

# Powers for investigating criminal cartels

Guidance



This booklet explains how the Office of Fair Trading will exercise its powers for investigating the criminal cartel offence introduced by the Enterprise Act 2002, which came into force on 20 June 2003. It is provided for guidance only. It should not be read as a substitute for the relevant provisions of the Enterprise Act, the Police and Criminal Evidence Act 1984 and related Codes of Practice, the Regulation of Investigatory Powers Act 2000 and the Criminal Justice and Police Act 2001, to which reference should be made as to the specific powers and procedures that will be used by the Office of Fair Trading.

Office of Fair Trading,  
Fleetbank House,  
2-6 Salisbury Square,  
London EC4Y 8JX  
Telephone 020 7211 8000  
Fax 020 7211 8800

Enterprise Act enquiries 020 7211 8181 or  
email [enterpriseact.enquiries@oft.gsi.gov.uk](mailto:enterpriseact.enquiries@oft.gsi.gov.uk)  
web [www.oft.gov.uk/enterpriseact.htm](http://www.oft.gov.uk/enterpriseact.htm)

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# 1 Introduction

**1.1** The Enterprise Act 2002 (the Enterprise Act) makes it a criminal offence for an individual to dishonestly agree with one or more other persons that two or more undertakings will engage in certain prohibited cartel arrangements, including those that involve price-fixing, market-sharing, limitation of production or supply and bid-rigging. The offence applies in respect of dishonest agreements both to make or implement such arrangements and also to cause such arrangements to be made or implemented. The criminal offence will be committed irrespective of whether the agreement reached is actually implemented by the undertakings.<sup>1</sup>

**1.2** The criminal cartel offence will operate alongside the existing regime that imposes civil sanctions on undertakings that breach the Chapter I prohibition on anti-competitive agreements in the Competition Act 1998 (CA98)<sup>2</sup> and Article 81 of the EC Treaty.

**1.3** The criminal cartel offence only applies to a dishonest agreement in respect of arrangements between undertakings operating at the same level of the supply chain, known as horizontal agreements. Vertical agreements which are intended to operate between undertakings at different levels in the supply chain, for example between a manufacturer and a distributor, or between a distributor and a retailer, are not covered by the offence.

**1.4** The Enterprise Act gives the Office of Fair Trading (the OFT) powers to investigate individuals suspected of having committed the criminal cartel offence.<sup>3</sup> These powers are described in part 3 of this guidance. They are concerned with investigating the criminal offence and they differ to some extent from the powers of investigation available to the OFT in a civil investigation of undertakings under the CA98.<sup>4</sup> The way that the OFT intends to use its powers of investigation in parallel criminal and civil investigations is described in part 4 of this guidance.

<sup>1</sup> Enterprise Act sections 188-89

<sup>2</sup> Further information on the CA98 prohibition can be found in the guidance 'The Chapter I Prohibition', OFT 401, published in March 1999

<sup>3</sup> Enterprise Act sections 192-196

<sup>4</sup> Further information on the CA98 powers of investigation can be found in the guidance 'Powers of Investigation', OFT 404, published in March 1999

- 1.5** The Enterprise Act also gives the OFT the power of intrusive surveillance<sup>5</sup> along with the related power to interfere with property<sup>6</sup> and these are described in part 5 of the guidance.
- 1.6** The limitations on the use of the OFT's powers of investigation under the Enterprise Act are described in part 6 and the offences committed by a person who fails to comply when these powers are exercised are described in part 7.

<sup>5</sup> Enterprise Act section 199

<sup>6</sup> Enterprise Act section 200

## 2 Trigger for the use of the powers of investigation

**2.1** The OFT can conduct a formal investigation under the Enterprise Act if there are **reasonable grounds for suspecting** that a criminal cartel offence has been committed.<sup>7</sup>

**2.2** Whether there are reasonable grounds for suspecting is an objective test and will depend upon the information available to the OFT. Examples of sources of information that may lead to reasonable grounds for suspecting that the criminal offence has been committed include statements provided by employees or ex-employees or former members of a cartel, correspondence evidencing the existence of a secret cartel agreement or information provided in an application made by an undertaking or an individual under the OFT's leniency programmes.<sup>8</sup>

**2.3** The OFT may obtain information about individuals, undertakings, agreements and markets at any time through informal enquiries. Such enquiries, which may be made at a meeting, by correspondence, in a telephone conversation or during the course of a voluntary interview may be made in addition to, or instead of, using the formal investigation powers set out in the Enterprise Act. The OFT will make it clear to individuals and undertakings that they are not compelled to respond to an informal enquiry. Undertakings and individuals are however encouraged to co-operate with the OFT enquiries.

