

# The relationship between political donations and peerages shows the need for party finance and House of Lords reform

By Democratic Audit UK

*Allegations that membership of the House of Lords and large political donations go hand-in-hand stretch back hundreds of years, with Tony Blair at one point questioned by police on the issue. Here **Andrew Mell** illustrates a direct statistical link, and argues that it shows the need for reform of both the House of Lords and our party funding system.*



For sale? (Credit: [Grant MacDonald, CC BY NC 2.0](#))

For years, the House of Lords has been surrounded by a cloud of suspicion. Rumours of cash for peerages had been circulating for years, even before the Metropolitan Police investigation of 2006. The conclusion of the police investigation, that there was “insufficient evidence” to justify a prosecution, hardly constituted a clean bill of health. The perception remained that a disproportionate number of party donors seemed to make it into the honours list. This piqued our curiosity as to what a more rigorous statistical analysis would show. After all, donations to political parties and peerage nominations are a matter of public record.

The timing is fortuitous for such a study. Compulsory reporting of political donations began in 2001, so by looking at nominees from 2005 onwards, we observe at least 4 years of donation data prior to any nomination. This is important because if people are paying for a life peerage, we would expect that some of the payment should arrive before the peerage is conferred. Furthermore, because we consider those who were nominated from 2005-14, roughly half of our data comes from the last Labour government and the remaining half is from the coalition government, so all three major parties have been represented in government over the period.

The most striking initial observation about the data is the sharp division between nominees who have come from groups we refer to as the “usual suspects” and “the others”. The “usual suspects” include former parliamentarians, former special advisers, former senior party workers, and certain public sector roles that are traditionally rewarded with a peerage upon retirement. This latter group normally sit as cross benchers. The others consist of everyone else.

To test the idea that peerages might be purchased through large enough donations, we formulated three hypotheses, each of which would be true if peerages were not the subject of financial transactions.

1. If there is no difference in the donation behaviour of the “usual suspects”, and the “others”, that would suggest that peerages are not being sold.
2. If big donors are no more likely than the average party member to be nominated to the Lords, that would suggest that peerages are not being sold.
3. If those elected to the House of Commons over this period are just as likely to have been big donors as those nominated to the House of Lords that would suggest there is nothing special that should concern us about the Lords.

In our paper we were easily able to reject each of these hypotheses.

In fact, the average amount donated by a “usual suspect” was £3,600, and the average amount donated by one of the “others” was £370,000. This difference was statistically significant. Furthermore, if the analysis was confined to the nominees from each of the three main political parties, the difference remained statistically significant.

When it came to testing the second hypothesis our data identified 779 big donors who included 27 individuals nominated for a peerage over the period. To see whether this number was significant, we calculated the probability that a random sample of 779 individuals from the three main parties’ 383,800 members would contain 27 or more nominees for a peerage. The answer is astronomically small,  $1.36 \times 10^{-38}$ . This is approximately the same as the probability of winning the National Lottery jackpot five times in a row.

Finally, with regards to the Commons, we observed a statistically significant difference between the probability that a nominee for the Lords was also a big donor and the probability that someone elected to the Commons over the same period was a big donor. This would seem to suggest that giving the voters the final say is a better mechanism than lifetime appointment by party managers at ensuring that wealth is not used to buy a seat in the legislature.

All statistical work comes with the caveat that correlation is not causation. While the data demonstrates that donations and nominations for a peerage are highly correlated, it does not prove that peerages are being purchased. It is technically possible that some third, as yet unknown variable is both correlated with donations and the cause of people being nominated for a peerage.

However, the onus must now be on defenders of an appointed legislature to suggest what that omitted variable might be. Indeed, these correlations are so strong that those who continue to defend lifetime appointments begin to resemble Officer Barbrady from South Park as he says “Nothing to see here... Move along please...” with all manner of strange goings on happening behind him.

There are three key recommendations which come out of our work. First, reform of the Upper House should be on the agenda during the next parliament. Not only is a legislative body based on lifetime appointments an anachronism in the 21st Century, but it opens our political system to corruption. The preamble to the Parliament Act (1911) stated that the goal was to replace the House of Lords with a chamber constituted on a “popular” basis. Reform of the Upper House has been “pending” for more than 100 years, it is well past time to finish the job.

Second, we must face the fact that we get the democracy we pay for. So long as political parties rely on donations from wealthy individuals to fund their election campaigns, those individuals will expect something in return. A low enough cap on donations would make it difficult to purchase a peerage, as it would lower the price to a point where the political parties would be unable to meet demand. Some may complain that a cap on donations would make it impossible to run a political party in the modern age. However, some of that money could be replaced by some form of state funding for political parties. It is also worth remembering that political spending has the form of a game of attrition. If the cap on donations affects all parties, all parties will benefit.

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