

## **Ministerial Code of Conduct**

### **Allegation against Mr Shahid Malik MP**

#### **Report by the Independent Adviser**

##### Scope of Inquiry

1. I was asked by the Prime Minister to investigate an allegation published by the Daily Telegraph on 15 May that Mr Malik had benefited from rent at a preferential rate on both his office and home in Dewsbury. The Ministerial Code clearly stipulates that any such arrangement should be declared and a failure to do this would constitute a breach of that Code. My inquiry was not set up to look at Mr Malik's Parliamentary expense claims, the other matter touched on in the Daily Telegraph article. In this report, I describe the nature of the Telegraph's allegations relating to the Ministerial Code and the issues they raise under that Code, before setting out the relevant evidence available to me and my conclusion as to whether the Code has been broken.

##### The Allegations in the Daily Telegraph

2. On 15 May 2009, the Daily Telegraph published a report (attached at Appendix A) in which it alleged that Mr Malik, the MP for Dewsbury, had leased a house in Dewsbury in 2004 from a local landlord, [name of the landlord], at a preferential or discounted (i.e. below market) rate. Even when he had moved to a bigger property one door along in 2008, Mr Malik had continued to pay a discounted rent. The newspaper also alleged that, after becoming an MP in 2005, Mr Malik had rented a constituency office from [name of the landlord], again at a preferential rate. The paper raised the question whether Mr Malik's rental arrangement with [name of the landlord] placed him under an obligation to his landlord.

## Issues arising under the Ministerial Code

3. Mr Malik has been a Parliamentary Under Secretary of State since the summer of 2007, initially in the Department for International Development and since October 2008 in the Ministry of Justice<sup>1</sup>. As a Minister, Mr Malik is required to observe the principle set out in Section 7.1 of the Ministerial Code that:

*“Ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise”.*

This is further spelled out in Section 7.7 of the Code, which says:

*“Ministers must scrupulously avoid any danger of an actual or perceived conflict of interest between their Ministerial position and their private financial interests”.*

4. Under Section 7.3 of the Code, Mr Malik was obliged on appointment to his successive Ministerial posts to provide to the Permanent Secretary of his Department a full list in writing of all interests which might be thought to give rise to a conflict. The letter which Mr Malik was sent when appointed a Minister in the Department for International Development asked him to include in a note of his interests:

*“any property which you might be renting or leasing on preferential terms”.*

Similarly, when he moved to the Ministry of Justice just over a year later, the Permanent Secretary in that Department invited Mr Malik to complete a form which asked him to list, among other things, *“any property you are renting or leasing from another person on preferential terms”.*

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<sup>1</sup> He was also appointed a Parliamentary Under Secretary of State in the Home Office in March this year to cover for a period of maternity leave.

5. In his 26 July 2007 return, Mr Malik did not refer to any such arrangement. In his return dated 28 October 2008, Mr Malik wrote in the section which asked him to list any preferential rental arrangement:

“ N/A ” (Not Applicable).

6. The issue in respect of the Ministerial Code which the Daily Telegraph report raises is, therefore, whether Mr Malik has complied with his obligations as a Minister under sections 7.1, 7.3 and 7.7 of the Code. In order to answer that question I have sought to establish:

- (a) whether the Daily Telegraph was correct in reporting that Mr Malik was charged less than a market rent for the houses and constituency office he leased from [name of the landlord] in Dewsbury.
- (b) If the rent was not preferential, whether Mr Malik actually paid the rent he says he was charged.
- (c) If the rent for any property was preferential, i.e. below market rate, whether Mr Malik was aware of this or ought reasonably to have been aware of it.
- (d) If the rent was preferential, why Mr Malik failed to say so in the return of his interests which he submitted when a Minister in 2007 and 2008.

7. The procedure I have followed (including the standard of proof I have applied) is set out in the note attached to my letter of 15 May to Mr Malik at Appendix B to this report. As previously mentioned, I have not examined whether Mr Malik's Parliamentary expense claims were consistent with the rules of the House of Commons. I note, however, that just as the rules applying to Ministers in their Government capacity require them to declare any property they are renting or leasing from another person on preferential terms, so paragraph 27 of the 'Guide to the Rules relating to the Conduct of Members' approved by the House on 14 May 2002 (reprinted as HC 351, Session 2005-06) requires Members of Parliament to register '*the provision of free or subsidised accommodation for the Member's use*' in the Register of Member's Interests.

## My Inquiries

8. On the afternoon of the day the Daily Telegraph published its story about Mr Malik, I wrote to him asking him for certain factual information necessary to establish whether or not Mr Malik had breached his obligations as a Minister. This included a copy of any lease or rental agreement he had with [name of the landlord] relating to the houses and constituency office Mr Malik had rented from [name of the landlord] in Dewsbury; details of the rent paid for the properties; and receipts confirming that rent. I also asked Mr Malik to explain why he had said 'N/A' (Not Applicable) when completing his Ministerial declaration of interests in respect of any property rented at a preferential rate, and to let me have any other information or argument he considered relevant to my inquiry. A copy of my letter is at Appendix B.

9. Mr Malik replied on 18 May and subsequently came to see me about his response. He also arranged for me to be supplied with statements made by his landlord, [name of the landlord], and [name of the manager of the property company], the manager of [name of the property company], the property company owned by [name of the landlord]; and they instructed [name of the firm of accountants], the firm of accountants employed by [name of landlord's] property company, also to submit a statement. Copies of Mr Malik's response (without enclosures) and of the three statements I have mentioned are appended to this report (Appendices C-F). In addition to this written material, I have put a number of supplementary questions to Mr Malik to, [name of the manager of the property company], to [name of landlord and his wife], and to [name of the firm of accountants], and have been in touch with the Daily Telegraph, to try to ensure that I have available the information required to reach a view on the issue before me.<sup>2</sup> In this connection, the Daily Telegraph helpfully supplied me with a transcript of a taped telephone interview with [name of landlord] and with e-mails recording conversations their North of England reporter had with [name of the landlords wife] and [name of

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<sup>2</sup> *[Name of the manager of the property company] and [name of landlord] have been willing to answer any supplementary questions put to them in writing (so that they could check records and take any legal advice they required) but have not been willing to speak to me direct on the matter.*

constituency office worker], which were the basis of the remarks attributed to them in the paper (these documents are attached as Appendixes G-I).

### Houses in Dewsbury

10. According to the information given me by Mr Malik, following his selection as prospective parliamentary candidate for Dewsbury, Mr Malik began to look for a house to rent in the town. Having met [name of the landlord], he subsequently rented from [name of the landlord's] property company, [name of the property company], from 11 October 2004, an unfurnished, two-bedroom house at [address of property 1], for £320 a month. The house was attractive to him because it occupied a central location yet had a degree of privacy. He continued to rent this property, paying the same rent, until the end of May 2008.

11. At that point, Mr Malik moved into the adjacent, unfurnished, 3 bedroom property at [address of property 2]. According to Mr Malik, this property has a substantially bigger floor area than [property 1]. He then began to pay a higher rent of £620 per month for his new property. These rental figures are confirmed in the statements submitted to me by [name of the landlord] and [name of the manager of the property company], and by the firm of accountants on the basis of the records provided to them by [name of the property company] to prepare the firm's accounts for the financial year ending 5 April 2009.

### Apparent confusion over the rent Mr Malik was paying

12. Given the evidence he has supplied to me, it is curious that [name of the landlord] was quoted in the Daily Telegraph of 15 May 2009 as having said of Mr Malik:

*"He is definitely paying well under the market value rent."*

The Telegraph article continued:

*“When asked if Mr Malik paid £100 a week, [name of the landlord] said: I’m renting (out) the next door (property), (it’s) half the size of his property, they pay me more rent than what he’s paying me”.*

It was this statement, attributed to [name of the landlord] - and recorded in the transcript of a taped telephone interview between [name of journalist] of the paper and [name of the landlord], supplied to me by the Telegraph, which is at Appendix G - which appeared to corroborate the Daily Telegraph claim that Mr Malik had been paying, according to the newspaper’s stories, a rent of less than £100 a week, substantially under the market rate.

13. In his statement of 18 May (Appendix D), [name of the landlord] explains this discrepancy as the result of the pressure he felt himself and his family under from journalists researching the Daily Telegraph story. Unused to dealing with the press and concerned about what he was sure would be a negative story, [name of the landlord] says that he eventually responded to reporter’s questions without first checking with [name of the manager of the property company] the exact rent Mr Malik was currently paying. When, later on 15 May, he did so, he issued a statement through his solicitor saying that Mr Malik had been given *‘no special privileges’* but had been charged exactly the same rate as the previous tenant. However, by then the die was cast.

14. In his letter to me of 18 May and in my interview with him later the same day, Mr Malik said that he was *“extremely angry and very confused by what [name of the landlord] was alleged to have said”*. His letter continues:

*“I am afraid the problem with [name of the landlord] is that he has the occasional habit of speaking without weighing its accuracy or appropriateness.”*

Mr Malik made a similar point in his letter to me of 28 May (Appendix L), describing a number of the claims attributed to [name of the landlord] as *“at best exaggerated”*. During interview, Mr Malik said that [name of the landlord] was not the person he dealt with in respect of the rent or other matters

connected with either his home or his constituency office (also rented from [name of the property company], in Dewsbury. That person was [name of the landlord's] property manager, [name of the manger of the property company]. [Name of the landlord] was primarily concerned, according to Mr Malik, with his business interests other than [name of the property company]. Consistent with this, [name of the landlord] says in his written statement (Appendix D) that he has:

*“no day-to-day dealing with my property rental business whatsoever”.*

#### Split payment arrangement in respect of [property 2]

15. According to the evidence of Mr Malik and [name of the manager of the property company], when Mr Malik began to rent [property 1], he instituted a monthly direct debit to pay off the rent of £320. Mr Malik has shown me redacted copies of his bank statements from June 2007 which show regular monthly payments of that amount to [name of the property company].

16. When Mr Malik moved to [property 2], these direct debits were not increased to cover the higher rent on that property but continued at their old rate. According to Mr Malik, [name of the manager of the property company] and [name of the property company] accountants, the balance of the new rent of £620 was paid in cash. In short, Mr Malik paid £300 of his new, higher rent in cash, and £320 by direct debit.

17. Mr Malik told me that this arrangement was made at the request of [name of the manager of the property company]. When he had moved from [property 1] to [property 2], Mr Malik, in the midst of an MP's and a Minister's busy life, had not got round to making arrangements to increase his monthly direct debit to the level of his new rent and had paid the balance owing in cash.<sup>3</sup> [Name of the manager of the property company] had subsequently asked him to continue with this arrangement to suit his ([name of the manager of the

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<sup>3</sup> Mr Malik told me that in June 2008 his responsibilities as a Minister at DfID had taken him to Bangladesh, Nepal, Indonesia and the USA.

property company's]) convenience. In his letter of 28 May (Appendix L) and during our meeting on the same date, Mr Malik explained that this request had not seemed surprising to him given the preference of many religious Muslims for cash transactions rather than transactions using Western banking arrangements. He had been dealing with [name of the manager of the property company] for some 4 years by then, and knew him to be a religious man:

*“So when [name of the manager of the property company] asked me to continue to pay in cash I did not think this to be unusual, nor having got to know [name of the manager of the property company], who is a strictly practising Muslim, did I make any assumption that this was a means of tax avoidance.*

*“My first assumption, as it would be with any member of the Muslim community within reason, is that it was a matter of religious observance or a cultural norm”.<sup>4</sup>*

18. [Name of the manager of the property company] has provided the following explanation of how this split (part cash; part direct debit) payment arrangement came into being:

*“When Mr Malik’s first monthly rent for [property 2] was due in the middle of June I noticed that only £320.00 had gone into the [name of the property company] bank account. He said that he had not yet updated his bank payment details and he said he would do so for July’s rent. For June 2008, he paid £300.00 in cash on top of the £320.00 direct debit [which] had gone. In late June or early July 2008, I asked Mr Malik if he would continue with the arrangement of paying by the bank and cash, and he agreed. This was useful as petty cash for small items and bills.”*

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<sup>4</sup> At my meeting with Mr Malik on 28 May he was accompanied by [name of individual], who spoke in particular to this point and to the note concerning it which is appended to Mr Malik’s letter of the same date (Appendix L).

It will be seen that this account tallies in a number of respects with that of Mr Malik.

#### Evidence of Payments Made by Mr Malik

19. I have already mentioned that Mr Malik has provided documentary evidence of the payments he made by direct debit to [name of the property company]. However, Mr Malik told me that he had never been given receipts by [name of the property company] for any of the rental payments he made, whether by cash or by direct debit. In response to questions I put to [name of the manager of the property company] in writing on 19 May, he said that it was not the practice of [name of the property company] to give receipts to any of its tenants. He simply recorded all payments collected in his landlord payment schedule file.

