

Editorial

Company Investigations

On May 23 a farcical breakdown of communications between Nicholas Ridley's DTI and HMSO led to the premature publication of a Monopolies and Mergers Commission report on the proposed Kingfisher takeover of Dixons. In the ensuing confusion, before dealing was suspended pending an official announcement of Mr Ridley's decision to block the merger, some alert dealers were able to make a quick killing in a false market. Ministerial fury and embarrassment can hardly have been assuaged by the publication, on the very same day, of the long-awaited report by the Trade and Industry Committee on *Company Investigations*, which delivers a decidedly lukewarm verdict on the Department's record in this area.

The Committee acknowledges that much of the evidence it received (sixty written submissions, and nine sessions of oral evidence) related to events that occurred before implementation of the

Financial Services Act 1986, the creation of the Serious Fraud Office in 1988 and enactment of the Companies Act 1989; it also detects "indications that the DTI's performance is improving". But it concludes, bleakly, that: "rarely can a government department's discharge of its responsibilities have been held in such low esteem among others involved. This reputation in itself undermines the effectiveness of the UK regulatory regime". A substantial section of the report adds its voice to the chorus of criticism of the DTI's handling of the Fayed takeover of House of Fraser: "our initial conclusion that the DTI's attitude was improving has been confounded by the lack of action taken against the Fayed . . ."

The Report has some interesting and telling things to say about the slowness of DTI procedures: it recommends that inspectors appointed to carry out major investigations should be required to complete their task within twelve months (as compared with present,

scandalous, average of 28 months); and that insider dealing inspectors should report within three months (the present average is eleven months). And inspectors, it says, should not shrink from apportioning responsibility among individuals. More controversially, it advocates a switch to the US system of civil sanctions and plea bargaining in relation to insider dealing cases.

The latter recommendation is not likely to cut much ice with the Government. But the Report's overall diagnosis is generally sound, and disturbing, even if some of the proposed remedies are unrealistic. Mr Ridley, not a man particularly noted for his tolerance of criticism, should – in the interests of good government – take its strictures seriously and in a constructive spirit, rather than administering the knee-jerk dismissal that has been the undeserved fate of so many select committee reports in a parliamentary system so dominated by executive power.