what he had wanted to achieve in 2003 and increase the mortgage to at least cover the value of the original £470,000 he had borrowed to fund the purchase and move. At the same time, it had become clear that the property needed a number of essential repairs. Eight wooden windows and a front door were in a bad state of decay and needed to be replaced. He had already paid £901 as a deposit towards the cost of replacing three windows in February 2005, which he had claimed from the ACA at the time “*with the consent of the Fees Office*”. Also, Mr Osborne said that the boiler had broken and the chimney flue above the cooker needed urgent repair.

31. Mr Osborne said that the total cost of these repairs was in excess of £12,000. He had spoken to the Fees Office on the telephone, and they had “*suggested that I could either claim for the cost of these repairs directly, or I could increase the value of the interest-only mortgage, as they told me other MPs had done*”. Mr Osborne said that he therefore sought their permission to increase the mortgage to £480,000, and had sent them hard copies of