20. The statement provided by [name of the property company's] accountants (Appendix F) says that, on the basis of the accounting records of the firm provided to them, they can confirm that Mr Malik paid £620 (£300 in cash and £320 by direct debit) after he became the tenant of [property 2]. The records they received from the firm consisted of the table appended to their statement. They received this from [name of the property company] in April 2009, shortly after the end of the last financial year and therefore around a month before the article published in the Daily Telegraph. At my request Mr Malik has shown me redacted copies of his bank statements from June 2008 to April 2009 showing cash withdrawals made by him over that period. These do not show a regular monthly withdrawal of £300 but there are a number of withdrawals of this amount around the middle of the month (the period at which the rent was due) or of withdrawals of other amounts, which would, in total, have covered the £300 payment. Mr Malik has commented on this point:

*“The reason why I do not withdraw the exact amount of £300 each and every month is simply because I have cash already in my pocket and certain service tills have maximum withdrawals which are below £300.”*

21. In view of the importance of evidence on this issue, I asked [name of the manager of the property company] if he could let me see a copy of the payment file he maintained (mentioned in paragraph 19 above) relating to [property 2]. [Name of the manager of the property company] subsequently sent me redacted extracts showing the rental payments he had recorded as having been made on that property between June 2008 and March 2009. These, he told me, were the basis on which he had then compiled the table of payments relating to the property, which he had passed to [name of the firm of accountants] and which is attached to their statement at Appendix E. The information sent to me by [name of the manager of the property company] is consistent not only with the table but with the account and supporting evidence given me by Mr Malik of the various payments he made.

#### Tenancy Agreement

22. Mr Malik supplied a copy of a tenancy agreement in respect of the property he initially occupied in Dewsbury, i.e. [property 1]. The agreement is dated 11 October 2004 and signed by Mr Malik and by [name of the manager of the property company] on behalf of [name of the property company]. It specifies a monthly rent for the property of £320, payable on the 15<sup>th</sup> day of each month.

23. Mr Malik told me, however, that no new tenancy agreement was drawn up when he moved to [property 2]. He says in his letter of 18 May:

*“For my part I was never presented with a new agreement and never thought about the matter.”*

During interview, Mr Malik said that, although he now wished he had insisted on one, at the time he had never thought about the need for or desirability of a new agreement. He had simply been moving next door, to a property owned by the same landlord. The only change agreed upon was the extra rent, and Mr Malik had assumed the terms of his rental agreement would otherwise remain the same. As a tenant of almost 4 years standing, he knew [name of

the manager of the property company] and trusted him to deal with him honestly and fairly.

24. In reply to a supplementary question I put to [name of the manager of the property company] on this point, [name of the manager of the property company] said:

*“As far as I was concerned he (Mr Malik) was under the same terms and conditions at the address next door but simply with a higher rent. I normally only have agreements with new tenants and given that Mr Malik had been there for over three years and been a perfect tenant I did not believe there was a need for such an agreement. I would have dealt with any equally good tenant in a similar situation in the same manner”.*

25. I also asked [name of the landlord] why there was no tenancy agreement in respect of [property 2] when he was reported to have told the Daily Telegraph reporter (Appendix G) that all his properties were the subject of legal binding contracts. [Name of the landlord] replied:

*“I don’t recollect the exact conversation I had with the reporter but I can confirm after checking with [name of the manager of the property company] that although we may not have written agreements with all our tenants they are still legally binding. This is also true of Mr Malik. He had a contract for [property 1] and the only change when moving to [property 2] was the price. Apart from this the terms and conditions remained the same. This is exactly the same way we would deal with any of our tenants who are no hassle, long term and good tenants”.*

Was the rent paid by Mr Malik a preferential one?

26. Mr Malik is certain that the rent [name of the property company] charged him on the houses he successively rented from them was not preferential but accorded with local market conditions. In his evidence to me he pointed out that:

- (a) Dewsbury Moor, the area in which he lives, is one of the most deprived areas in the country, and is far from being seen as a desirable locality, although it meets his needs as an MP well;
- (b) Rents in the area are generally, therefore, depressed;
- (c) The rent he paid for [property 1] is the same as that being paid by its current tenants. This is confirmed by [name of the manager of the property company];
- (d) The rent he now pays for [property 2] is slightly greater than that paid by the last four tenants of that property;
- (e) An internet property search suggests that the rent is not out of line with comparable properties in the Dewsbury area.

27. As I have noted earlier, [name of the landlord] has now denied giving Mr Malik a preferential rent. In his written statement to me he said:

*“On a final note, I have been in business for a number of years and I know full well that it doesn’t make business sense to start renting out properties below their market value as I have mortgages to pay, expenditure to meet and a living to make.”*

[Name of the manager of the property company], [name of the landlord’s] property manager stated:

*“I have no doubt that the rent Mr Malik pays at [property 2] is the market rate for the area. £140.00 per week may not seem much to those in London but in Dewsbury Moor, one of the most deprived parts of the town it is very reasonable and it is very hard to find tenants who are willing to come to this area and pay that amount of rent.”<sup>5</sup>*

28. Since this question of the level of rent paid by Mr Malik on both [property 2] and [property 1] and his constituency office is central to my inquiry, I instructed Messrs Smiths Gore, a national firm of surveyors and estate agents, to undertake, with Mr Malik’s agreement, an independent rental valuation of all three properties. A copy of their report is at Appendix J.

29. In respect of [property 2], the house currently rented by Mr Malik, they found that the rent of £620 Mr Malik and [name of the manager of the property company] say he paid for the property was “reasonable”. They also found that the rent of £320 which Mr Malik paid from October 2004 on [property 1] “would have been a full market rent at that date”.

30. The independent surveyor comments that during the period 2004 – 08 when Mr Malik was occupying [property 1], rents were increasing at around 4% to 5% a year. It would have been normal practice for a landlord to increase the rent every two years. If that had happened, they might have expected the rent to rise to around £350 per calendar month in the autumn of 2006 (two years after Mr Malik began to rent the property).

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<sup>5</sup> During the telephone interview he had with a Daily Telegraph reporter (Appendix G), [name of the landlord] is reported to have said that independent valuations had been undertaken of both [property 2] and Mr Malik’s constituency office. [Name of the landlord][name of the manager of the property company] and Mr Malik have all told me that they have no knowledge of any such valuations. [Name of the landlord] said on this point:

*“As I have said in my affidavit [Appendix D] you will be aware that I do not deal with the day to day issues on the property side of my business. I have also stated that I don’t fully recollect my conversation [with the reporter] in the absence of the actual tape recording. I have though checked with [name of the manager of the property company] who has confirmed he is not aware of the valuations. In the middle of attempting to protect my business and name I may well have assumed that such a valuation had taken place”.*

31. In fact, as I have previously noted, the rent on [property 1], remained unchanged until Mr Malik left the property in May 2008. Smiths Gore comment that there are reasons why a landlord might choose not to increase a rent, including reluctance to risk a void and the expense of re-letting, and negotiations being ongoing for this or another property. On this point, [name of the manager of the property company] says in his statement at Appendix E:

*“The levels of rent in our portfolio are limited and do not increase year on year. Tenants are often leaving, sometimes with rent arrears and often having caused a lot of damage to properties. We value good tenants who pay on time and don’t damage properties, but they are few and far between. Mr Malik undoubtedly is a solid reliable tenant of obvious good standing”.*

How much did Mr Malik use his Dewsbury home? Did anyone else live there?

32. Before concluding this summary of the relevant evidence relating to the two domestic properties rented by Mr Malik in Dewsbury, I should address two other issues raised by the Daily Telegraph.

33. The Telegraph article of 15 May said that:

*[Name of the landlord’s wife] raised questions over the validity of Malik’s claim that Dewsbury was his main home when she told the Telegraph that the house was normally occupied during the week by a constituency worker called [first name of constituency worker]. When the Telegraph called at Mr Malik’s constituency office, a Labour party volunteer called [name of constituency worker] would only say: “I don’t live there. It’s as simple as that.”*

The Telegraph article was based, on this point, on the e-mail recording a conversation a Telegraph reporter had had with [name of the landlord’s wife] which is reproduced at Appendix H to this report. [Name of the landlord’s wife] has told me that while she cannot remember the full conversation she had with Daily Telegraph journalists, *“I know that all that is said in the interview seems to be true”.*

34. I note that the e-mail records three relevant statements attributed to [name of the landlord's wife]. One is that reported in the paper: that is, that Mr Malik's house was normally occupied in the week by a constituency worker, whom she knew as [first name of constituency worker]. The second is that "*Mr Malik comes here just at the weekends*". The third is that Mr Malik generally stayed at his Dewsbury address most weekends between Thursday and Sunday night. Sometimes he returned to London on a Monday morning. [Name of the landlord's wife's] statement that Mr Malik only came to Dewsbury at the weekends needs to be read in the context of this third statement attributed to her in the Telegraph e-mail (Appendix H).

35. The pattern described in this last statement attributed to [name of the landlord's wife] is consistent with Mr Malik's account during interview on 18 May. It is also consistent with what one would expect, given Mr Malik's Parliamentary and Ministerial commitments.

36. I asked Mr Malik whether [name of constituency worker] (Mr Malik's constituency office manager) ever stayed in his house in Dewsbury, as claimed in the Telegraph article (Appendix A). Mr Malik said that he allowed [name of constituency worker] (who had a key to the house) to stay there whenever he wished to do so. It was to Mr Malik's advantage, for security reasons, to have someone stay there during the week. [Name of constituency worker] lived in Burnley and commuting was sometimes difficult or inconvenient: it could not only help him but help the conduct of constituency business if [name of constituency worker] was occasionally able to stay over. However, [name of constituency worker] did not make any financial contribution to Mr Malik in respect of these stays and Mr Malik had never sub-let his home in Dewsbury to [name of constituency worker] or to anyone else.

37. In a statement dated 17 May (attached as Appendix K), [name of constituency worker] gave a similar account of the position:

*"I confirm that I commute to work from Burnley to my place of employment in Dewsbury, sometimes by train and sometimes by car, on a regular basis.*

*However, there are occasions during the week and with the full permission of Mr Shahid Malik that I do stay overnight at [property 2], which is the place of residence of Mr Shahid Malik. On occasions this may amount to a couple of nights a week or less.*

*“I can categorically confirm that I have not paid any financial remuneration to Mr Malik in respect to my overnight stay at [property 2], nor have I been requested to do so. I can also confirm that I have not made any form of contribution to the utilities provided at the said property, nor towards any of the running costs of the property. Staying overnight at [property 2] enables myself to work late at the office and at times enables me to start very early, since commuting from Burnley to Dewsbury during peak hours does indeed take approximately one and a half hours.”*

#### Mr Malik’s Constituency Office

38. I turn now to the evidence concerning Mr Malik’s renting of his constituency office from [name of the property company].

39. Mr Malik told me that the constituency office he had inherited on becoming Dewsbury’s MP was, in his view, inadequate. It was difficult to access and he wanted to move to more visible premises in the town centre. Accordingly in 2007 he had moved his office to premises on the ground floor of 60 Daisy Hill, Dewsbury. On 1 April 2007, Mr Malik signed an agreement to lease these premises for an annual rent of £6,000. Later, he concluded a supplementary service agreement with [name of the property company] under which, for a fixed fee of £300 per month, he was allocated the use of three parking spaces in the private car park owned by the company at the building. [Name of the property company] also undertook, as part of this agreement, to clean the office and to carry out any low level maintenance work.

40. Mr Malik provided me with copies of the agreements relating to his office, and of spread sheets provided by the Department of Resources at the House of Commons showing that the costs arising from them had been met from his Parliamentary Incidental Expenses Provision (IEP). The Daily Telegraph of 15

May suggested that Mr Malik had rented the office at 40 per cent below the market value. Mr Malik told me, however, that he had not been offered any special deal. He believed that:

*“...the agreed rental amount was fair and reflected both the state of the property and its local market value”.*

41. I instructed Smiths Gore to give me their independent assessment of the rent charged Mr Malik by [name of the property company] for his Daisy Hill office. They concluded:

*“The rent and service charge are in line with market rents for property of this type”.*

#### Mr Malik’s property in Peckham

42. As I have previously indicated, it is not for me to consider Mr Malik’s claims in respect of his designated second home in Peckham. For the sake of completeness, I simply record that Mr Malik told me that he had never ‘flipped’ the designation of his second home. Since becoming an MP, he had consistently nominated Peckham as his second home for PAAE (ACA) purposes. He said that he had always tried to follow the advice of the Department of Resources (‘Fees Office’) in this matter, but, on occasions, had found that advice unhelpfully vague.

#### Summary finding of facts

43. Since his election as MP for Dewsbury, Mr Malik has rented two houses in succession from [name of the property company], which is owned by [name of the landlord]. The first property – [property 1] – was initially rented by Mr Malik on 11 October 2004 at a monthly rent of £320. It continued to be rented by him for that figure until 31 May 2008.

44. In June 2008, Mr Malik moved to the adjacent property, [property 2], which according to Mr Malik, to [name of the manager of the property company] (the

manager of [name of the property company]) and to [name of the firm of accountants] (accountants for the company) he rented for £620 a month. This rent was paid (according to these three sources and documentary evidence submitted by them) partly by direct debit (£320) and partly in cash (£300). Mr Malik has explained that payment of some of his rent in cash did not seem unusual to him as, partly for religious reasons, partly for cultural reasons, payment in cash is often a preferred arrangement in the Muslim community.

