



ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

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29 May 1986

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1

Prue Nister²

Fleetcare had a turnover
last year of £25m, against a
turnover for the National Freight
Corporation as a whole of £667m.

DLV
30/5.

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Dear John

FLEETCARE LIMITED

I felt that I ought to alert you to the circumstances of a substantial investigation being conducted by the British Transport Police into the affairs of Fleetcare Limited which is a subsidiary of the National Freight Consortium PLC and was formed to take over the maintenance and repair of British Rail road vehicles on privatisation of that work. British Rail remains its main customer and apparently provides some 80% of its work.

The investigation commenced as a result of information received by the British Transport Police in Cardiff to the effect that the Manager of the Swansea depot of Fleetcare Limited had been responsible for persistently submitting inflated and false invoices to British Rail. Documentation was seized which indicated over-charging at that depot of over £200,000. Scott, on being interviewed by the Police, admitted the practice (although he subsequently withdrew parts of his admissions at trial) and claimed that it was a common practice throughout Fleetcare depots in England and Wales and one which had been organised by senior management of the company. Discreet enquiries by the Police suggested that this was indeed the case and the Director of Public Prosecutions was consulted.



In October 1984 the Director made application to the High Court for and obtained an order under section 441 of the Companies Act 1948 empowering the Police to take possession of and inspect documents from a further 20 Fleetcare depots throughout England and Wales, 7 regional offices and headquarters. On execution of these orders, the Police found evidence of falsification of accounts in the documentation seized from every depot. A number of prosecutions have followed.

From the point of view of the prosecution, this is not an easy case in that those against whom the evidence is strongest are not necessarily those who were responsible for instigating the offences. The overcharging appears to have run into several million pounds and the Police belief is that it was part of a systematic fraud, orchestrated and organised by senior management of Fleetcare Limited. But, whilst there is substantial evidence against the various depot managers (who have been directly responsible for false accounting and the submission of false invoices) there is little direct evidence implicating senior management. However, it would be an extraordinary coincidence that precisely the same sort of fraud should be occurring in the same way in at least 20 depots throughout England and Wales in circumstances where the beneficiary is Fleetcare Limited rather than the individuals perpetrating the fraud. Thus, the only course open to the Director has been to proceed against the branch managers in the hope that, after proceedings have been taken against them, they will be prepared to make statements implicating those on whose instructions they have acted. The present position with regard to the proceedings against depot managers is that two cases have been concluded. In one case (the Swansea depot) the manager ran a successful defence that although the documents in question had been falsified it was not he who was criminally responsible for that falsification. In the second case, a manager pleaded guilty and his mitigation was based



upon the fact that he had been acting under pressure from his superiors in Fleetcare Limited.

It is inevitable that this investigation and the subsequent prosecutions have attracted adverse publicity for Fleetcare Limited and damaged its working relationship with British Rail. Indeed, I understand that British Rail may have given notice of its intention to cancel the contract with Fleetcare Limited. Suffice it to say, the Chairman of National Freight Consortium PLC has written personally to the Director stating, inter alia, that the reputation of the company is being so tarnished that "its future is in question" and that loss of commercial confidence could result in many redundancies in the company. The view of the Director is that the public interest undoubtedly requires that the investigation should continue to its proper conclusion but he has assured Sir Peter Thompson that this will be done as swiftly as possible. I am satisfied that this is the only right and proper course. However, there may well be political embarrassment if the company should find itself in difficulties as the result of misconduct of this nature by senior management and I felt that I ought to let you know the position.

I have copied this letter to No. 10 but have given it no wider circulation.

Yours Gc. Michael