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PRIME MINISTER

SCRUTINY OF BURDENS ON BUSINESS

You asked for my reactions to the broad thrust of the proposals in the DTI study.

I am strongly in favour of positive action to relieve business generally, and small firms in particular, from the burden of unnecessary administrative and legislative requirements. Such action contributes directly to my Department's aim of promoting a climate for business which is as conducive to enterprise and competition as that in any other industrialised country.

I am sure that other Departments share this view and I look forward to co-operating with them, with the help of the Efficiency and Enterprise Units, on urgent follow-up to the departmental and central scrutinies. In this context I have asked David Trippier to represent this Department on the steering group of Ministers which I understand David Young is to chair.

To judge from the evidence received by the scrutiny team the DTI itself is not widely seen as a major offending regulator. Nonetheless the team has made some positive

recommendations, principally in the fields of company and consumer law, including consumer credit, which I intend to pursue wherever possible. They are not free from difficulty. Several need legislation, and where they touch on sensitive consumer protection matters may encounter opposition from the consumer lobby.

On company law, the changes recommended fall into two categories. The first comprises changes in procedure designed to reduce compliance costs but within the existing company law framework. The recommended changes are to rationalise the filing requirements and reduce the fee. I can support these recommendations on filing and am having examined the subject of fees. A bid for a contingent bill has been put in for the 1985/86 session.

The second category of changes recommended are substantial. They are to exempt some, possibly all, small companies from the statutory audit and to reduce the prescribed contents of accounts for them. The report recommends that these changes should be within the existing framework of community law and should be subject to consultation.

Both proposals would run counter to our general strategy on investor protection. Opinion in the business community on both proposals is likely to be divided. The Department sought views on both these options in 1979 and the views expressed are

reflected in the existing legislation. However, the report advances some persuasive arguments for considering both changes. The Department will seek views on them in the light of experience with the provisions of the 1981 Companies Act.

The proposed changes in statutory audit requirements are likely to need primary legislation. Some changes in the prescribed contents of accounts could be made by subordinate legislation. We will look actively at these possibilities.

The proposals on Consumer Credit fall into two categories: changes within the existing structure, and longer term options for structural change, including the possible abolition of licensing. We will follow up in more detail the proposals for a reduction in the scope and detail of the present requirements in the context of the the Action Document. However, there is a problem in relation to the timing of any change in the present system. The present position represents the results of prolonged action since the early 1970s to get the generally accepted Crowther proposals into place. The resultant Consumer Credit Act 1974 fully comes into effect only from May this year. It would be strange to signal at this stage that the whole structure, to which the financial community has just about adapted, and which the consumer movement welcomes, is going to be uprooted. To do so would cause unnecessary worries and lobbying

activity as illustrated by some of the reaction to the leaked document. I agree with the scrutiny report itself that there is a case for a period of stability, so that the timetable for any such structural reform should be an extended one.

On False and Misleading Promotional Claims, the recommendation to repeal the Bargain Offers Order is covered by the proposals for a Consumer Goods and Services Bill at present before QL Committee. So is the recommendation to strengthen statutory defences as far as offences under that type of promotional claim are concerned. The suggested option about the types of bargain offers to be covered by the proposed Bill will be followed up in discussions starting later this month, with the trade and other interested parties on the new statutory code of practice envisaged in the Bill.

There are various recommendations on Consumer Safety, including greater use of cost-benefit analysis techniques, which is to be welcomed. They are in line with the provisions on safety in the proposed Bill mentioned in the previous paragraph. The principle of fully recognising compliance costs in establishing sound modern standards of safety and the suggestion to review the need for both existing and future safety regulations with a view to reducing their number can only be implemented when the proposed general safety duty becomes law.

There is merit in rapid progress on the items which require new legislation. Obviously for some aspects this has to be a matter

for later years. But on Consumer Safety and False and Misleading Price Information we are ready to go in the 1985/86 programme. It would be a pity, and a blow to the desire to respond quickly and positively to the present initiative, if a 1985/86 slot could not be found for the proposed Consumer Goods and Services Bill. I was grateful to QL for their sympathetic reception to the points I put on this at their meeting yesterday.

There are also recommendations relating to the weights and measures legislation, unit pricing and statistics which I shall want to pursue, where possible.

I am sending copies of this minute to Willie Whitelaw, Nigel Lawson, Leon Brittan, Patrick Jenkin, Norman Fowler, Tom King, David Young, Sir Robin Ibbs and to Sir Robert Armstrong.

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8 February 1985

Department of Trade & Industry