45. Whereas a rental agreement existed in respect of [property 1], none exists in respect of [property 2]. Nor can Mr Malik produce receipts for either the direct debit or the cash element of his rent payments. However, according to [name of the manager of the property company], it was not [name of the property company's] practice to give receipts to their tenants. Nor did they normally issue new rental agreements to tenants of proven good standing. The table attached to the statement of [name of the firm of accountants], which I understand was received by them from [name of the property company] around one month prior to the article published in the Daily Telegraph; the redacted extracts from his payment file supplied by [name of the manager of the property company], (on which, he states, the table is based); and the redacted bank statements showing both his direct debits and his monthly cash withdrawals provided to me by Mr Malik, all appear to confirm the evidence of Mr Malik and [name of the manager of the property company] that the rental payments required of Mr Malik were made by him in full.

46. From 1 April 2007 Mr Malik also rented from [name of the property company], a constituency office at 60 Daisy Hill, Dewsbury, at an annual rent of £6000 (later supplemented by a monthly service charge of £300). These charges were met from his Parliamentary Incidental Expenses Provision.

47. Mr Malik (supported by [name of the manager of the property company]) states that the rent paid on the two houses and on his constituency office was not preferential in any way. Mr Malik has told me that he is aware that, under the Ministerial Code of Conduct, he is obliged to disclose any property he has

rented or leased at a preferential rate. He made no such declaration as he was of the firm opinion that he was not benefiting from any preferential treatment. He says in his letter of 18 May:

*“I am absolutely clear that I have not breached the Ministerial Code as suggested by The Telegraph and repeated elsewhere. When the newspaper specifically put this allegation to me in their email, I strongly denied it and asked them to investigate it further before falsely putting it to print. I am absolutely adamant that the rent I pay for my house and office fairly reflects the local market value”.*

48. Independent, professional advice I have obtained on whether the rent Mr Malik is said to have been charged on all three properties ([property 2 and [property 1], and 60 Daisy Hill, Dewsbury) was preferential confirms that the rent was reasonable, i.e. in line with the local market, and was not discounted. The rent on [property 1] was not increased in October 2006, however, as might have been expected. According to the independent professional advice I have received, in October 2006 Mr Malik’s rent would ordinarily have been increased modestly from £320 to £345 - £350 per calendar month. [Name of the manager of the property company] has indicated that the reason why this did not happen was that [name of the property company] wished to retain Mr Malik as a *“solid, reliable tenant of obvious good standing”*.

### Conclusion

49. I set out the key questions of fact for my inquiry in paragraph 6 of my report. Of these, the first was whether the Daily Telegraph was correct in reporting that Mr Malik had been charged less than a market rent for the three sets of premises he had rented (at different times) from [name of the property company] in Dewsbury.

50. On the basis of the views expressed by the independent surveyor instructed by me, I am satisfied that Mr Malik was charged a market, not a discounted rent on:

- (a) [property 1], the first house he rented in October 2004; and
- (b) 60 Daisy Hill, the constituency office he rented in April 2007.

I am also satisfied on the basis of my examination of the rental agreements relating to the two properties, of the bank statements shown to me by Mr Malik and of the information provided by the House of Commons authorities that Mr Malik (or, in the case of his constituency office, the House authorities on his behalf) paid the rent agreed for the properties.

51. I note that the independent surveyor's report says that it would have been normal practice for the rent on [property 1] to have been increased in October 2006 to around £345-350 per calendar month (pcm). This did not happen. The rent on Mr Malik's first house remained the same (£320 per calendar month) from October 2004 until he moved next door in June 2008. [Name of the manager of the property company] indicates that the reason for this was that Mr Malik was a solid and reliable tenant who [name of the property company] did not want to lose. Given the particular nature and location of [name of the property company's] business, and the marginal nature of any rent increase which might have been warranted (£25-£30 pcm in the view of the independent surveyor), it does not seem to me an unreasonable commercial judgement on [name of the manager of the property company's] part to have left the rent at its existing level in 2006. So I do not think it can be argued that the rent Mr Malik paid on [property 1] between October 2006 and May 2008 (when he left the property) was demonstrably a preferential one.

52. Nor would it seem to me reasonable to argue that, given that his rent had not increased for some time, Mr Malik should have known that, after October 2006, he was receiving a discounted rent and have said so when he completed his first return of Minister's interests in 2007. Normally, landlords can be relied on to act in their own commercial interest and, as I have said, [name of the manager of the property company's] judgement on this point does not seem to me to have been perverse. Had Mr Malik continued to live in [property 1] and had his rent continued unchanged for so long that it was

clearly unrealistic, I would have expected Mr Malik to have started to ask some questions of his landlord. This might not have been in his own financial interest but it would certainly have been in the interest of preserving his public reputation. However, this was not the situation.

**53. To conclude my consideration of the position in respect of [property 1] and 60 Daisy Hill, I am satisfied that Mr Malik has not breached the requirements of Sections 7.1, 7.3 and 7.7 of the Code in relation to either of these two properties.**

54. In respect of [property 2], the position is more complex, for this reason. Given the conflict between what [name of the landlord] is reported to have told the Daily Telegraph and what he has since told me, and given some inconsistencies in the remarks attributed to [name of the landlord] in the transcript of the interview with the Daily Telegraph, I do not regard [name of the landlord's] reported remarks to the paper as constituting reliable evidence that Mr Malik was given a preferential rent on [property 2]. Moreover, I am clear, on the basis of the independent surveyor's report that £620 per calendar month, the amount Mr Malik and [name of the manager of the property company] say Mr Malik was charged for the property, is a market and not a preferential rent. However, there is no tenancy agreement in relation to the house stating this as the rent. Mr Malik has produced bank statements showing that he paid £320 a month by direct debit towards the rent but - because, [Name of the manager of the property company] says, it was not [name of the property company's] practice to give their tenants receipts - has not been able to produce any receipts for the balance, which he and [name of the manager of the property company] say he paid by cash. So I am left with the question, not whether the rent Mr Malik says he was charged was preferential, but whether Mr Malik actually paid the rent he (and name of the manager of the property company)) say he was charged.

55. In addition to the statements of Mr Malik and [name of the manager of the property company], three pieces of evidence appear to confirm that these cash payments were made. The first is the table referring to such payments attached to the statement of [name of the firm of accountants] which crucially,

they say they received from [name of the property company] shortly after the end of the 2008-09 financial year and well before the reports published in the Daily Telegraph on 15 May. The second is the redacted bank statements showing his cash withdrawals from June 2008 to April 2009, which Mr Malik has shown to me and which, as I have noted in paragraph 20 above, are broadly consistent with such payments having been made. The third is the redacted extracts of entries in his payments file relating to the property which have been supplied by [name of the manager of the property company], (see paragraph 21 above) and on which, according to [name of the manager of the property company], the table supplied by [name of the firm of accountants] is based. I conclude that, on the basis of the evidence before me, it is more likely than not that these cash payments were made. **It has not therefore been shown that Mr Malik has breached the Ministerial Code in respect of [property 2], the house he currently occupies in Dewsbury.**

56. It is unfortunate, particularly given his public position, that, in respect of that house, Mr Malik did not think of obtaining at the outset a rental agreement specifying in writing the rent to be paid. He then entered into an arrangement to pay part of the rent in cash, for which payments [name of the property company] did not give him any receipt. I understand the point Mr Malik makes about the influence on him of religious and cultural norms in the Muslim community relating to payments made in cash, but the absence of a rental agreement and of receipts meant that he was left without a clear audit trail to show the payments he had made. Mr Malik has told me that, following the Daily Telegraph's allegations, he has asked for a rental agreement to be drawn up to cover his terms of residence at [property 2]. He is also actively considering paying all of his rent in future by direct debit. I hope that, in both his own best interest and the wider interest, he will institute arrangements in this respect immediately.

## **Appendices**

- A Article by the Daily Telegraph of 15 May 2009**
- B Letter of 15 May 2009 to Mr Malik and note on procedure**
- C Reply of 18 May 2009 from Mr Malik**
- D Statement dated 18 May 2009 by [name of the landlord]**
- E Statement dated 18 May 2009 by [name of the manager of the property company]**
- F Letter of 15 May 2009 from [name of the firm of accountants]**
- G Transcript supplied by Daily Telegraph of taped telephone interview with [name of the landlord]**
- H Copy of e-mail supplied by Daily Telegraph recording reporter's conversation with [name of the landlord's wife]**
- I Copy of e-mail supplied by Daily Telegraph recording reporter's conversation with [name of constituency worker]**
- J Report by [name of the firm of accountants]**
- K Statement dated 17 May 2009 by [name of constituency worker]**
- L Letter of 28 May 2009 from Mr Malik**
- M Agreed Note of Interview with Mr Malik on 18 May 2009**
- N Agreed Note of Interview with Mr Malik on 28 May 2009**

## APPENDIX A

### Article by the Daily Telegraph of 15 May 2009

#### **Shahid Malik: cut-price rent at home and claims for £66,000: MPs' expenses**

When Shahid Malik launched his bid to become the new Labour MP for Dewsbury in 2004, his most pressing task was to find himself a home in his new constituency – and after making inquiries in the area he was quickly put in touch with local landlord Tahir “Terry” Zaman.

Mr Zaman, who owns more than 100 properties in west Yorkshire, offered the prospective MP the house next door to his own. The two men shook on a deal that gave Mr Malik generous terms by any standards.

Mr Zaman let him the house for well under the market rate and, when Mr Malik was duly elected in 2005, Mr Zaman offered him a shop unit in the town centre which would be perfect for a constituency office.

Mr Malik duly rented the office at 40 per cent below the market value, ensuring savings for the taxpayer.

But he was also saving money for himself. He rented the house, part of a converted barn complex in the Heckmondwike area, for less than £100 per week. Even when he moved to a bigger, three-bedroom property one door along following his marriage in February 2008, he carried on paying less than £400 per month. Local estate agents said the real market value was £600-700.

Mr Zaman told The Daily Telegraph: “The reason I gave him that house is because he becomes my neighbour, so I don’t mind taking a professional and charging less. It’s better for me.” Asked if he had formal rental agreements with Mr Malik, he said: “On the office yes. I’m not saying nothing about the house.”

Mr Malik told the parliamentary authorities that the Dewsbury house was his main home, enabling him to claim generous taxpayer-funded allowances on his “second” home in London, which he had bought in 2001 for £85,000.

In the first year after he was elected, Mr Malik set about furnishing and refurbishing his London flat, claiming £21,634 in allowances while having modest mortgage interest repayments of £347.50 per month. Some of his expenses claims brought him into conflict with the fees office.

He submitted a bill for £2,100 for a Sony 40in flatscreen TV, only to be told that the maximum allowable claim for televisions was £750. He told the fees office that he was “very upset” at their stance, saying that no one had told him there was a limit on what he could spend. Internal emails between officials in the fees office show that civil servants were taken aback.

"I do not remember him asking if there were limits on a television, just if he could purchase one," wrote one. "He did not say he was purchasing a £2,100 TV, let alone a 40in plasma one." A more senior official agreed that "£2,100 for a television is luxurious by anyone's standards".

Mr Malik pursued the matter and wrote a letter in March 2006 in which he stated that because no one had told him there was a limit on what he could spend, "from a natural justice perspective I feel a justifiable exception would be the fairest manner to deal with the current situation".

The fees office refused to reimburse him in full but eventually agreed to give him £1,050: half the cost of the plasma TV, together with £250 for a home cinema system which had cost him £500. His total spending on furnishings in 2005-6 was £6,147, including £240 for wardrobes, £240 for hi-fi speakers and £239 for a dishwasher. In 2006-7 another £1,521 was claimed for furnishings and fittings, including a £671 fireplace, then in 2007-8 Mr Malik spent another £6,274 on household items, including £1,420 for a bathroom, £730 for a massage chair and £510 for a fitted wardrobe.

In total, Mr Malik has spent £66,827 on his second home in London, while paying less than £100 a week for his main home in Dewsbury.

Mr Zaman's wife Noreen raised questions over the validity of Mr Malik's claim that Dewsbury was his main home when she told the Telegraph that the house was normally occupied during the week by a constituency worker called Paul. When the Telegraph called at Mr Malik's constituency office, a Labour party volunteer called Paul Moore would only say: "I don't live there. It's as simple as that."

In the past Mr Zaman, who ran a car and van hire company from a portable building until last December, has been keen to talk up his prowess in property, pledging to invest £15 million in property in his home town. However, he was fined £450 in 2005 for letting an uninhabitable house to a family of five. At the time, he told magistrates he earned £25,000 a year. Mr Zaman pointed out that he had taken over the property with the tenants already in occupation and he was accredited on a council list of approved landlords.

Mr Malik said Dewsbury had been his main home since 2004 and denied subletting his house. He said the "vast majority" of his ACA claims had gone on "food, insurance, council tax, gas, electricity, security and mortgage interest" which were "basic essentials". He added: "I do believe that the present system is flawed and needs major reform if we are to win back the vital trust of the public. It is a demoralising period for all of us who believe in politics but, as uncomfortable and painful as the Telegraph's revelations are, I do believe that they will ultimately be seen as delivering a service to our democracy, our politics and our way of life."

