

COMPANIES INVESTIGATION BRANCHES (CIB)

by A lawyer engaged in investigation work

What is CIB?

The Companies Investigation Branches form part of the DTI's Investigation Division which comprises some 180 staff concerned with statutory investigations into companies and financial services and also criminal investigation and proceedings concerned with company fraud. Investigation and prosecution of insurance companies is included amongst the Division's responsibilities.

What does CIB do?

With all the publicity given to reports of enquiries conducted under eg S. 432 of the Companies Act 1985 it is easy to lose sight of the bulk of the work undertaken by CIB which is conducted under S. 447 of that same Act. This power to carry out confidential investigations into live companies was first given to the Secretary of State for exercising through his officials in 1967. Since then the power has been extended, for example to allow 'competent persons' to investigate, and to permit the use of search warrants where it is thought documents might be destroyed.

What does the S. 447 power consist of?

The power may be used where 'good reason' exists and permits those authorised to conduct the enquiry to require production of company records and documents. When these have been examined the investigator may ask questions on them of company directors and officers. Failure to deliver up the requested documents or answer the investigator's questions may constitute a criminal offence. In addition giving false statements to regulators is a serious criminal offence. Statutory restrictions exist on disclosure of any information so collected. These are strictly interpreted which ensures confidentiality.

A similar power exists in S. 44 of the Insurance Companies Act 1982 in relation to insurance companies. In this context 'insurance company' means a person or body of persons, whether incorporated or not, carrying on or appearing to be carrying on insurance business within the UK.

What sort of numbers are involved?

During the last financial year, CIB were responsible for 171 investigations using statutory powers under S. 447 of the Companies Act and 7 investigations using S.

44 of the Insurance Companies Act 1982 powers. CIB received some 1,069 complaints, as opposed to 811 in the previous year, of which 68% came from the public. It is interesting to observe how the source of these complaints has changed over the years with the increase in profile of the CIB's work: in 1987/88 for instance the proportion of complaints from the public was a mere 33% of the total number of 476 complaints received.

What can be done post-investigation?

The information obtained by exercise of the S. 447 power can be disclosed to other regulators or enforcers in order that they may for example investigate or take disciplinary or criminal proceedings. It can also be used to support a petition to wind up a company in the public interest or to mount disqualification proceedings.

What about the international aspects of regulation?

It is interesting to note that information obtained from statutory inspections and enquiries can be passed to overseas as well as domestic regulators. In addition, the Companies Act 1989 contains a new statutory power which can be exercised at the discretion of the Secretary of State to conduct enquiries at the request of an overseas regulator. Such requests may be made for assistance in connection with enquiries being carried out by the overseas regulator or on its behalf where such information is required for the purpose of its regulatory functions. For this purpose the overseas regulator must be carrying on a function corresponding to that given to eg. the Secretary of State under the Companies, Financial Services or Insurance Companies Acts.

The above is a bird's eye view of much of the work of a dedicated team of experienced accountants, insolvency and legal staff at CIB. Every effort is made to ensure the powers are exercised as discretely as possible so securing minimum disruption and publicity to the work of a live company.