<sup>7</sup> Enterprise Act section 192(1)

<sup>8</sup> OFT's CA98 Guidance as to the 'Appropriate Amount of a Penalty' and the Enterprise Act Guidance 'The cartel offence: no-action letters for individuals'

## 3 Powers of investigation

**3.1** The Enterprise Act gives the OFT the power:

- to require persons to answer questions, provide information or produce documents<sup>9</sup>
- to enter and search premises under a warrant.<sup>10</sup>

<sup>9</sup> Enterprise Act section 193

<sup>10</sup> Enterprise Act section 194

These powers of investigation are only exercisable for the purposes of an investigation where it appears to the OFT that there is good reason to exercise them for the purpose of investigating the affairs, or any aspect of the affairs, of any person.<sup>11</sup>

<sup>11</sup> Enterprise Act section 192(2)

### Powers to require information and documents

**3.2** For the purposes of an investigation, the OFT has the power to require a person under investigation or any other person who it has reason to believe has relevant information to answer questions, or provide information, and to produce specified documents which appear to the OFT to relate to any matter relevant to the investigation. This power must be exercised by serving a written notice. The notice must indicate the subject matter and purpose of the investigation and the nature of the offences which may be committed by failing to co-operate with an investigation, which are set out in paragraph 7.1 below. The notice will state the time and place at which information or documents must be produced. The notice may also require a person to attend an interview to answer questions with respect to any matter relevant to the investigation. This is referred to as a compulsory interview (paragraph 4.3).

**3.3** Where documents are produced, the OFT may take copies or extracts from them and require the person producing the documents to provide an explanation of any of them. Where documents are not produced, the OFT may require the person who was required to produce them to state, to the best of his knowledge and belief, where they are.

- 3.4** The powers to require information to be provided and specified documents to be produced may be used at any time during the investigation of a suspected criminal offence, including during the execution of a search warrant. A person may also receive more than one notice during the course of an investigation. The OFT is not limited to using the powers against persons under investigation. In setting an appropriate time limit for complying with a written notice, the OFT will consider the amount and complexity of the information required. However, the OFT can require information and documents to be provided immediately if appropriate.
- 3.5** The **'specified documents'** which the OFT can require to be produced in a written notice (subject to the limitations outlined in section 6 below) include both specified individual documents, for example a particular agreement, or documents of a specified description, such as price lists or sales invoices over a certain period. The term **'documents'** includes information recorded in any form and includes information that may be held electronically.<sup>12</sup>

<sup>12</sup> Enterprise Act section 202

### Power to enter premises under a warrant

- 3.6** For the purposes of a criminal investigation and on specified grounds, the OFT may apply to the High Court or, in Scotland, the procurator fiscal may apply to the sheriff, for a warrant authorising a named officer of the OFT, and any other OFT officers and specified persons authorised to accompany the named officer, to enter and search premises and to take possession of relevant documents, or to take necessary steps for preserving them or preventing interference with them.
- 3.7** The Enterprise Act sets out the circumstances in which a judge in the High Court or the sheriff may issue a warrant to enter and search premises specified in the warrant. The judge or the sheriff must be satisfied that there are reasonable grounds for believing that there are on the premises documents which the OFT has the power to require to be produced in a written notice (paragraph 3.2) and that:
- a person has failed to comply with the requirement to produce them, or

- it is not practicable to serve a written notice, or
- the service of such a notice might seriously prejudice the investigation (for example, relevant documents are likely to be destroyed or tampered with).

**3.8** A warrant issued by a judge in the High Court or by the sheriff shall authorise the named officer and OFT officers authorised in writing to accompany him to:

- enter the premises, using such force as is reasonably necessary for the purpose of gaining entry
- search the premises and take possession of documents appearing to be of the kind in respect of which the warrant was granted (subject to the limitations outlined in section 6 below). **Original documents will be taken**, as is the usual practice under search warrants issued in respect of suspected criminal offences although the person who had custody or control of a document before it was taken by the OFT will, on request, be provided with a copy as soon as is reasonably practicable after the execution of the warrant
- require any person to provide an explanation of any document appearing to be of a kind in respect of which the warrant was granted or to state to the best of his knowledge and belief where it may be found
- require information which is held electronically and is accessible from the premises and which the named officer considers relates to any matter relevant to the investigation to be produced in a visible and legible form (or in a form from which it can be readily produced in a visible and legible form) and taken away.

**3.9** A warrant can authorise persons who are not employees of the OFT to accompany and assist the named officer in the search. Such persons may be needed, for example, to provide expertise which is not available within the OFT but is necessary to utilise fully the terms of the warrant. For example, an IT expert who could assist OFT officers to retrieve information from computers located on premises for which the warrant was issued.