**15 May 2009**

## **APPENDIX B**

### **Letter of 15 May 2009 to Mr Malik and note on procedure**

#### **Investigation under the Ministerial Code**

As you know, the Prime Minister has asked me to investigate the possibility that you may have breached the Ministerial Code.

The allegation arises from information published in the Daily Telegraph earlier today which suggests that you have rented property in Dewsbury (your constituency) since 2004 at a preferential rate. However, in your declaration of interests as a Minister, you have made no reference to this. For example, in section 3 of the declaration which you completed and signed on 28 October 2008 (the most recent declaration you have submitted), which asked you to list:

“ Any property you are renting or leasing from another person at preferential rates”.

You replied:

“ N/A (Not Applicable)”

In order for me to be able to reach a view on whether you have breached the Ministerial Code, I need your help in assembling relevant factual information. In particular, it would be helpful to have:

1. A copy of any written agreement you have with your landlord, [name of the landlord], relating to (a) the house you rent as your main home and (b) the constituency office which, according to the Telegraph, you also rent from [name of the landlord].
2. Details of the rent paid over the years in relation to the two properties
3. Receipts confirming the rent paid
4. Contact details for [name of the landlord] and for [name of constituency worker], who is mentioned in the enclosed ‘Daily Telegraph’ article. Have you sub-let your house at any point to [name of constituency worker] or anyone else, as the Telegraph suggests may have been the case?
5. Could you please also say whether you have any interest involving [name of the landlord] in addition to that relating to the two properties I have mentioned?

As well as this factual material, it would be helpful if, in your own words, you could:

- explain why you completed your declaration of interests as you did;
- let me have any other information or argument you consider relevant to my inquiry.

As you know, the Prime Minister has asked me to complete my inquiry as quickly as possible. It would therefore be helpful to have your response to this letter by noon on Monday, 18 May. I am asking the Cabinet Office to make provisional arrangements for us to meet later on Monday to go through your response and so that I may put any relevant questions to you.

You may find the enclosed note helpful in setting out how I shall approach the inquiry.

I look forward to receiving your response.

**15 May 2009**

## **The Ministerial Code**

### **Procedure for Investigation of alleged Breaches of the Code by the Independent Adviser on Ministers' Interests**

1. Ministers are personally responsible for deciding how to act and conduct themselves in the light of the Code of Conduct for Ministers (the *Ministerial Code*). They are also responsible for justifying their actions and conduct to Parliament and the public.
2. However, Ministers only remain in office for as long as they retain the confidence of the Prime Minister. He is the ultimate judge of the standards of behaviour expected of a Minister and the appropriate consequences of a breach of those standards.
3. If there is an allegation about a breach of the Code, and the Prime Minister, having consulted the Cabinet Secretary, feels that it warrants further investigation, he will refer the matter to the Independent Adviser on Ministers' Interests for inquiry.
4. The purpose of an investigation by the Independent Adviser is to establish the facts relating to the allegation and to enable the Prime Minister to decide whether there has been a breach of the *Ministerial Code* and, if so, what action to take in consequence.
5. It is the duty of all Ministers and officials who may be involved in an inquiry to cooperate fully with the Independent Adviser in order that he can report the outcome of his inquiries fully and speedily to the Prime Minister.

#### **Detailed Procedure**

6. When an allegation is referred to the Independent Adviser by the Prime Minister, the Adviser will write immediately to the Minister concerned setting out the nature of the allegation and the provision(s) of the *Ministerial Code* which appear relevant to its determination, along with any other relevant material available to the Adviser.
7. The Adviser will, if necessary, question the person who has made the allegation to ensure that its precise nature and the evidence on which it is based are clear to all concerned.
8. The Adviser will then ask the Minister to respond in detail to the allegation either in writing or orally. What is asked of the Minister at this stage is a full and open account of the matters in question.
9. It may be that the information provided by the person making the allegation and the Minister will enable the Adviser to report to the Prime Minister at this point.

10. However, the Adviser may judge that further inquiries are required. These may involve other Ministers, officials, or people or organisations outside Government. Those approached or interviewed by the Adviser will be expected to cooperate fully and to observe the confidentiality of their dealings with the Adviser, although they should give their evidence on the assumption that it is likely to be made public in the context of the Adviser's Report. The Adviser will share with anyone interviewed a draft record of the interview so that the accuracy of the record can be confirmed.

11. Any person interviewed by the Adviser may be accompanied, at their own expense, by a friend or legal adviser, if they so wish. However, they will be expected to answer for themselves (and not through their adviser) any questions put to them.

12. If in the course of his inquiries, the Adviser comes across evidence which suggests that a criminal offence may have been committed which may more appropriately be investigated by the police or another investigatory agency, he will report this to the Cabinet Secretary.

13. Once he has assembled the facts relating to the allegation(s), the Adviser will put to the Minister concerned any material evidence which is at variance with the Minister's account of events.

14. Before concluding his investigation, the Adviser will also share with the Minister the draft of those parts of his report which deal with issues of fact, so that the Minister has an opportunity to comment on them. It will be helpful if any comments are made in writing so that the Adviser can give a precise account of the Minister's response in his report.

15. The Adviser will then finalise his report. In doing so, he will include his assessment as to whether or not the allegation(s) against the Minister are supported by the evidence and whether any breach of the *Ministerial Code* has occurred.

16. The Adviser will form his assessment on the basis of the balance of probabilities, although in cases where the alleged breach of the Code is more serious, a higher standard of proof may be appropriate.

17. Having completed his report, the Adviser will submit his report to the Prime Minister through the Cabinet Secretary. He will also copy it to the Minister concerned.

18. Taking into account any representations by the Minister, it will then be for the Prime Minister, advised by the Cabinet Secretary, to decide whether he accepts the Adviser's findings and, if so, what action to take. In order to help him reach a decision, the Prime Minister may ask the Adviser to conduct any further inquiries he considers relevant.

Confidentiality

19. In the interests of fairness to all concerned and of the effective conduct of his inquiry, the Adviser will not comment on the progress of his investigation.

**Cabinet Office**  
**May 2009**

## APPENDIX C

### Reply of 18 May 2009 from Mr Malik

#### **Response to request for information following your investigation under the Ministerial Code**

Thank you for your letter dated 15 May 2009. Please find below responses to questions 1 to 5 and the two additional requests made in your letter. Please note that questions 1,2 and 3 are dealt with jointly [in Part I] below:

#### **Part 1**

i. I occupied my first property in Dewsbury in 2004 and this was situated at [property 1]. This was rented from [name of the property company] which I believe is a company owned by [name of the landlord]

ii. In June 2008, after getting married, I moved to the larger property next door, [property 2]. In terms of floor space my new house is approximately twice the size of the previous house. The agreed rent was £620 per calendar month or roughly £140 per week. I am personally responsible for the payment of rent for this property as it is designated as my main home.

iii. I enclose copy of Tenancy Agreement dated 11/10/04 for you perusal. **(Appendix C)**

As you will note, the above agreement refers to [property 1] and this is because a new agreement was not made to coincide with my move to [property 2]. For my part I was never presented with a new agreement and never thought about the matter. I had been there for a number of years and I paid the new rent of £620. The only administrative change I did make was to inform the Kirklees Council tax office of my move in June 2008 to [property 2] from [property 1]. In addition, I informed the Kirklees Council of the fact that I was now married and that my wife resided with me for council tax purposes. This was to ensure that I did not wrongly continue to enjoy a single occupancy discount of 10% for council tax purposes. The agreement for [property 1] covers the period 11th October 2004 to 31st May 2008 and the rental amount of £320 per calendar month was paid by direct debit.

iv. I have produced at **Appendix A** a redacted copy of my bank statements since becoming a minister at the end of June 2007 which evidences my payments of £320 per month to [name of the property company].

v. On my move to [property 2], the payments of £320 continued to be made to the [name of the property company] bank account and the remainder of the £620 rental amount was made via cash payments to the company manager [name of the manager of the property company] who is responsible for rent collection.

vi. As agreed, for convenience I did not change my banking instructions in June 2008 however following the current allegations and also in order to avoid future misunderstanding I am actively considering doing so and I have also asked for a rental agreement from June 2008 to be drawn up to cover my terms of residence at [property 2].

vii. In reference to my constituency office at 60 Daisy Hill, all costs are met by my Incidental Expenses Provision (IEP). I enclose copy of the agreement dated 01/04/07 with [name of the property company] in relation to the constituency office.

viii. The Finance and Admin Department of the House of Commons have provided excel sheets showing payments made to [name of the property company] , a copy of which I enclose at **Appendix B**.

ix. By way of background information, I moved from the office of the previous MP as I believed it was completely inaccessible and hidden on the 3rd floor of a business centre with far too many constituents not knowing it existed. In addition, Dewsbury's town centre has desperately needed revamping with individuals investing in it. The common complaint of locals is that it has become a ghost town. My moving into the town centre was to help boost confidence and support the town centre. The new office at 60 Daisy Hill represented increased access, increased accountability and increased confidence.

x. The office I occupy at Daisy Hill is one of three adjoining commercial properties on Daisy Hill. I believe that the agreed rental amount was fair and reflected both the state of the property and its local market value. The agreement also later included a service charge covering an allowance for space of three cars, general office cleaning twice a week and other low-level maintenance work. A copy of the service agreement and lease is also enclosed and was lodged with the Finance and Admin section of the House of Commons (**Appendix C**).

**Part 2 – Contact Details and issue of [name of constituency worker]**

Please find below contact details of [name of the landlord], proprietor of [name of the property company]:

Address – [address]

Telephone- [number]

Please find below contact details of [name of the manager of the property company], the Manager of [name of the property company]:

Address – [address]

Telephone- [number]

I am aware that the proprietor and manager of [name of the property company] are both submitting an affidavit presenting evidence to help with your enquiry. I also believe that [name of the property company] have instructed their accountant to provide evidence substantiating the amount of rent that has been paid for the properties in question.

In reference to [name of constituency worker], who is employed as my constituency Office Manager I can confirm that I have never sub-let my home to him or anyone else as The Telegraph suggested. Further to this [name of constituency worker], will also be submitting an affidavit addressing these allegations.

I am also enclosing at **Appendix D** a copy of the questions that were emailed by the Telegraph and my responses to them.

Please find below contact details of [name of constituency worker], should the need arise to contact him:

Address- [address]

Telephone- [number]

**Part 3 (including question 5)**

**Declaration of Interest**

I confirm that I have no other connection with or interest involving [name of the landlord] other than in relation to the two properties I duly rent from [name of the property company]. Prior to moving to Dewsbury I had never met or known [name of the landlord].

I completed my Declaration of Interest in the manner that I did simply because it was the truth. I firmly believed, and still do that the information I have provided was and still is honest and accurate. I fully understand the importance of the Ministerial Code and general code that is expected of Parliamentarians and I have always sought to fulfil my obligations in my privileged position.

## **Part 4 - Other relevant information**

### **4.1 Dewsbury Information**

The area in which I reside is known as Dewsbury Moor and is regarded as the least desirable area in Dewsbury. Karen Mathews, who is serving a prison sentence for being involved in the abduction of her daughter, lives less than a five minute walk away from my house.

According to ONS (national statistics) much of the area is in the most deprived 10% in the country. Key Dewsbury Moor statistics are:

- Burglary twice national average
- Criminal damage twice average
- 71% in Band A council tax - 24% nationally (properties less than £40,000)
- Average house sale price less than half national average
- 38% of households claiming some benefit

**(please see Appendix F for full information)**

David Cameron infamously described the area in December 2008 as a place 'where decency fights a losing battle against degradation and despair' and branded the local community as 'having pillars which are crime, unemployment and addiction'

(<http://www.guardian.co.uk/politics/2009/jan/04/david-cameron-dewsbury-visit-article>)]

This is an area where people are disproportionately on benefits. I am certain that the Local Authority have statistics backing this up and I will be more than happy to provide this information if required in addition to the ONS statistics mentioned. Furthermore, it is also an area suffering from higher than average levels of crime due to socio-economic factors.

It also has an extremely small percentage of professionals who live in the area and houses only a mile away command 50 percent more rent compared to houses in Dewsbury Moor. In spite of these factors, I am proud to live in this area especially in light of my belief that Dewsbury has not had an MP who has had a home here since World War II. Having a home here allows me to better understand the problems the town faces on a daily basis and better equips me to help solve some of the problems and deal with the challenges. I think all these factors combined reflect greatly on my approach to being a Member of Parliament. **(I have enclosed a copy of one of my recent annual reports and pensioners handbook which may be helpful in illustrating my approach as an MP)**

## **4.2 Properties Information**

I have submitted to your office, email attachments showing photographs of my house from the side and the front and the area surrounding my Dewsbury home in order to give you a better understanding of where it is situated.

