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# Editorial

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## Barlow Clowes

The appointment of Sir Godfray Le Quesne, former chairman of the Monopolies and Mergers Commission, to investigate the DTI's role in the collapse of the Barlow Clowes investment group has the hallmarks of a political stalling operation. The inquiry is not due to report until mid-October; in the meantime, the 18,400 clients of the group (particularly the 7,200 investors in the liquidated UK-based Barlow Clowes Gilts Managers Ltd, licensed by the DTI), many of them pensioners, have been wondering what to expect by way of compensation for losses apparently totalling more than £130m.

When the Trade and Industry Secretary, Lord Young, announced the independent inquiry, on June 13, it was quickly pointed out by critics (by no means all of them on the Opposition benches) that this procedure — with no time limit on completion of the investigation — would enable ministers to side-step awkward parliamentary questions by pointing out that an investigation was still taking place. It was also noted that, until the inquiry was

complete, aggrieved investors could have no recourse to the Parliamentary Commissioner for Administration. There is at least one encouraging precedent in the latter context, namely the Langford Scott scandal five years ago, where the DTI paid compensation to an investor after a finding by the PCA in February 1986 that the Department had shown “a lamentable lack of concern for the interests of those members of the public who . . . had a right to assume that the Department's licensing system offered them a reasonable measure of protection for their investments”.

In the aftermath of Lord Young's announcement of the Barlow Clowes inquiry, the PCA himself added fuel to the fire by telling a Labour MP, who referred various cases on behalf of aggrieved constituents, that there was “an apparent case of maladministration for DTI to answer”. However, he went on to say that he did not consider it sensible to undertake an investigation while the matter was under review by Sir Godfray Le Quesne. He also pointed out that his own hands would be tied if (as seems likely) the disappointed investors decide to litigate, given that s 5(2)(b) of the Parliamentary Commissioner Act 1967 precludes the PCA from

*Continued on p 215*

**Editorial continued from p 185**

investigating cases in which the complainant has resorted to legal proceedings.

The political pressure on ministers has come from MPs of all political parties and will inevitably be intensified if the Le Quesne report is critical of the DTI's decision to licence Barlow Clowes. Meanwhile this is yet another reminder of the shortcomings of our ombudsman system, which is an adjunct of the Parliament's own machinery for holding ministers accountable. If the PCA cannot investigate a case like this, one wonders whether he is worth having at all.