**3.10** A warrant will indicate the subject matter and purpose of the investigation and the nature of the offences which may be committed by failing to co-operate with an investigation, which are set out in paragraph 7.1 below. Upon entry to the premises the named officer will produce the warrant and all officers will also produce evidence of their identity. If the occupier is present, a copy of the warrant shall, if practicable, be given to the occupier before the search begins along with a copy of a notice that summarises the extent of the powers being used and explains the rights of the occupier unless the named officer believes this would frustrate the object of the search or endanger officers or other people.<sup>13</sup> Where possible, the person in charge at the premises should designate an appropriate person to be a point of contact for the officer during his investigation.

**3.11** The named officer shall first attempt to communicate with the occupier, or any other person entitled to grant access to the premises, explain the authority under which entry is sought to the premises and ask the occupier to allow entry unless:

- the premises to be searched are unoccupied, or
- the occupier and any other person entitled to grant access are absent, or
- there are reasonable grounds for believing that alerting the occupier or any other person entitled to grant access would frustrate the object of the search or endanger officers or other people.<sup>14</sup>

**3.12** If any of the above circumstances apply, reasonable and proportionate force may be used if necessary to enter premises if the named officer is satisfied that the premises are those specified in the warrant. Reasonable and proportionate force may also be used where the occupier or any other person entitled to grant access has refused entry to the premises or it is impossible to communicate with the occupier or any other person entitled to grant access.<sup>15</sup> If the occupier is not present, a copy of the warrant and of the notice of powers and rights shall be left in a prominent place on the premises and endorsed with the date and time of the search and the name of the named officer.<sup>16</sup> On leaving premises which have been entered by force, the

<sup>13</sup> In accordance with the Police and Criminal Evidence Act ("PACE") Codes of Practice – Code B 6.7 and 6.8 – the revised version of PACE Code B came into force on 1 April 2003

<sup>14</sup> In accordance with PACE Codes of Practice – Code B 6.4

<sup>15</sup> In accordance with PACE Codes of Practice – Code B 6.6

<sup>16</sup> In accordance with PACE Codes of Practice – Code B 6.8

named officer must make sure that they are secure either by arranging for the occupier or the occupier's representative to be present or by any other appropriate means.<sup>17</sup> If the occupier is informed, he, or one of his representatives, must be given a reasonable opportunity to be present when the warrant is executed.

<sup>17</sup> In accordance with PACE Codes of Practice – Code B 6.13

**3.13** In addition, OFT officers also have the power to seize material where it is not reasonably practicable, while on the premises, to determine the extent to which it may be seized, if at all, or for the seizable material to be separated from the non-seizable material in which it is comprised.<sup>18</sup> This may be the case, for example, where there is a large bulk of material or where special technical equipment is needed to separate out material the OFT would be entitled to take from material which it is not (for example, material held on a computer). The factors that the OFT must take into account in deciding whether to exercise these seize and sift powers are the length of time and the number of persons required to carry out the determination or separation on the premises; whether the determination or separation would (or would if carried out on the premises) involve damage to property; the need for any special apparatus or equipment to carry out the determination or separation; and whether the separation (either in itself or if carried out on the premises by the only practicable means) would be likely to prejudice the use of some or all of the material to be taken.<sup>19</sup> OFT officers must always give careful consideration to whether removing copies or images of relevant material or data would be a satisfactory alternative to removing the originals.

<sup>18</sup> Criminal Justice and Police Act 2001 section 50 and Enterprise Act section 194(5)

<sup>19</sup> Criminal Justice and Police Act 2001 section 50(3)

**3.14** The exercise of seize and sift powers is subject to strict safeguards and the OFT will fully comply with Home Office guidance on operating these powers and the revised version of PACE Code B.<sup>20</sup>

<sup>20</sup> Home Office Circular 19/2003 issued 1 April 2003 and Code B 7.7 – 7.17

## Access to legal advice during criminal investigations

**3.15** When executing a warrant obtained under the Enterprise Act in respect of a suspected criminal offence the OFT officers will not wait for an individual's or undertaking's legal advisers to arrive before commencing the search. However, a friend, neighbour or other person will be allowed to witness the search unless the named officer in charge of the search has reasonable grounds for believing that the presence of

the person asked for would seriously hinder the investigation or endanger officers or other people. A search need not be unreasonably delayed for this purpose. A record of the action taken, including the grounds for refusing a request from the occupier, should be made on the premises search record.<sup>21</sup> During the course of a search under a warrant, the OFT officers may be prepared to wait a reasonable amount of time for an undertaking's or an individual's legal advisers to arrive if it is the OFT's intention to remove material from the premises where it is not reasonably practicable to examine it properly on the premises (paragraphs 3.13 and 3.14 above), although the rest of the search will proceed without delay.