As you will see from the photograph it is not the most hospitable of entrances. One has to go down a dirt track with no lighting and much dereliction en route to my home. However, having my home here serves my purposes extremely well as it enables me to live in the heart of community but also prevents me from being directly accessible.

It appears that 'market rate' is a relatively subjective tool and one can only use historical data coupled with current demand to give a rough idea of the actual market value. I have been told that the amount I previously paid for [property 1], was the same as that which is currently being paid by its occupants. As far as [property 2] is concerned, the amount I pay is slightly greater than that which was paid by the last few tenants.

For your convenience I have attempted to ascertain the current rental market value by conducting a search for similar properties on [www.rightmove.com](http://www.rightmove.com). Unfortunately a search for homes in the Dewsbury Moor area does not retrieve any results; this reflects the massive number of council houses in the area. Instead I carried out a general search under postcode WF13. Please find results enclosed and I hope this will be helpful in giving you an idea of the local market. **(Appendix E)**

NB — I have also emailed some local newspaper stories on the town centre which help demonstrate that I have actually paid the market rate and not a subsidised rate.

## 4.3 Issue of [name of the landlord]

I feel it necessary to write in greater detail about [name of the landlord]. I was horrified by The Telegraph story and was extremely upset. I knew that details of my expenses may upset some people locally but in the wider context of the apparent abuses which had taken place, I felt that they did not merit an 'exclusive' mention. I was also extremely angry and very confused by what [name of the landlord] was alleged to have said.

As mentioned already, I believe that [name of the landlord] is submitting an affidavit to explain the situation and that is a matter he will deal with. I am however aware that he attempted to clear up any confusion he may have caused but unfortunately his clarification was only picked up by some of the media. I am afraid the problem with [name of the landlord] is that he has the occasional habit of speaking without weighing its accuracy or appropriateness.

What confused me even more was that [name of the landlord] is not the person I deal with in respect of rent payable for either my residential or commercial property. The only person both my staff and I contact in regards to rent or any other issue, is the manager of [name of the property company] [name of the manager of the property company]. [Name of the landlord] is

never contacted as he doesn't have much interest in [name of the property company] due to being frequently occupied with his other business interests.

### **Part 5 - Summary**

I am absolutely clear that I have not breached the Ministerial Code as suggested by The Telegraph and repeated elsewhere. When the newspaper specifically put this allegation to me in their email, I strongly denied it and asked them to investigate it further before falsely putting it to print (see Appendix D). I am absolutely adamant that the rent I pay for my house and office fairly reflects the local market value. The suggestion that my office is below the market rate is ludicrous — had this been the case I would not have been the first one to move into one of the three premises on Daisy Hill.

In addition [property 2] would not have been empty for 6 months prior to my move in June 2008 if it was below the market rate.

The facts are that the local rates for areas like Dewsbury are low both for commercial and residential properties.

Having said the above I would of course be very grateful for any advice which may be offered to ensure that the potential for malicious allegations is minimised while accepting by their very nature, malicious allegations will always exist.

Our politics is entering a critical phase and I want to be part of those reformers who can say in years to come that we played a small role in saving our democracy. Sadly, I believe it will take the best part of a decade to alter public perceptions.

If there is anything else you need please do not hesitate to contact me.

Yours sincerely

## **APPENDIX D**

### **Statement dated 18 May 2009 by [name of the landlord]**

I, [name of the landlord] of [address]

Do hereby solemnly and sincerely declare as follows:-

1. I was born on [date of birth] I am a businessman based in Dewsbury. I am a registered member of the Accredited Landlord Scheme and Kirklees Council and have been so far for a number of years. I came to know Mr Shahid Malik in 2004 after he was first selected as Labour's candidate for Dewsbury.

2. I can confirm that Mr Malik first rented a small two bed roomed house (one double and one single bedroom) property from 2004 till June 2008. After his marriage he moved to a larger 3 bed roomed property, [property 2].

3. I can also confirm that he paid £320 per month for the first property [property 1] via a direct debit. Following his marriage and his move his new rent was £620 per month. Due to administrative reasons the first payment was made by direct debit and cash. My property business manager actually found the part cash payment handy as it effectively acted as petty cash. Mr Malik was asked if he would continue paying under those arrangements and he duly obliged.

4. In reference to The Telegraph story which was published on 15<sup>th</sup> May 2009, I can firmly state, that we had been hassled by journalists for a week. My family and I are not public figures and are not used to dealing with the press. We found the experience very stressful. My wife was first harassed by two journalists on Friday 8<sup>th</sup> May which she thought had said they were from the Daily Mail and Daily Telegraph.

5. On Thursday, Daily Telegraph journalists seemed to be swarming across Dewsbury tirelessly looking into and asking questions about my business affairs. I believe the journalists had been to a number of my businesses and former premises asking for me and one of the owners contacted my staff to alert them. I was keen to avoid them, especially because of all the negative Muslim stories linking Dewsbury and with my beard I didn't believe they would want to portray me positively and of course I was proven right.

6. As such I felt under siege and threatened at such persistent invasion of privacy, especially in light of the fact that I have never had any previous dealings with the national press. By the end, I felt exhausted and spoke to them just to try to get rid of them so they would leave me, my businesses, family and home alone.

7. At no point did I plan what I was going to say to the journalists and thinking back don't honestly remember all that I did say. I intended to do only two things, firstly to make sure that I was seen as a fair businessman at all times because I am conscious that a local 'BNP-Type' newspaper had called me a 'slum landlord' – which is completely untrue, and secondly to make sure that I gave no information about Mr Malik. That bottom line is I am not a public figure and I am not equipped to deal with such situations.

8. Over the last few days I have been contacted by dozens of journalists asking about me being bankrupt or a slum landlord or giving a discounted rent, none of which are true, and I've had to have them removed from my property.

9. I tried not to give any figures or details to the reporter not just because as a professional landlord it makes sense not to discuss any business arrangements and had to protect the privacy of my tenants but also because I wouldn't know the exact details of my properties.

10. I was asked what seemed like hundreds of questions about me and Mr Malik and of course journalists would have interpreted things in a way that would have suited their story. I can honestly say that my number one objective was to protect my business and reputation and be seen as the person I am – a fair and honest businessman and not some dodgy crooked long bearded Muslim fanatic businessman.

11. The truth is that I have dozens of residential and commercial properties scattered around the area and I have a manager, [name of the manager of the property company], who looks after them all. My main business is a furniture and bed factory which is a significant employer as well as overseas business interests. I have no day-to-day dealing with my property rental business whatsoever.

12. Hence, I didn't even know what Mr Malik 's exact rent was until I checked on Friday with [name of the manager of the property company] who confirmed it was just over £140 per week.

13. I was angry at this point because I knew my lack of attention to detail had caused undeserved problems for Mr Malik. Equipped with the facts, I immediately contacted my solicitor who read a statement on my behalf to the media stating that Mr Malik had been given "no special privileges".

14. A statement read by Solicitor [name of solicitor] said "[name of the landlord] would like to add and clarify that after checking his records he can categorically confirm that Mr Malik MP has been given no special privileges in the landlord and tenant relationship. Indeed the rent charged is exactly the same as what the previous tenant was paying. Secondly, the rental rate charged are commensurate of those found in the locality".

15. Although this was covered in almost all the media outlets, it didn't feature as promptly as I had hoped but then I suppose it makes for better front page

news to carry out unscrupulous story about a bearded Muslim Landlord of 'dubious' character and Britain's first Muslim Minister.

16. I deeply regret saying anything and I am sorry for my part in the embarrassment and damage caused. This whole experience has also been extremely traumatic for me and I am saddened at being presented as a greedy Muslim 'slum landlord'. I am seeking advice on this slur.

17. On a final note, I have been in business for a number of years and I know full well that it doesn't make business sense to start renting out properties below their market value as I have mortgages to pay, expenditure to meet and a living to make.

**18 May 2009**

## APPENDIX E

### **Statement dated 18 May 2009 by [name of the manager of the property company]**

I, [name of the manager of the property company] of [address]

Do hereby solemnly and sincerely declare as follows:

1. I was born on [date] and that my residential address is as stated above.
2. I am employed by [name of the landlord] as the manager for [name of the property company] which is owned by [name of the landlord], and have been so since 2003. My duties include sorting out all the tenant's agreements, keeping on top of maintenance issues, paying bills and collecting rents etc.
3. I can state from my records that Mr Shahid Malik rented [property 1] on 11 October 2004 to the end of May 2008 from [name of the property company]. He was being charged £320.00 per month. The property was unfurnished with no white goods, no curtains, no beds, no furnishing and no carpets etc –it was for Mr Malik to meet these costs. Mr Malik rented the premises till the end of May 2008.
4. In June 2008, Mr Malik moved to the property next door which is identified as [property 2], at a monthly rent of £620.00 this is where he currently lives.
5. When Mr Malik's first monthly rent for [property 2] was due in the middle of June I noticed that only £320.00 had gone into the [name of the property company] bank account. He said that he had not yet updated his bank payment details and he said he would do so for July's rent. For June 2008, he paid £300.00 in cash on top of the £320.00 direct debit had gone.
6. In late June or early July 2008, I asked Mr Malik if he would continue with the arrangement of paying by the bank and cash, and he agreed. This was useful as petty cash for small items and bills.
7. The amount Mr Malik paid while living at [property 1] from the 11 October is the exact same amount of rent which is being paid by the current tenants who replaced him. I can provide copies of the agreement for the tenant who currently lives at [property 1], with their permission, or blanked out version to safeguard their identity – especially with the media behaving as it is. They moved in late November 2008 as demand is quite slow in the area.
8. Similarly, I have no doubt that the rent Mr Malik pays at [property 2] is the market rate for the area. £140.00 per week may not seem much to those in London but in Dewsbury Moor, one of the most deprived parts of the town it is very reasonable and it is very hard to find tenants who are willing to come to this area and pay that amount of rent.

9. In relation to the statements alleged to have been made by [name of the landlord] to a newspaper on 15 May 2009, [name of the landlord] did not ring me to ask about the precise rent that Mr Malik was paying on that day. I told him that it was £620.00 per calendar month.

10. The levels of rent in our portfolio are limited and do not increase year on year. Tenants are often leaving, sometimes with rent arrears and often having caused a lot of damage to properties. We value good tenants who pay on time and don't damage properties, but they are few and far between. Mr Malik undoubtedly is a solid reliable tenant of obvious good standing.

**18 May 2009**

## **APPENDIX F**

### **Letter of 15 May 2009 from [name of the firm of accountants]**

To whom it may concern

**RE:** [name of the property company]

Based on the accounting records provided to us by our above named client, to prepare the accounts for the financial year to 5 April 2009, we can confirm the following.

Our client received £620 per month from June 2008 from the tenant residing at [property 2]. The client received £320 paid by direct debit (already set up from the tenant's previous occupation until May 2008 of [property 1] with the balance of £300 paid in cash.

We can also confirm that the subsequent tenant at [property 1] paid a monthly rent of £320 between the period June 2008 to March 2009.

**15 May 2009**

[Name of the property company]  
 [Address of the property company]  
 [Telephone number of the property company]

Rental payment schedule: Period June 2008/March 2009

Tenant: Shahid Malik

Address: [property 2]

Rent payment: £620.00 per month 3 bedroom property.

<b>PERIOD</b>	<b>TO</b>	<b>AMOUNT</b>	<b>PAYMENT DETAILS</b>
1 <sup>st</sup> June 2008	30 <sup>th</sup> June 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> July 2008	31 <sup>st</sup> July 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> August 2008	31 <sup>st</sup> August 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> September 2008	30 <sup>th</sup> September 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> October 2008	31 <sup>st</sup> October 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> November 2008	30 <sup>th</sup> November 2008	£620	£320 D/D £300 CASH
1 <sup>st</sup> December 2008	31 <sup>st</sup> December 2008	£620	£640 D/D £300 CASH
1 <sup>st</sup> January 2009	31 <sup>st</sup> January 2009	£620	£300 CASH
1 <sup>st</sup> February 2009	28 <sup>th</sup> February 2009	£620	£320 D/D £300 CASH
1 <sup>st</sup> March 2009	31 <sup>st</sup> March 2009	£620	£620 CASH

[Name of the property company]  
 [Address of the property company]  
 [Telephone number of the property company]

Rental payment schedule: Period April 2008/March 2009  
 Tenant: Shahid Malik  
 Address: [property 1]  
 Rent payment: £320.00 per month 2 bedroom property.

<b>PERIOD</b>	<b>TO</b>	<b>AMOUNT</b>	<b>PAYMENT DETAILS</b>
1 <sup>st</sup> April 2008	30 <sup>th</sup> April 2008	£320	Direct Debit
1 <sup>st</sup> May 2008	31 <sup>st</sup> May 2008	£320	Direct Debit
1 <sup>st</sup> June 2008	30 <sup>th</sup> June 2008	Moved	premises
1 <sup>st</sup> July 2008	31 <sup>st</sup> July 2008		
1 <sup>st</sup> August 2008	31 <sup>st</sup> August 2008		
1 <sup>st</sup> September 2008	30 <sup>th</sup> September 2008		
1 <sup>st</sup> October 2008	31 <sup>st</sup> October 2008		
1 <sup>st</sup> November 2008	30 <sup>th</sup> November 2008		
1 <sup>st</sup> December 2008	31 <sup>st</sup> December 2008		
1 <sup>st</sup> January 2009	31 <sup>st</sup> January 2009		
1 <sup>st</sup> February 2009	28 <sup>th</sup> February 2009		
1 <sup>st</sup> March 2009	31 <sup>st</sup> March 2009		

## **APPENDIX G**

**Transcript supplied by Daily Telegraph of taped telephone interview with  
[name of the landlord]**

**Is that Mr Zaman?**

Speaking.

