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OFSI Imposes Financial Penalty on UK Life Sciences Company for Payments to Sanctioned Banks in Russia

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On 10 September 2025, the UK's Office of Financial Sanctions Implementation (OFSI) issued a notice imposing a £152,750 penalty on Colorcon Limited, a UK-registered company. A global provider of pharmaceutical and nutritional supplies, Colorcon had been operating in Russia for nearly 15 years before the company's eventual exit from the country in August 2022. OFSI's penalty decision was made in response to the company's breach of Russia (Sanctions) (EU Exit) Regulations 2019, particularly in respect to the prohibition on making funds available to designated persons. This Cooley alert summarises the background of the investigation, the key elements of OFSI's reasoning and the important takeaways from this decision.

Background

Between 23 March and 2 December 2022, Colorcon's Moscow representative office made 123 payments to individuals and service providers whose bank accounts were held with Russian-designated banks. These banks included Alfa Bank JSC, Sberbank and VTB Bank, all of which are subject to UK sanctions. The payments were related to salaries, insurance schemes, payroll services and other service contracts. OFSI found that 79 of these payments were in breach of the prohibition on making funds available to designated persons. By contrast, the remaining 44 payments were permitted under General Licence INT/2022/2055384 which expired on 31 October 2022.

OFSI's penalty notice

OFSI's penalty notice highlighted several aggravating factors which rendered Colorcon's breaches "serious" and increased the severity of the penalty. These included:

- The value of the 79 unlawful payments, which together amounted to £128,277.72.
- The fact that payments were made directly to accounts at designated banks.
- The heightened sanctions exposure for a UK company, such as Colorcon, with a long-standing presence in Russia.
- The failure to have updated internal sanctions procedures and manuals since 2018.
- The unverified reliance on banks and financial institutions to carry out sanctions screening.
- The failure to comply with reporting obligations under General Licence INT/2022/2055384.
- The delay in disclosing its breaches, waiting for approximately four months after identification, which effectively reduced any voluntary disclosure credit the company would have otherwise received from a possible maximum reduction of 50% to 35%.

At the same time, OFSI's notice highlights several mitigating factors which served to reduce the penalties imposed, such as:

- The payments were for medical and humanitarian purposes.
- Colorcon's disclosure was voluntary and contained sufficient information to properly assess the matters described and launch an investigation.
- Colorcon had made the decision to exit the Russian market in August 2022.

Sanctions risk mitigation

OFSI's decision serves as a reminder that companies operating in high-risk jurisdictions, such as Russia, must maintain strong, updated internal sanctions policies and programs. Companies will need to carefully consider how they make payments, not only to customers or suppliers but also to employees and service providers.

Additional takeaways from this decision include:

- Even when the ultimate recipient is nondesignated, the use of designated banks can render a firm's payments in breach of sanctions rules.
- Firms must have the appropriate measures in place to test their banking relationships for sanctions compliance. They should not assume that a third-party financial institution, such as a bank or payment provider, will carry out the appropriate financial screenings on their behalf.
- Prompt disclosure is paramount where a firm or company has reasonable grounds to believe that a breach of sanctions disclosure may have occurred. Delayed disclosure can significantly reduce any credit that a firm would otherwise receive for penalty reductions.

Cooley trainee Ram Sabaratnam also contributed to this alert.

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