**3.16** A person suspected of having committed a criminal cartel offence will be advised that he is free to seek legal advice before being interviewed under caution (paragraph 4.2 below). A person being interviewed under the powers of investigation in the Enterprise Act (paragraph 3.2 above) will also be entitled to seek legal advice. OFT officers will not generally conduct interviews under caution or using the compulsory powers of investigation in the Enterprise Act during the course of a search under warrant. An interview under caution may be conducted during the course of a search under warrant if a person voluntarily decides to provide information to OFT officers in which case he will be cautioned and advised that he is free to seek legal advice. A person is not required to be cautioned prior to being asked questions that are solely necessary for the purpose of furthering the proper and effective conduct of a search, such as to obtain computer passwords or safe combinations.<sup>22</sup>

**3.17** PACE does not apply in Scotland nor do PACE Codes of Practice. Accordingly, the procedures set out in paragraphs 3.10 to 3.12 inclusive and 3.14 to 3.16 inclusive insofar as these relate to PACE Codes of Practice, do not constitute legal requirements for the execution of search warrants in Scotland. Nevertheless, the OFT officers may follow these procedures in Scotland, if appropriate.

<sup>21</sup> in accordance with  
PACE Codes of Practice  
– Code B 6.11

<sup>22</sup> In accordance with  
PACE Codes of Practice  
– Code B 6.12

## Role of the Director of the Serious Fraud Office in criminal investigations

**3.18** The OFT will exercise its powers under the Enterprise Act to investigate individuals suspected of having committed the criminal cartel offence in close co-operation with the Director of the Serious Fraud Office ('the SFO'). The SFO is the intended prosecutor for this criminal offence<sup>23</sup> in England, Wales and Northern Ireland where serious or complex fraud is involved. The OFT has agreed a **Memorandum of Understanding**<sup>24</sup> with the SFO which records the basis on which they will co-operate to investigate and/or prosecute individuals in respect of the cartel offence where serious or complex fraud is suspected. The factors that the SFO take into account in defining a serious or complex fraud include cases where the sum at risk is estimated to be at least £1 million, cases that are likely to give rise to national publicity and widespread public concern (for example, those involving public bodies) and cases where legal, accountancy and investigative skills need to be brought together.

<sup>23</sup> EA Section 190

<sup>24</sup> Published on the OFT website at [www.offt.gov.uk](http://www.offt.gov.uk)

**3.19** Where a case is identified by the OFT as one that may involve a criminal offence and which is likely to fall within the SFO's definition of a serious or complex fraud, the OFT will inform the SFO who will decide whether the case may be one that is acceptable for investigation. Where further enquiries need to be carried out to determine the extent of a suspected criminal offence, the OFT and SFO will agree the scope of and responsibilities for the further enquiries. The enquiries made at this time are likely to involve the use by the OFT of the powers of investigation in the Enterprise Act. Once these enquiries have been completed, the SFO will decide, following consultation with the OFT, whether the case is one that should be taken forward for criminal prosecution.

**3.20** Following the acceptance of a case by the SFO, the SFO may decide to carry out additional enquiries using its powers under section 2 of the Criminal Justice Act 1987 (the 'CJA 1987'). These powers are broadly the same as the OFT's powers of investigation under the Enterprise Act.

**3.21** Under section 2 of the CJA 1987, the SFO has powers to require a person to answer questions, provide information or produce documents for the purposes of an investigation. Written notice is given when the SFO exercises these powers. In appropriate cases the SFO may require immediate compliance with a notice. The majority of section 2 notices are issued to third parties that may, in the ordinary course of their business, have information or hold documents relevant to a suspected offence. Anyone issued with a section 2 notice is obliged to provide the information and documents required except that there is no obligation to disclose documents subject to legal professional privilege (although a lawyer may be required to furnish the name and address of his client). In addition, the disclosure of confidential banking material is also subject to certain safeguards.<sup>25</sup> The Enterprise Act contains similar provisions to the CJA 1987 in respect of the disclosure of documents subject to legal professional privilege and confidential banking information (paragraphs 6.1 and 6.2 below). A person who refuses to answer questions or provide information or documents in response to a section 2 notice without a reasonable excuse commits an offence.