**Robert Winnett at the D/T**

Lovely. Have I won the lottery.

**You may have. I don't know. You tell me.**

I know you've been coming around cause of Malik. I'm being. If you see me in person, face to face, you'll understand me. This newspaper right? They've been calling me and calling me a slum landlord. I'll tell you where the slum landlord came into effect. This is absolutely ludicrous. I'm even thinking now if there's any more of this slum landlord stuff, I've had enough.

**This all dates back to 2005 is that right?**

I'll tell you exactly what this is. I bought a property and try to understand this. You can clarify this from the local council. Right. I bought a property. When I bought the property there's already an existing tenant in this property.

**I see, like a sitting tenant.**

Yes. He's got a six or twelve month tenancy before I can get rid of him. The house is absolutely perfect. There's nothing wrong with the house. What there saying is that twenty years ago there were a block of houses on this land, yeah. We've taken the planning off this house.

**I see.**

For residential use. I can understand you've taken the planning off, what do you want it to be? They said we don't know yet. We knocked all the rest down, we didn't knock this one down. I said, why didn't you knock this one down then.

**I see.**

So it's a planning issue, yeah.

**This is all quite old.**

This is going back twenty, thirty years. This planning issue is twenty, thirty years old.

**This has got nothing to do with the Shahid Mallik office?**

No. Let me give you the full story. They just want to attack me for one right because he's my tenant. And secondly cause I'm an Asian.

**He's your tenant in the office you mean?**

Yes. Now listen to this. You know this property. This is how ludicrous it got. Kirklees, I bought this property, you've got a tenant there. Legally I can't kick him out. I've got serve notices on him. The ex-owner already had issued him with a tenancy agreement. That's a legal binding contract now regardless whether there's planning or no planning. That tenant doesn't need to move out. Now what's happened is I buy the property. Once I buy the property local council comes over to me and say to me we've got a problem, this person can't be living in this property because it doesn't have planning on it.

**I see. This all pre-dates you owning the property.**

Yes. I said right, now I've got a problem that's a catch 22. You want me to throw him out, physically or literally. If I do that he's going to take me to court. He'll say he hasn't served me the correct papers in the correct times.

**Yes.**

What am I supposed to do. They say do whatever you want to do, we can't do nothing for you. Yeah. Next minute. Don't kick him out the tenant, he was a nice guy. The house was perfect. They say we're not going to give you planning on this house. They end up, the local council end up taking me to court, yeah, saying there's no planning and he's got a tenant. I explained to the magistrates, I said look it's a catch 22. If I kick him out I'm up against you anyway again. You're going to turn around and say legally you can't throw him out. I never housed that tenant. The tenant was already there when I bought it.

**So the local paper has been a little unfair to you by the sounds of it.**

Guess what the funny thing is now. The icing on the cake is that Kirklees have decided to give me planning on it.

**Utterly weird.**

Last week. This has taken two years, right. It went into planning committee. Same property. We've done absolutely nothing to it. The planners have turned around, took it into committee, turned around and passed the property now.

**This property stuff is all very complicated.**

Shall I tell you something? I don't know how close you are with the press newspaper. I'm in business and so is your company and so is the press. It's made life for me, this local paper, it's made life hell for us.

**Can I just check. We can't rely on what the local paper are saying about you and so forth.**

Put it this way. If you turned around and said in a national newspaper that I am a slum landlord on the basis of that property. Well I'm sorry.

**How many properties do you have?**

You know how good a landlord I am? I'm on the local government accreditation as a landlord.

**Some of the stuff in the local paper is obviously wrong so we just need to agree on what the actual facts are. The Daisy Hill constituency office, you own that?**

Yes.

**And he pays you rent for that office?**

Yes. An independent valuation was given before he moved in of what rent I should be charging for that kind of property.

**So he pays whatever the independent valuation...about £200 a month?**

I think it's more. The office consists of an office downstairs and an office upstairs. Completely revamped. I think, off my head, we might be charging him £80 per week. If anybody was to suggest I was charging him excess I do not mind because I know he turned around and said we don't mind paying you whatever the rental is as long as we've got proof from someone independent that this is a valuation of the rental.

**So that's why you got the valuation?**

Yes. And in the independent valuation it came out much more than what we were charging.

**You're not a very good businessman by the sounds of it...**

They put a valuation of about £16,000 per year. And we're charging him near enough 40% off that so we weren't making a buck or two.

**It's a flat he's got, next door, that's owned by you too?**

If it's a flat or if it's not a flat, it's his personal house. I don't really want to say. I don't think it's a flat.

**You own that as well?**

Yes.

**How much rent does he pay on that?**

You'll have to ask him. I tell you what he's not paying me what the independent valuation said he should be paying me.

**On the flat?**

B/c we got the independent valuation again for his house. This property's worth, if I were to sell it, maybe £400,000. I'm not even getting a yield of 5%.

**What's your yield on it then? We don't want to accuse you of profiting from this. So if he's paying you less than the market rent.**

He is definitely paying well under the market value rent.

**So what £100 a week?**

It's even less.

**Less than £100 a week?**

I think so, yeah. Put it this way. Where he's living, I'm renting the next door half the size of his property, they pay me more rent than what he's paying me.

**Do you know the exact figure?**

That's entirely up to him if he wants to tell you that.

**£80 is that accurate?**

I'm not saying anything on this.

**It's just important from your point of view. You've been accused of profiting from this but your not profiting. The way the local paper are portraying it is that you're profiting from this relationship.**

Put it this way. You know when this paper comes out tomorrow. If it's got anything. I don't know if you knew about this.

**We were told.**

You know why the local paper's against him so much?

**Why is that?**

The local paper's against him because he was going to take them to court.  
**Really.**

This went to libel. They ended up paying for the whole lot. They even apologised. That's why the local paper's always been after him.

**He moved flats, he used to live in a little flat and now you've rented him a house. Is that right?**

That's entirely up to him. You know it's his personal life right.

**But that's been reported in the local press that he used to have a flat and now it's a house.**

If they've reported it wrong that's entirely up to you. You know about his house or his flat. I know you've got this part wrong.

**So it's always been the house that he rents?**

I'm not saying nothing. It's his personal house isn't it. It's like me asking you for your...

**But he's an MP and I'm not a public representative. You know why people are asking you questions.**

But you're the local reporter. It's his personal business, you ask him. You ask him about his own personal business, where he lives.

**This is not the main house, this is what he uses when he pops up for the weekend?**

I don't know what a main house is. Where's my main house? It's not in Dewsbury

**I don't know, where is your main house?**

Well, put it this way, how many days in the week?

**The majority I would think.**

Well, then it's not in Dewsbury.

**It's not in Dewsbury. He lives in London doesn't he, it's obvious.**

What I'm saying is I'm talking about myself here. If you're saying to me where do I reside most often that's where my residence is.

**How often is he up there?**

I don't know b/c I don't reside here more than I reside elsewhere.

**I suppose you've got lots of property so you've got the luxury of doing that.**

No, not really. I've just got back from abroad. Can I tell you something about Shalid? He's the most tightest git. When it comes to his expenses he's the

bloody hardest working MP that I've ever seen. That's why he has so many expenses. You know you've got constituents coming in to the office. He needed a wall putting up to separate the office. He asked me about local builders and I recommended Mr Smith. The HoC are going to pay for this, this particular wall. I'm not joking he grinded him so much and he got it for next to nothing. The builders were telling me we're not going to make money, we're going to lose on this job. How do I justify?

**I guess that's why he's paying you below market rent on the house?**

Well the reason I gave him that house is he becomes my neighbour so I don't mind taking a professional and charging less. It's better for me instead of getting rowdy and giving me problems because my family lives here. That's why we did it.

**Then it's quiet during the week if he's not there?**

It depends. Most of the time he's here and he's not here. Realistically, me and my family are the wrong people to be asking that question because we're not here all the time. I'm not here at all. I've just got back from abroad four days ago. I'm leaving hopefully on Friday. Where I reside most is definitely not in Dewsbury.

**How do you know him originally?**

He were looking for a house.

**How were you introduced to him?**

That's a long time ago, that's my personal thing with him.

**Is there family history?**

I can't say that. Just look at the planning issue, look where it was and look how out of proportion it's taken. Not once has our local paper, the Dewsbury reporter, reported on this matter, but they did about me. Anything that they can grasp hold of. I'm waiting till Friday and definitely going in for libel. I've had enough. I'm not a Labour party member. I don't have anything to do with party politically. I don't want a Lordship not do I want a Sirship. Nor do I want to become a counsellor, nor do I want to become a Lord Mayor. Nothing, absolutely nothing.

**So you're just doing him a favour?**

Favour in what?

**Well you're obviously offering him properties at below market rent?**

It's exactly what any estate agent or anyone else professionally would do. If you've got M&S coming into a shop and you've got Mr Smith coming into a shop the M&S is saying to you we're going to pay you less than 10% of the market value, you're still going to with M&S.

**Do you furnish the House?**

That's entirely up to him what he wants to tell you.

**Have you rented it furnished? Would you normally furnish a house?**

That's entirely up to him. Ask me about the office, about the house you have to ask him. I never furnished the office.

**You never furnished the office which suggests that you did furnish the house. It's not a big deal.**

It is or it isn't. That's up to him.

**Why's it different for the house than the office?**

That's his profession there isn't it. This is his personal house.

**Do you have a proper rental agreement with him on those properties?**

On the office, yes.

**But not on the house?**

I'm not saying nothing about the house because the house is entirely up to him.

**I'm asking if you've got a legal agreement with him. Would you always have a legal agreement for every property you rent out?**

Put it this way. Every property residentially that I own, and I've got well over 100 tenants, they're all legal, binding contracts. Whether he's got one or not I'm not saying. It's his personal house.

**He's from Burnley originally so...**

No, no.

**You only knew him fairly recently.**

That's my personal thing with him. Anything professional, fair enough, ask me. The slum landlord is a professional thing. The worst thing about it is that two weeks ago Kirklees agreed to give me planning on the thing.

### **Where are we on the bankruptcy issue?**

There was no bankruptcy. If you can find a bankruptcy order against me, I'll give you a million pound, how's that? I'll tell you now you're asking something professional. One of my businesses moved premises. In the last six years I moved my official residence from my old address to this address. So my driving license and all the rest of it come here. Somebody decided eight or nine years ago that I owed them a couple of hundred pounds. The judge gave the order on the basis of the last old address. Under land registry it was still owned by me. They sent the bankruptcy order to my old address where my tenants were living. Now the majority of tenants don't pass on. So then we ended up in the courts for a couple of hundred pounds. When we ended up in court it took 45 secs in court for an annulment to be given straight away. It wasn't cancelled. I didn't want to pay off the few hundred pounds. I wanted it with no existence of this. So we had to go back into court to get a complete annulment. There's never been a bankruptcy order. If you can prove.

### **No, just so we're absolutely clear, you're not bankrupt, you never have been?**

No I never have been bankrupt.

### **And you've got 100 tenants at the moment. You've built this business up yourself?**

I've done pretty well. I'll give you an example yeah. You've got to be in the right place at the right time and be very hard working. This is how to make good money yeah, all sorts. In London, one of the biggest agents that there is of commercial property in the UK. They decided, one of their clients came along about eight weeks ago, decided to put a huge amount of public houses up for auction. They put a pub in Leeds up for auction. Pretty ok, the building is ok, about 3000 sq foot. They put it up in auction and the auction's in London but the property's in Leeds. No one decided to travel from Dewsbury. I decide to put a telephone bid in. Remember there's nil reserve on this. The auctioneer rings me and says look this lot is coming up we're going to start bidding. The bidding's started at £500. So the bid started at £500. Nobody else has bid, it's a legal binding contract. That's not 'Jesus', that's damn well hard work. You need to know the right people and properties in the right places and get there before anybody else can get there. That was about two weeks ago.

### **You've got no business with Shahid other that the properties? There's no long standing business arrangement with you two?**

Absolutely nothing. No blood relation. Nothing.

**He's just a friend.**

Yeah. Shall I tell you something? His father used to be a long standing counsellor for Burnely. You know the amount of hours he's put in to the office. I bet you I don't think Shahid's paid him ever. Because it's his family. He's never employed anyone in the office that I know of that was his family just because of these reasons.

**Just to be completely scrupulous about it all.**

White as white he had to be. He knew about this. When this independent thing came along he said as long as we're paying the fair market value. But the fair market value is much higher than you're paying. I tell you what he did for me. When the MP's office came in to it I got the property next door let and I got the other property next door let.

