



£45m deal for NHS masks collapses amid fraud claims

Exclusive: millions of respirators missing as medical company sues its supplier in US

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Tue 3 Nov 2020 10.00 GMT

Millions of medical masks purchased by the British government for £45m are missing after a major PPE deal collapsed amid accusations of fraud, the Guardian can reveal.

The Department of Health and Social Care paid its supplier Purple Surgical upfront for 5m FFP3 respirator masks, which were supposed to have been flown into Birmingham international airport by June.

But Purple Surgical, a Hertfordshire-based company that has signed deals worth almost £250m with the DHSC since the pandemic began, has been unable to supply the masks.

Purple Surgical has filed papers in California alleging fraud by its own supplier, a company in the British Virgin Islands (BVI).

The legal battle in San Francisco lays bare how the DHSC became embroiled in a global market for PPE reliant upon chains of suppliers and subcontractors, in this case stretching from the Caribbean to Hong Kong and South Korea.

Purple Surgical's case in California is against Win Billion Investment Group, a BVI company that had promised to supply the respirators.

In April the government agreed a contract with Purple Surgical for £45m worth of 3M Aura 9332+ FFP3 masks, a medical-grade respirator, to be delivered in mid-May.

Purple Surgical then signed its own \$27m (£21m) deal with Win Billion for 5m of the respirators. A chain of emails submitted as evidence to the California court by Purple Surgical reveals that the deal began to falter almost immediately.

In early June, Win Billion said it had received a first payment of 35% of the funds and that the goods were awaiting inspection. The next day, however, the company said documents relating to the order would be ready "within five days".

After a further delay on 8 June, Purple Surgical's chief executive, Robert Sharpe, warned Win Billion: "I MUST have this information by midday tomorrow as I have a call with the UK Govt at 1.00pm and they are expecting hard information."

According to court documents Purple Surgical requested updates on the respirators throughout June, only to be advised of further delays.

One delay in early June was "due to some banking delay on the transfer for the down payment", while another said Win Billion's distributor had been affected by "a shortage of the raw materials and ... overwhelming orders due to the Covid-19".

Win Billion's Hong Kong-based chief executive, Ric Wu, also provided Purple Surgical with emails purporting to show explanations for the delays sent from 3M to Win Billion's distributor. The first, dated 18 June, read: "I am glad to inform you that your shipment to UK will be ready on the 25th this month and reach Birmingham airport before the 30th, we will forward you all the document once its available, again we sincerely apologise for the delay."

In August Purple Surgical launched legal action against Win Billion, citing non-delivery of the masks. The company also claimed that, despite an agreement that the remaining 65% of the money would be held back until the masks had been inspected, it had since been informed that only \$1m remained in the escrow account.

Jody Wong, the California lawyer hired as an escrow agent to transfer the money between the two companies in stages as the order progressed, denied any wrongdoing and said funds had only ever been disbursed from the account to secure production of the respirators. "To me it's just a business transaction and they're waiting for the goods," he said.

He added he had not yet received any fee for his role. "I don't know the reasons why it took so long," he said. "I feel bad for everybody, because they should get their masks."

Win Billion's South Korean distributor denied involvement, though it subsequently claimed to have also been the victim of a fraud by yet another company.

3M said it had had no involvement in the transaction as described in Purple Surgical's legal papers.

"References to 3M as part of the underlying transaction in the matter you described are entirely fraudulent," said Jennifer Ehrlich, a spokesperson for the company. "None of the distributors and principals you mentioned have a relationship with 3M or are authorised distributors of 3M products."

Ehrlich said more than 7,700 cases of fraud involving fake 3M PPE had been reported to the company during the pandemic. She said 3M had advised the British government in June that this particular order was unlikely to be legitimate.

Sharpe said Purple Surgical still intended to fulfil the DHSC's order, but would repay the full value of the contract if unable to do so.

"We are deeply distressed by the suspected fraud that has been committed against Purple Surgical and, by extension, the NHS," he said. He added that the company had fulfilled 95% of its UK government contracts despite the unprecedented pressures of the pandemic.

A DHSC spokesperson said: "We have been working tirelessly to deliver PPE to protect our health and social care staff throughout the pandemic, and proper due diligence is carried out for all government contracts and we take these checks extremely seriously.

"We cannot comment directly on individual allegations of fraud, but we take all allegations seriously and explore every available option to bring those who commit fraud to account."

Win Billion has filed a motion for Purple Surgical's case to be dismissed. However, the company's lawyer said his client would formally deny the allegations should the case proceed. "Win Billion Investment Group Limited and Wu Yun Fai Rick [Ric Wu] deny any fraudulent intent at any time in this transaction," he said.

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