**3.22** Section 2 of the CJA 1987 also permits the SFO, on specified grounds, to obtain search warrants from a justice of the peace in respect of an investigation which the SFO is conducting. The SFO would not seek a search warrant from a justice of the peace if the OFT had already been refused a search warrant by the High Court in respect of the same premises unless new evidence had come to light during the course of the investigation that would justify the application for such a warrant.

**3.23** Where the SFO and the OFT are exercising their formal powers of investigation under either the CJA 1987 or the Enterprise Act to compel documents and/or information, the SFO or the OFT will make it clear in writing to the persons concerned the specific power that is being used.

<sup>25</sup> CJA 1987  
section 2(10)(a)&(b)

**3.24** In **Scotland**, the Lord Advocate is responsible for all prosecutions and exercises the same powers as the SFO, under the Criminal Law (Consolidation) (Scotland) Act 1995, through the International and Financial Crime Unit in Crown Office. The OFT has also agreed a **Memorandum of Understanding**<sup>26</sup> with the Head of the International and Financial Crime Unit that records the basis on which they will co-operate to investigate and/or prosecute individuals in respect of the cartel offence, where such offences may have been committed within the jurisdiction of the Scottish courts.

<sup>26</sup> Published on the OFT website at [www.of.gov.uk](http://www.of.gov.uk)

## 4 Parallel OFT criminal and civil investigations

- 4.1** When the OFT first receives information about alleged cartel activity, it will often not be in a position to know whether to investigate using its formal powers under the Enterprise Act or the CA98. In making its enquiries, however, the possibility that the criminal cartel offence may have been committed will be borne in mind by the OFT. This means that, where appropriate, OFT officers will act in accordance with PACE, all the relevant Codes of Practice and the Criminal Procedure and Investigations Act 1996, or in Scotland, the applicable Scottish criminal law and procedure.<sup>27</sup>
- 4.2** During their enquiries, if OFT officers suspect that an individual may have committed the criminal offence, that person will be given the standard criminal caution<sup>28</sup> before being questioned about his involvement or suspected involvement in the offence if his answers or failure or refusal to answer may be given in evidence to a court in a prosecution.<sup>29</sup> The OFT officers will also remind the person that the interview is voluntary and that he is not under arrest and that he is free to leave at any time. The person will further be advised that he is free to seek legal advice and, if he decides to seek legal advice, the interview will not take place until his legal adviser is present. The person will be told that his answers during the interview may be used in a CA98 investigation against undertakings.
- 4.3** The OFT officers may also decide to conduct a follow-up compulsory interview with the suspect using its powers under the Enterprise Act (paragraph 3.2 above). The difference between a voluntary interview and a compulsory interview will be explained to the person by the OFT officers: the difference being that in a compulsory interview the person will be required to answer all the questions whereas in a voluntary interview the person may refuse to answer any of the questions. It will also be explained that the information obtained under a compulsory interview cannot be used as evidence against that person in a criminal prosecution except in certain limited circumstances (paragraph 6.3 below) and that it will not be used as evidence in a CA98 investigation against any undertaking which employs him.

<sup>27</sup> PACE has no legal status in Scotland although there is no prohibition to the OFT following its Codes of Practice when conducting its investigations in Scotland

<sup>28</sup> PACE Codes of Practice – Code C paragraph 10.5 (note: a different caution must be given in Scotland)

<sup>29</sup> In certain limited circumstances a person need not be cautioned before being interviewed – Code C 10.1 (a)-(e)

- 4.4** Following the execution of a search warrant obtained under the Enterprise Act (paragraph 3.6 above), the OFT will take possession of original documents found during the search which are relevant to the investigation. The OFT may make use of these documents during its administrative procedures under the CA98 against undertakings. The possibility of instituting an administrative procedure under the CA98 against the undertakings engaged in a cartel will be considered at the same time as individuals are being investigated for their involvement in the same cartel under the Enterprise Act.
- 4.5** Any documents obtained by the SFO using its powers under the CJA 1987 in respect of a suspected criminal offence (paragraphs 3.19 to 3.21 above) can also be disclosed to the OFT for the purpose of its administrative procedures under the CA98.<sup>30</sup>
- 4.6** If the OFT decides to institute an administrative procedure under the CA98 against undertakings engaged in a cartel where criminal proceedings are also being considered against individuals in respect of the same cartel, the OFT and the SFO will consult on timing. The OFT will not institute its administrative procedure without prior consultation with the SFO. At any stage of the investigation of a suspected criminal offence, it may be decided to abandon the criminal investigation and to proceed only with the CA98 investigation. All the individuals who are the subject of a criminal investigation will be informed of any decision not to proceed against them.
- 4.7** In cases where the OFT begins a cartel investigation using its formal powers under the CA98, but the information obtained gives reasonable grounds for suspecting that the criminal offence has been committed, the OFT will consult with the SFO as to the merits of commencing a criminal investigation. In certain cases, the OFT will progress an investigation using its CA98 powers (which may or may not have commenced prior to any SFO involvement), while an SFO led criminal investigation is being progressed. Suitable procedures will be adopted to ensure that the two investigation teams maintain an on-going dialogue and to ensure that the CA98 investigation does not prejudice the parallel criminal investigation.