**Because he's reliable?**

Three properties in a line and they're all empty and the MP comes into one office. Normally it give suggestions that there's a lot of people coming into this office, lets open next door. That's what we did. It was nothing to do with doing anyone a favour. It was a business decision. Do I take 10 or 20% off the market value, rent on that basis and I'm going to achieve more. Definitely.

**So how many offices in a row?**

Three shops in a row and they were all empty.

**And he took the middle one?**

He took the middle one. They were already done upstairs. The shop next door got rented out afterwards and then the other one next door.

**Are there offices upstairs as well?**

Yes.

**There were no tenants before and now there are three in the block?**

Yes. Did I make the right decision for the business?

**I see. And they're all paying the market rate and he's paying a bit less?**

Not really, they're paying less as well, because of recession and what's coming everyone's on a free for all. Nobody's paying market rent at the moment. Land security offered me a building with five years rent free period. Land of leather before they bust were offering me a building for twenty years with no rent, just pay the rates.

**Weird old world. Look, you've been really useful and really honest and I appreciate that.**

You know this local paper. There is some kind of dignity and honesty. Just go to this local paper every week and see what's in the rubbish. Our local paper's called the Dewsbury Reporter, then there's the press. He's always had it in for Shalid. He's had this campaign going for 1 ½ years about freedom of speech. Shalid never said them words. When it comes to it at the High Court he'll have to apologise.

**Thank you for your time....**

## APPENDIX H

### **Copy of e-mail supplied by Daily Telegraph recording reporter's conversation with [Name of the landlord's wife]**

Documents held by the Land Registry reveal that Shahid Malik's home, part of a converted barn complex in [property 1 and 2], is owned by [name of the landlord].

[Name of the landlord] a local businessman, lives on the same complex with his wife, [name of the landlord's wife] and the couple's [number] children.

[Name of the landlord's wife], said today that the MP initially rented the two-bedroom property at [property 1]. However, when he married last February he and his wife moved to the three-bedroom house next door.

She did not know how much the Malik's were paying.

"He is a good friend and neighbour" said [name of the landlord's wife]. "He comes here just at the weekends. He was here this weekend just gone. He rang my little boy up because it was his birthday"

"He remembers [name's] birthday because he was born the same day (in 2005) that he became an MP".

A date stone over Mr Malik's front door reveals that the stone-built house was originally built in 1685.

No one was at home today. A discarded plate and set of cutlery had been left on the kitchen worktop, while a rusty wok rested on the window sill.

Mrs Zaman said the MP, [details of car] generally stayed at his Dewsbury address most weekends between Thursday night and Sunday night. Sometimes he returned to London on a Monday morning.

"He'll take maybe a week off every two months", she said. [Details of the landlords wife]

"Usually he comes here alone. He's always getting involved with local issues and he's always in the local paper".

[Name of the landlord's wife] said the MP's Dewsbury house was normally occupied in the week by a constituency worker.

The worker, whom she knew only as [name of constituency worker], followed Mr Malik when he moved to the area from his home town of Burnley.

## **APPENDIX I**

### **Copy of e-mail supplied by the Daily Telegraph recording reporter's conversation with [name of constituency worker]**

Mr Malik's constituency office, stands between a tattoo studio and Bed World, the latter run by [name of the landlord].

[Name of constituency worker], a Labour Party volunteer, appeared briefly at an open hatch to speak to the Daily Telegraph.

He insisted that he did not live at Mr Malik's rented home – part of a converted barn in Heckmondwike.

"I don't live there" he said, "It's as simple as that."

[Name of constituency worker], who knows the MP from their time together as Labour activists in Burnley, declined to discuss the expenses controversy. "It's an issue you'll have to take up with Mr Malik," he said.

[Name of the landlord] owns a number of businesses and properties in Dewsbury. These include [property]

[Property details]

## APPENDIX J

### Report by Messrs Smiths Gore

#### The Instructions

We are instructed to give advice on the likely market rent for 3 properties in the Dewsbury area.

- [Property 1] as at April 2004 and June 2007
- [Property 2] as at May 2008
- The Ground Floor offices at number 60 Daisy Hill as at April 2007

#### [Property 1]

We understand that the property was let unfurnished on an Assured Shorthold tenancy dated 11 October 2004. We have not inspected the property internally, but are informed that the let consists of a 2 bedroomed property in reasonable condition.

**In my opinion, the passing rent of £320 per calendar month would have been a full market rent at that date.**

The original letting was for a term certain of 12 months. We are told that the let thereafter continued (we assumed as a periodic tenancy) until about May 2008 when terms were agreed for the tenant to move to the adjoining property, [Property 2].

During this period, rents were increasing at around 4% to 5% a year. It would be normal practice for a Landlord to increase the rent every two years. If that had happened, we might have expected the rent to rise to around £350 per calendar month in Autumn of 2006 with no further increase before May 2007, the second date on which we are asked to give an opinion of rent.

There are reasons why a landlord might choose not to increase a rent. For example:

- building works to an adjoining property
- the reluctance to risk a void and expense of re-letting
- negotiations on going for this or another property

**We cannot speculate on why the landlord chose not to review the rent, had he chosen to do so, we would have anticipated a modest increase from £320 to £345/£350 in the Autumn of 2006.**

[Property 2]

We understand that the house was let unfurnished in May 2008 at a rent of £620 per calendar month on an Assured Shorthold tenancy. We have not seen a tenancy Agreement.

The property is a 3 bedroom conversion of an 18<sup>th</sup> Century Coach House with fitted kitchen and central heating, located just off the road and next to a former hall which is presently unoccupied and semi derelict. The property overlooks a mix of open land and commercial property.

From internal and external inspection we confirm that the property is in a lettable condition. We did not carry out detailed measurement of the property which we estimated extends to 1,200 ft<sup>2</sup> of internal space on two floors.

**The rent of £620 pcm was a reasonable rent for the property.**

#### 60 Daisy Hill

A modest shop property in the centre of Dewsbury. The ground floor is let as the constituency office. There is access to kitchen and lavatory on the first floor. Access to the un-let part of the first floor is through the ground floor offices.

The office property is separated into 3:

- a lobby/waiting room with glazed shop front to the street, extending to approximately 130ft<sup>2</sup>
- the main office extending to approximately 410ft<sup>2</sup>
- the rear office extending to approximately 120ft<sup>2</sup>

The offices are unheated. They have adequate provision for lighting and electrical sockets

Under the terms of the lease, the landlord is responsible for repair of the structure and insurance.

The rent is £6,000 a year there is, in addition, a service charge of £300 a month for 3 parking spaces, office cleaning and general repairs.

**The rent and service charge are in line with market rents for property of this type.**

**20 May 2009**

## **APPENDIX K**

### **Statement dated 17 May 2009 by [Name of constituency worker]**

I, [Name of constituency worker] of [address]

Do hereby MAKE OATH and say as follows:

1. I was born on [date] and that my residential and permanent address is as stated above. The said property of mine was purchased by myself in 1997 and is presently mortgaged with the HSBC. I am responsible for paying council tax for this property and I am also registered to vote in Burnley at the said address. I am happy to provide any of my mortgage statements for the last ten years or so and a copy of my name on the electoral register within 24 hours if so required.

2. I am employed as an Office Manager at Mr Shahid Malik MP's office in Dewsbury and have been so since August 2006. I confirm that I commute to work from Burnley to my place of employment in Dewsbury, sometimes by train and sometimes by car, on a regular basis. However, there are occasions during the week and with the full permission of Mr Shahid Malik that I do stay overnight at [Property 2], which is the place of residence of Mr Shahid Malik. On occasions this may amount to a couple of nights a week or less.

3. I can categorically confirm that I have not paid any financial remuneration to Mr Malik in respect to my overnight stay at [Property 2], nor have I requested to do so. I can also confirm that I have not made any form of contribution to the utilities provided at the said property, nor towards any running costs of the property. Staying overnight at [Property 2] enables myself to work late at the office and at times enables me to start very early, since commuting from Burnley to Dewsbury during peak hours does indeed take approximately one and a half hours.

**17 May 2009**

## APPENDIX L

### Letter of 28 May 2009 from Mr Malik

#### **Response to Telegraph interview and further information received**

Firstly, thank you for supplying me with a copy of the transcript which I have now had an opportunity to read and digest.

I am frankly shocked that this interview is the basis of the allegations against me. By any objective assessment this interview is contradictory, confused and, in my view, unreliable.

You asked me a specific question relating to the valuation of my office and home, and as I said in my interview, I was not aware of any valuation on my home or my office.

Having had an opportunity to review the paper work over the last few days there is one aspect of my dealings with [name of the manager of the property company], with which I may be able to offer you further assistance.

When I moved from the smaller property to the larger property I agreed with [name of the manager of the property company] to an increase in my rent to reflect the bigger property. I stated in my previous interview that I neglected to change my direct debit and paid the first month's additional instalment in cash. [Name of the manager of the property company] asked me whether I would continue to pay in cash the difference between my direct debit and the new rental income. I agreed as I knew even from 2004 his preference was cash.

I can understand why at first glance this may seem unusual and indeed you yourself mentioned 'tax avoidance' during my interview, but for religious Muslims banks and banking is a complex issue. Muslims in the UK disproportionately deal in cash. This is particularly true in very poor areas because Islamic laws on finance and banking mean that many in the Muslim community use cash as a matter of preference due to their religious observance and/or a cultural norm. So when [name of the manager of the property company] asked me to continue to pay in cash I did not think this to be unusual, nor having got to know [name of the manager of the property company], who is a strictly practising Muslim, did I make any assumption that this was a means of tax avoidance.

My first assumption, as it would be with any member of the Muslim community within reason, is that it was a matter of religious observance or a cultural norm. I have attached a short note on Muslims and banking and finance which I hope you will find useful. (See attached Appendix 1).

## **Transcript of Telegraph Interview**

[Name of the landlord] makes a number of claims in the transcript including a claim that the house I rented is valued at £400,000. I am confident that any independent valuation would value the property at substantially less. He further makes claims that based on that valuation he could be earning as much as £20,000 per year in rent. The independent valuation that you have carried out for your inquiry states that £6,200 is the market value and not £20,000. Similarly, [name of the landlord] states that a valuation of my office would come out at £16,000 yet your independent valuation states that the £6,000 that I pay reflects the Market value.

[Name of the landlord] claims are at best exaggerated. I could go through line by line exposing the range of exaggerations and inaccuracies in the transcript but I believe that [name of the landlord], confused with national media, simply got out of his depth and exaggerated his standing. I cannot explain why he did this but I think his affidavit clearly shows that what he told the Daily Telegraph was inaccurate and he sought through his affidavit to correct this situation as best he could.

I would also like to thank you very much for the independent valuations that show the rents were indeed set at a market rate. This shows that I did not receive preferential treatment from [Name of the property company] as claimed by the Telegraph.

I hope I have provided some useful information that will help bring this episode to a conclusion. I am grateful to you and your team for the courtesy you have shown me throughout what has been an incredibly stressful process for me, my family, friends and constituents. I also appreciate the thoroughness with which you have managed the inquiry.

Many thanks once again.

**28 May 2009**

### Muslims and Banking & Finance

The term she or he is a 'religious' man or woman in the Muslim community means that s/he abides by the teachings of the Koran. For Muslims the Koran's teachings are more literal rather than interpreted.

#### 1. Religious Laws on Banking

- Muslims must abide by Shariah laws (which are based on the Koran and the way the Prophet Mohammed lived his life). These laws cover all aspects of life including banking and finance.
- Islamic banking is based on the 'prohibition of *Riba*' – interest or usury. Central to Islamic belief is that money itself has no intrinsic value. You cannot make money from money: money can only be acquired through legitimate trade or investment.
- Muslims are forbidden from using standard banks or financial products. This is because banks lend with the intention of acquiring interest. They wish to simply make money from money.
- Muslims are not allowed to put their money into any institution that invests in or lends to companies involved with alcohol, betting, tobacco and pornography.
- Government has data to show how few Muslims have bank accounts. The FSA Consumer Research Report on financial exclusion highlighted Pakistani and Bangladeshi people as disproportionately likely to be without an account compared with all other UK groups (*In or Out, Financial Exclusion?* FSA, 2000). The FSA report also concluded that 'for Pakistani and Bangladeshi people language, culture, levels of knowledge and religion are all important barriers' (FSA Consumer Research Paper, 2000:30)

#### 2. Islamic Rules on Taxation?

Just because the Muslim community live in a 'cash' society it does not mean they avoid paying tax. Paying tax to the State and the poor is part of what governs their daily life. Islamic law or Shariah is very clear about what is lawful and unlawful in terms of economic activity. Broadly speaking, you are not allowed to take part in any economic activity that is deemed 'socially or morally injurious' i.e. avoiding tax. The Koran says "*Whoever pays the tax on his wealth will have its evil removed from him..*".

You are not allowed to hoard money, squander it or leave it 'idle'. And you need to reduce 'surplus' by sharing it with those well off. Within these rules you must pay the taxes of the State. Islam permits some accumulation of wealth through individual enterprise and trade, but not excess. The idea is to encourage distribution of income between rich and poor but also to discourage wealth in the hands of the few at the potential detriment of the community.

