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Ministers Sound Alarm Over Cryptocurrency Donations in U.K. Politics

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Ministers in the U.K. government are calling for a sweeping ban on political donations made through cryptocurrency. They warn that digital assets like Bitcoin and Ethereum could undermine electoral integrity and national security. Concerns are mounting that these untraceable transactions could open the door to foreign influence and criminal funding within British political campaigns.

Cabinet Office Minister Pat McFadden has led the charge, urging for updated political finance laws that reflect the evolving nature of digital currency. Responding to Labour Member of Parliament Liam Byrne in Parliament prior to the summer recess, McFadden said it was time to reconsider how political donations are monitored, particularly with the growing prominence of cryptocurrencies. “Public trust in our democratic institutions relies on transparency,” he said, stressing the importance of knowing not just who made a donation but also how the funds got there and where they originated.

The issue of crypto in politics came to the forefront after Reform U.K. announced in May that it would begin accepting Bitcoin donations. The party, led by Nigel Farage, became the first in the U.K. to take that step, calling it a forward-thinking fundraising move. But critics, including anti-corruption campaigners, were quick to push back, arguing the decision risked turning U.K. politics into a gateway for anonymous and potentially illicit money.

While cryptocurrency supporters see it as a modern, decentralised means of financial support for political causes, others view it as a loophole that criminals and hostile actors could exploit. Unlike traditional donations routed through banks, cryptocurrencies can move across borders without names or records, making it extremely difficult for authorities to track the source or destination of funds.

Foreign Threat

A U.K.-based anti-corruption charity recently published a report highlighting the dangers of political donations made in crypto, warning they could be used in future “foreign interference schemes” and criminal activity. The report added that the current oversight system is not equipped to vet these types of contributions properly, urging the government to provide more powers and resources to the Electoral Commission and the National Crime Agency (NCA).

The charity’s findings echo concerns raised internationally. Several states, such as Oregon, Michigan, and North Carolina, have banned political cryptocurrency donations in the United States, citing transparency issues. California previously had a ban in place, but reversed it this year, once again allowing cryptocurrency to flow into campaigns, prompting fresh concerns over regulatory gaps.

Ireland has also taken steps to shield its political system from covert foreign meddling, with tighter controls on election spending and digital campaigning. In contrast, El Salvador,

which adopted Bitcoin as legal tender, continues to allow crypto donations in politics. Civic groups there have warned that this opens the democratic process to outside manipulation.

The U.K. ministers' core concern remains the lack of traceability in crypto transactions. Without firm regulations, donations made in digital currencies risk becoming a backdoor for illicit funds, undermining faith in the political system.

McFadden warned that without firm action, the U.K.'s political institutions could become vulnerable to unseen threats. He stressed the need for proper funding and authority for regulatory bodies to keep pace with the fast-changing financial landscape. With the next general election looming, ministers are under pressure to ensure Britain's democracy is safeguarded against the murky influence of anonymous digital cash.