<sup>30</sup> CJA 1987 section 3(5)(a)

- 4.8** Any **statement** obtained from an individual by the OFT using its compulsory powers of investigation under the CA98 cannot be used in a criminal prosecution against that person except in certain limited circumstances (paragraph 6.4 below). Where an individual has made a voluntary statement to the OFT pursuant to a CA98 investigation without a caution first having been administered, the OFT may repeat the interview under caution to allow the statement to be used as evidence in court (paragraph 4.2 above).
- 4.9** Any **documents** obtained by the OFT using its powers of investigation under the CA98 may be admissible in any subsequent criminal prosecution of the cartel offence under the Enterprise Act. The OFT intends that when conducting its CA98 investigations in relation to horizontal cartels its procedures in relation to exhibit and property handling, and the storage, management and control of documents conform to the standards of a criminal investigation. The OFT may also use its formal criminal powers of investigation under the Enterprise Act to obtain original versions of documents obtained under a CA98 investigation.
- 4.10** In cases where a European Commission cartel investigation involves a potential criminal cartel offence in the UK under the Enterprise Act, the OFT and the European Commission will cooperate to coordinate the progress of their investigations.

## 5 Intrusive surveillance and action in respect of property

**5.1** The Enterprise Act introduces new powers of intrusive surveillance for the OFT for the sole purpose of investigating the criminal cartel offence. The Enterprise Act amends the Regulation of Investigatory Powers Act 2000 ('RIPA')<sup>31</sup> and the Police Act 1997<sup>32</sup> to grant the OFT the power of intrusive surveillance and the related power of property interference.<sup>33</sup>

<sup>31</sup> RIPA section 32ff

<sup>32</sup> Police Act 1997 section 93-94

<sup>33</sup> Enterprise Act sections 199-200

**5.2 Intrusive Surveillance** is defined as covert surveillance carried out in relation to anything taking place on any residential premises (including hotel accommodation) or in any private vehicle<sup>34</sup> and involves the presence of an individual on the premises or in a vehicle or by means of a surveillance device(s) to either hear or see what is happening within the premises or vehicle. **Property Interference** allows for the covert installation of such a device(s) in property which would otherwise involve some element of trespass.

<sup>34</sup> Subject to RIPA sections 26(4) and (6)

**5.3** These forms of surveillance, which will only be used by the OFT in its investigations under the Enterprise Act, require the personal authority of the Chairman of the OFT and the prior approval of the Office of Surveillance Commissioners before deployment can take place. In cases of urgency, which are likely to be rare, if prior approval from a Surveillance Commissioner cannot be sought and granted in time, the Chairman of the OFT (or a designated officer of the OFT) will authorise the deployment of intrusive surveillance and give notice to a Surveillance Commissioner as soon as is reasonably practicable, explaining why it was necessary to use the urgency provisions. If the Surveillance Commissioner is at any time satisfied that there were no reasonable grounds for believing the case was urgent, he may quash the authorisation and the surveillance must cease immediately. The use of intrusive surveillance must be necessary to prevent or detect the cartel offence and must be proportionate to what is sought to be achieved by carrying it out.

**5.4** Beyond the scope of the Enterprise Act, the OFT has been added to the list of public authorities which can authorise the use of other methods of surveillance in accordance with RIPA.<sup>35</sup> The OFT is allowed to authorise **directed surveillance**<sup>36</sup> (for example, watching a person's office) and **covert human intelligence sources**<sup>37</sup> (i.e. informants) in its cartel investigations under both the Enterprise Act and the CA98.

<sup>35</sup> SI/2003/3171

<sup>36</sup> RIPA section 28

<sup>37</sup> RIPA section 29

**5.5** The OFT is also authorised to obtain **access to communications data**<sup>38</sup> (for example, obtaining records of telephone numbers called). The OFT can only use the facility to access communications data in its investigations under the Enterprise Act.

