

Businessmen win £1m in belated arms-to-Iraq payouts

Paul Henderson and John Paul Grecian compensated twenty years after collapse of trial

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Information on Saddam Hussein's regime had been provided to British intelligence by Paul Henderson and John Paul Grecian. Photograph: Jim Hollander/Reuters/Corbis

Two businessmen wrongly implicated in the arms-to-Iraq affair have received a combined total of more than £1m in compensation nearly 20 years later, according to the Ministry of Justice.

The money was paid to Paul Henderson, former managing director of the Coventry-based machine tool company Matrix Churchill, who provided information to MI6 about Saddam Hussein's nuclear weapons programme, and John Paul Grecian, former managing director of Ordtec, justice ministry figures show.

Henderson was acquitted of breaching trade embargos in 1992 after evidence revealed the government knew about the exports but turned a blind eye to them. It emerged

during his trial that he spied for MI6 during his visits to Baghdad.

The trial collapsed after Alan Clark, the former Conservative trade and defence minister, told the court he connived in the exports.

The collapse of the trial led the then prime minister, John Major, to set up an independent inquiry under a senior judge, Sir Richard (now Lord) Scott. His report strongly criticised the government for preventing parliament knowing about its policy of bolstering Saddam in his war against Iran in the 1980s.

Nine years ago, the Guardian reported that David Blunkett, then home secretary, has agreed to compensate directors of Matrix Churchill, which went into liquidation after the Old Bailey trial. The amount Henderson would get under a discretionary Home Office miscarriage of justice scheme was decided by an independent assessor, Lord Brennan QC.

The Ministry of Justice today did not deny the figures but said they had been withdrawn from cross-government accounts published by the Cabinet Office yesterday for data protection reasons. Geoffrey Robertson QC, Henderson's counsel during the trial, described his former client's payment as being a decade too late: "The payments should have compound interest attached to encourage earlier settlements."

He referred to a series of public interest immunity (PII) certificates in which ministers demanded the suppression of documents and which could have put innocent men in prison had not the trial judge dismissed them.

Grecian was convicted in 1992 for selling an artillery fuse assembly plant to Iraq. His conviction was quashed on appeal after the Scott inquiry discovered the government had prior knowledge of the illegal trade and it had been suppressed. Grecian said later he told British intelligence about Saddam's "supergun" project several months before the then government had admitted.

Customs prosecutors continued to refuse to release documents when Grecian was seeking to overturn his conviction. His own lawyers advised him during the trial not to reveal his covert help to British intelligence. They changed their minds only after the defence in the Matrix Churchill case revealed similar covert work by Henderson.

Two other men involved in controversial arms-to-Iraq prosecutions brought by Customs and Excise had already received compensation under a separate scheme.

Alexander Schlesinger, sales consultant to Atlantic Commercial, received £1.37m. Reginald Dunk, managing director of the company, received £2.15m.

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