Moreover, all Muslims are required to pay *Zakat* (annual charitable tax) as this is one of the five pillars of Islam and represents a minimum of 2.5% of their net annual income which must be given to the poor and needy.

## APPENDIX M

### **Agreed note of interview with Mr Malik - 18 May 2009**

1. Sir Philip Mawer commenced the interview by confirming to Mr Malik the procedures which he would follow during the course of his investigation. He said that Mr Malik should give him answers on the basis that what he said might be made public. He should make clear if he wished anything he said or might later be asked to provide to be treated as confidential e.g. on grounds of privacy.
2. Sir Philip set out the allegations, as published in the *Daily Telegraph*, that Mr Malik had broken parts of section 7 of the *Ministerial Code*, by receiving a preferential rent from [name of the property company]. This was in respect of his current rented property [Property 2], his previous rented [Property 1] and his current Constituency Office, 60 Daisy Hill, Dewsbury. Sir Philip made clear that his focus was on the *Ministerial Code*, not Mr Malik's obligations as a Member of Parliament, although it might be necessary for him to pose some questions relating e.g. to Mr Malik's nomination of his main and second homes in order to complete his task.
3. Mr Malik said that he was "deeply upset" with what the media had published and how he had been portrayed concerning the allegations that had been made against him. He asked Sir Philip how he would report his findings to the Prime Minister. Sir Philip said that there was no precedent for an investigation of this type – neither he nor his predecessor had previously been asked by Mr Brown or Mr Blair to conduct an investigation. Sir Philip said that "he would consider the salient points" and "assess whether the *Ministerial Code* had been broken". It would be for the Prime Minister to decide how the report would be published.
4. Mr Malik said that he was not clear why Sir Philip might need to consider what the arrangements were relating to his nominated main and second homes. Sir Philip agreed that this was not the central issue in relation to his investigation. He would only touch on that aspect in so far as it was necessary for him to do so, in order to understand the context of the issues which were the subject of his inquiry. For that reason it would be helpful if Mr Malik could give answers to questions relating to his main and second homes should they arise during the course of the interview.
5. Sir Philip noted that the *Daily Telegraph* had suggested that Mr Malik was not in Dewsbury much of the time. Mr Malik said this was not true and the media coverage and handling of the case had been "bad". He had been "upset" and "angry" with what had been reported in the media. Contrary to what had been said, he had not resigned his ministerial post, but had just stood down as an interim measure. Sir Philip assured Mr Malik that the evidence would be the deciding factor in his report to the Prime Minister.

6. Sir Philip asked Mr Malik when he had first rented [Property 1] from [name of the property company]. Mr Malik said that this would have been in 2004, shortly after he was selected to be the prospective Parliamentary candidate. Previous to this he had purchased a property in Burnley in 1997 and a property in Peckham in 2001.

7. Mr Malik said that [Property 1] was an unfurnished property for which he had paid by way of a direct debit of £320 per month. A tenancy agreement was provided by [name of the property company] for this property.

8. In relation to [Property 2], which he had moved into in June 2008, this was also an unfurnished property, but substantially bigger. On the issue of there not appearing to be a tenancy agreement on the current property, [Property 2], Mr Malik said that in hindsight he wished he had asked for one, but as he was only moving next door the thought had never occurred to him to ask [name of the property company] and their Office Manager for a new tenancy agreement. Mr Malik said that they agreed on the rental rate and that he assumed that the terms and conditions would stay the same.

9. Mr Malik confirmed the rent for [Property 2] as £620 per month. The first month's payment for June 2008, had consisted in part of the rolling forward of the direct debit already in place in respect [Property 1]. Due to the pressure of business he had failed to increase the direct debit to cover the whole of the higher rent. Once this had been identified by [name of the manager of the property company], Mr Malik had paid a cash adjustment of £300 to make up the balance. Mr Malik said that this arrangement subsequently became the norm at the request of [name of the manager of the property company]. He was never provided with nor had he asked for, a receipt for the cash. Mr Malik had simply felt at the time that if the arrangement was helpful to [name of the manager of the property company] it was good enough for him.

10. Sir Philip put to Mr Malik that in some contexts, it might be implied that by making cash payments and not obtaining a receipt, tax might be being avoided. Mr Malik said this thought had not occurred to him. He regarded [name of the manager of the property company] as straight and honest and had no reason to doubt his motivation. As far as he was concerned, he was just being helpful to [name of the manager of the property company]. Mr Malik said that [name of the manager of the property company] was a straight religious chap, that their commercial relationship was tried and tested over 4 years and that he had no reason to doubt him.

11. Sir Philip asked Mr Malik whether in retrospect, he would have done anything differently. Mr Malik said that he would certainly not have claimed for the television system or the massage chair which had been commented on in the press, though both had been justified. He felt that he had been "poorly served" in relation to the advice provided him by the Fees Office, who had given insufficiently clear guidance. He would ensure that in future his financial arrangements could never be questioned. He believed he had not done anything wrong and that the whole issue had been a "wake-up call for

everyone". He did not understand why he had been picked on by the *Daily Telegraph*.

12. Sir Philip asked Mr Malik when he had declared Dewsbury as his main residence. Mr Malik believed this to have been 2008, but promised to confirm the actual date.

13. Sir Philip asked about the *Daily Telegraph* article and the quote from [name of the landlord's wife] that the Constituency Office Manager, often stayed at [Property 2]. Mr Malik said that [name of constituency worker] had keys to the property and stayed whenever he wanted. This benefited them both in that the property was being occupied and it saved [name of constituency worker] commuting from Burnley, particularly if there were large amounts of work to be dealt with by the Constituency Office. There were no rules to [name of constituency worker] staying in the property. Mr Malik trusted [name of constituency worker] implicitly. [Name of constituency worker] made no payment for his stays.

14. As to the number of nights Mr Malik himself stayed there, Mr Malik reckoned on between three and four nights a week. This would be more during the Parliamentary recess, as it provided the opportunity to engage with constituents.

15. Sir Philip returned to the central allegation that Mr Malik had received preferential rental rates from [name of the landlord]. Sir Philip noted that [name of the landlord] appeared to have confirmed to the *Daily Telegraph* that he (Mr Malik) paid less than £100 per week in rent for [Property 2]. How did he explain that. Mr Malik said that he had read the *Daily Telegraph* article with a mixture of "disbelief and anger". He felt that [name of the landlord] didn't realise the impact his words would have. He could not explain why [name of the landlord] had said what he was reported to have said.

16. Sir Philip asked Mr Malik how long he had known [name of the landlord]. Mr Malik said he had known [name of the landlord] since June 2004 and had been introduced to him along with many others, but not with a view to renting a property. He had had little contact with him since. The contact he had in relation to renting properties had always been [name of the manager of the property company]. Sir Philip asked Mr Malik if he knew whether [name of the landlord] was a donor to the Labour Party or to Mr Malik's fighting fund. Mr Malik said that to his knowledge he believed not. [Note: Mr Malik has subsequently confirmed this.]

17. Sir Philip asked about the Constituency Office which Mr Malik also rented from [name of the landlord]. Mr Malik considered the office he had inherited from the former Member for Dewsbury as inadequate, with difficult access, and he had wanted an office in the town centre. He had therefore moved his office in April 2007 to 60 Daisy Hill. Sir Philip asked Mr Malik if he thought the office rent was below market value as the *Daily Telegraph* appeared to allege. Mr Malik did not believe he was receiving a discounted rate. The annual rent for the premises was £6,000, with a supplementary

agreement later of £300 per month for the provision of car parking, cleaning and minor maintenance.

18. Sir Philip explained to Mr Malik that he wished to make arrangements for an independent and informed valuation of both [Property 2] and [Property 1] and also 60 Daisy Hill. Mr Malik was initially apprehensive about this, citing the fact that different valuers could give different figures, but agreed that it would be “one useful piece of data” to assist Sir Philip with his investigation. Mr Malik offered to provide any assistance he could in arranging access to the properties for an independent valuer. He would rather the investigation take a few days more if necessary so that any findings would be based on firm evidence.

19. Finally, Sir Philip wanted to clarify his understanding of the relationship between Mr Malik and [name of the landlord]. On the basis of what Mr Malik had said he understood it to be just tenant/landlord and MP/constituent. Mr Malik confirmed that Sir Philip’s understanding was correct but said he was friendly with [name of the landlord] and many hundreds of others in his constituency. He confirmed he had little contact with him despite being a neighbour two doors away. He didn’t see him very often other than, largely, as an entrepreneur who was prominent in his (Mr Malik’s) constituency.

## **Cabinet Office**

## **APPENDIX N**

### **Agreed note of interview with Mr Malik - 28 May 2009**

1. The meeting was at the request of Mr Malik. Mr Malik handed Sir Philip his comments on the draft interview note of 18 May and explained that he had made his additions in bold. Sir Philip thanked Mr Malik and said that he would take them into account when finalising the note.
2. Mr Malik gave Sir Philip a letter in response to the documents supplied by the Telegraph. Mr Malik suggested he go through the details in the letter and explain to Sir Philip anything that was unclear. In addition, [name of individual accompanying Mr Malik] would speak about one aspect of the letter.
3. Mr Malik started by saying that he was shocked by the transcript of the telephone interview between a Daily Telegraph reporter and [name of the landlord]. His concerns were reflected in his letter. He reiterated that he was not aware of any valuations on his office or home. He had just provided the lease agreement for his office to the Fees Office, as requested by them.
4. [Name of individual accompanying Mr Malik] spoke to Appendix 1 of the letter, on the issue of Muslims and Banking & Finance. [Name of individual accompanying Mr Malik] said that he understood the issues raised by paying rent in cash. He explained that, for religious or cultural reasons, many Muslims avoid banks and use cash when they can. He made clear that it certainly did not mean they avoided paying taxes. Finally, [name of individual accompanying Mr Malik] made the point that Mr Malik had known [name of the manager of the property company] for four years and saw him on a monthly basis. In these circumstances for Mr Malik to be asked to pay in cash was not an unusual thing in the Muslim community. Sir Philip thanked [name of individual accompanying Mr Malik] for his explanation.
5. Mr Malik then spoke about the transcript of the Telegraph Interview. He said that it was abundantly clear from the transcript that [name of the landlord] was clearly exaggerating. He had been caught in the 'eye of the storm', was unused to dealing with the press, and had not given the correct facts to the Daily Telegraph. Mr Malik also thanked Sir Philip for organising the independent valuation which had confirmed that he was in this respect being charged market rental rates and was not receiving any preferential treatment from [name of the property company].
6. Mr Malik also thanked Sir Philip for the courteous and fair manner in which he had conducted the inquiry and asked whether Sir Philip had any questions. Finally, Mr Malik asked Sir Philip whether he had an indicative timescale for the inquiry.
7. Sir Philip thanked Mr Malik and [name of individual accompanying Mr Malik] and made clear to them that his aim was to get at the truth of the allegation made about Mr Malik. He explained that in his mind there had been two key questions during the inquiry. The first had been the issue of the rent

and whether Mr Malik was being charged a fair (market) rate. The independent valuation from Smiths Gore had confirmed that Mr Malik had not been given a preferential rate.

8. The second issue was whether Mr Malik had paid all of the rent he was said to have been charged. This focused on the part-payment of the rent on his current house in cash, and the absence of a clear record of this payment. Although Mr Malik's bank statements had been broadly consistent with such a cash payment every month, Sir Philip had sought further documentary evidence. He had therefore been in touch with [name of the property company], and had obtained from [name of the manager of the property company] a payment schedule in respect of Mr Malik's current home. The raw material of, which Mr Malik was handed a copy, was consistent with the other information available on this point.

9. Sir Philip said that throughout the inquiry he had tried to ensure that he shared all relevant evidence with Mr Malik. He therefore handed Mr Malik a copy of a fax he had received only that morning from [name of the landlord and his wife], in response to some questions he had asked them. Sir Philip pointed out that in essence their responses were no different from the position they had taken in earlier documents already made available to Mr Malik. Sir Philip made clear that Mr Malik now had all the key documents available to the inquiry.

10. [Name of individual accompanying Mr Malik] asked Sir Philip what information would be put in the public domain following the submission of his report to the Prime Minister. Sir Philip said that this would be a matter for the Prime Minister to decide.

11. [Name of individual accompanying Mr Malik] raised concerns about the duty of care to the witnesses involved in the inquiry, and in particular, the need to inform them in advance of publication of the Report. Sir Philip said that he would draw this concern to the attention of the Cabinet Office.

12. Sir Philip then set out his expected timetable for the conclusion of his inquiry. He would now update the factual sections of his Report, which he intended would give an accurate and fair account of the facts, and email the updated draft to Mr Malik within the next 24 hours. He would appreciate comments from Mr Malik by noon on Monday 1 June. These should focus on whether the draft was an accurate, fair and comprehensive account of the relevant facts to determining the allegations which were the subject of the inquiry. Mr Malik said that he would endeavour to look at the draft quickly and thoroughly.

## **Cabinet Office**