**5.6** The OFT intends to publish Codes of Practice in relation to its procedures for exercising the various powers outlined in paragraphs 5.2 to 5.5 above in its investigations.<sup>39</sup>

<sup>38</sup> SI/2003/3172

<sup>39</sup> To be published on the OFT website at [www.offt.gov.uk](http://www.offt.gov.uk)

## 6 Limitations on the use of the powers of investigation

### Privileged communications

**6.1** The power of the OFT to obtain documents under the Enterprise Act, whether by written notice or during the execution of a search warrant, does not extend to communications benefiting from legal professional privilege (“LPP”).<sup>40</sup> A person may not be required to produce or disclose any information or document which he would be entitled to refuse to produce or disclose on grounds of LPP in proceedings in the High Court or in Scottish Courts on grounds of confidentiality of communications. However, a lawyer may be obliged to provide the name and address of his client as part of an investigation being conducted under the powers in the Enterprise Act. LPP does not apply to communications made with the intention of furthering a criminal purpose (whether the lawyer is acting unwittingly or culpably). The OFT will adopt suitable procedures to determine the proper status of disputed LPP material.

<sup>40</sup> Enterprise Act section 196(1)

**6.2** The Enterprise Act also provides a safeguard in respect of confidential banking information, i.e. confidential communication between a bank and its client.<sup>41</sup> A person may not be required under the powers of investigation in the Enterprise Act to disclose any information or produce any document if the information or document is protected by a banking obligation of confidence, unless the person to whom the obligation of confidence is owed consents to the disclosure or the OFT has authorised the disclosure.

<sup>41</sup> Enterprise Act section 196(2)

### Self-incrimination

**6.3** The Enterprise Act provides safeguards in relation to the use of information gained by the OFT using its compulsory powers of investigation under the Enterprise Act.<sup>42</sup> Statements made by a person in response to a requirement imposed by the OFT using its powers of investigation under the Enterprise Act, may only be used as evidence in criminal proceedings against that person in two circumstances:

<sup>42</sup> Enterprise Act section 197

- where that person has knowingly or recklessly made a false or misleading statement in response to that requirement and is then prosecuted for an offence of knowingly or recklessly making a false or misleading statement (part 7 below)

- where that person is being prosecuted for some other offence and he makes a statement that is inconsistent with it and if evidence relating to it is adduced or a question relating to it is asked by him or on his behalf.

**6.4** Statements made by a person in response to a requirement imposed by the OFT using its compulsory powers of investigation under the CA98 may only be used as evidence in a cartel prosecution against the person who made it if, in giving evidence during a prosecution of the cartel offence under the Enterprise Act, he makes a statement inconsistent with it and if evidence relating to it is adduced or a question relating to it is asked by him or on his behalf.<sup>43</sup>

**6.5** A person's answers to questions required under section 2 of the CJA 1987 (paragraph 3.20 above) may only be used in evidence in criminal proceedings against the person under the same two circumstances outlined in paragraph 6.3 above. Similar restrictions apply to the use in evidence of answers given to questions required under section 28 of the Criminal Law (Consolidation) (Scotland) Act 1995.

### Disclosure of confidential information

**6.6** The Enterprise Act imposes limits on the disclosure of information that relates to the affairs of any individual or to any business of an undertaking which has been obtained by the OFT as a result of using its powers of investigation under the Enterprise Act.<sup>44</sup> The Enterprise Act requires that such information must not be disclosed during the lifetime of that individual or while the undertaking continues in existence unless consent has been obtained from the person that provided the information (if the information was lawfully obtained by the person and the person's identity is known) and the individual to whose affairs the information relates, or the person carrying on the business to which the information relates.<sup>45</sup>

**6.7** There are certain exceptions to this requirement under which the OFT may disclose such information:

- the disclosure is required for the purposes of a Community obligation<sup>46</sup>

<sup>43</sup> Enterprise Act section 198

<sup>44</sup> Enterprise Act section 237

<sup>45</sup> Enterprise Act section 239

<sup>46</sup> Enterprise Act section 240

- the disclosure is made for the purpose of facilitating the exercise of the disclosing authority's statutory functions. If information disclosed for this purpose is not made available to the public, there are restrictions on the recipient making further disclosure<sup>47</sup>
- the disclosure is made to any other person for the purpose of facilitating the exercise of the recipient's functions under specified statutes or subordinate legislation. Information disclosed in this way must not be used for any purpose other than a purpose relating to functions mentioned in the specified statutes or subordinate legislation<sup>48</sup>
- the disclosure is made to any person in connection with the investigation of any criminal offence in any part of the United Kingdom; for the purposes of criminal proceedings there, or for the purpose of any decision whether to start or bring to an end such an investigation or proceedings. The recipient must not use the information for any purpose other than that for which it was disclosed.<sup>49</sup> The OFT must not make a disclosure unless it is satisfied that the making of the disclosure is proportionate to what is sought to be achieved by it
- disclosure is made to overseas authorities in certain limited circumstances.<sup>50</sup>

<sup>47</sup> Enterprise Act section 241(1) and (2)

<sup>48</sup> Enterprise Act section 241(3) and (4)

<sup>49</sup> Enterprise Act section 242

<sup>50</sup> Enterprise Act section 243. Further information on the disclosure of information can be found in the OFT guidance 'Controls on overseas disclosure of information'

<sup>51</sup> Enterprise Act section 244

**6.8** Before disclosing such information in one of the permitted gateways, the OFT must have regard to the following.<sup>51</sup>

- the need to exclude from disclosure (so far as practicable) any information whose disclosure the OFT thinks is contrary to the public interest
- the need to exclude from disclosure (so far as practicable) commercial information whose disclosure the OFT thinks might significantly harm the legitimate business interests of the undertaking to which it relates or information relating to the private affairs of an individual whose disclosure the OFT thinks might significantly harm the individual's interests
- the extent to which the disclosure of the information is necessary for the purpose for which the OFT is permitted to make the disclosure.

# 7 Offences relating to the powers of investigation

## Offences created by the Enterprise Act

**7.1** The Enterprise Act sets out a number of criminal offences which may be committed where a person fails to co-operate when the investigation powers in the Enterprise Act are exercised.<sup>52</sup> It is an offence for a person:

- to fail to comply with a requirement (as explained in paragraph 3.2 above) to answer questions or provide information or documents without reasonable excuse
- knowingly or recklessly to make a statement which is false or misleading
- to falsify, conceal, destroy or otherwise dispose of or cause or permit the falsification, concealment, destruction or disposal of documents which he knows or suspects to be relevant to an investigation
- intentionally to obstruct a person in the exercise of his powers under a warrant.

**7.2** A person who falsifies, conceals, destroys or disposes of documents (or causes or permits this) has a defence if he can prove that he had no intention of concealing from the investigators the facts disclosed by the documents.

**7.3** Offences will be tried either summarily in the Magistrates' Court or, in the case of more serious offences, on indictment in the Crown Court. In Scotland, offences may be tried summarily in the Sheriff Court, on indictment before a Sheriff and Jury or, in the most serious cases, on indictment in the High Court of Justiciary.

**7.4** The sanctions that may be imposed by the courts on a person found guilty of each offence described in paragraph 7.1 are set out in table 7.1 below. The sanctions that are available for each offence differ according to whether the person is found guilty on summary conviction or on indictment.

<sup>52</sup> Enterprise Act section 201

**Table 7.1**

The sanctions that may be imposed by the courts on a person found guilty of a criminal offence committed where a person fails to co-operate when the investigation powers in the Enterprise Act are exercised.

<b>Offence</b>	<b>Sanction on summary conviction</b>	<b>Sanction on conviction on indictment</b>
Fail to comply with a requirement to answer questions or provide information/documents without reasonable excuse	Fine of up to level five on the standard scale and/or up to six months imprisonment	This offence will not be tried in this way
Intentionally or recklessly make a false or misleading statement	Fine of up to the statutory maximum and/or up to six months imprisonment	Unlimited fine and/or up to two years imprisonment
Intentionally destroy, dispose of, falsify or conceal documents.	Fine of up to the statutory maximum and/or up to six months imprisonment	Unlimited fine and/or up to five years' imprisonment
Intentionally obstruct a person carrying out an investigation with a warrant	Fine of up to the statutory maximum	Unlimited fine and/or up to two years' imprisonment

# Enterprise Act publications

Throughout 2003 the OFT is issuing a series of guidance booklets on various aspects of the Act. New guidance may be published and the existing guidance revised from time to time. For an up-to-date list of guidance booklets:

check [www.offt.gov.uk/enterpriseact.htm](http://www.offt.gov.uk/enterpriseact.htm)

email [enterpriseact.enquiries@oft.gsi.gov.uk](mailto:enterpriseact.enquiries@oft.gsi.gov.uk)

or telephone Enterprise Act enquiries on 020 7211 8181

All guidance booklets can be ordered or downloaded from the OFT's website <http://www.offt.gov.uk/enterpriseact.htm>. Or you can request them by:

**phone** 0870 60 60 321

**fax** 0870 60 70 321

**email** [oft@eclogistics.co.uk](mailto:oft@eclogistics.co.uk)

**post** EC Logistics, Swallowfield Way, Hayes, Middlesex UB3 1DQ

Published by the Office of Fair Trading  
Printed in the UK on paper comprising 75% post-consumer waste and 25% ECF pulp  
Product code OFT515  
Edition 01/04 PUB 145/5,000  
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