**Top 50 independent schools found guilty of price-fixing to push up fees.**



***Fifty of the country's leading private schools were found guilty yesterday of running an illegal price-fixing cartel which investigators said had allowed them to drive up fees for thousands of parents.***

Following one of the biggest inquiries in its history, the Office of Fair Trading published provisional findings showing the schools, which include Eton and Harrow, had exchanged detailed financial information in a regular report known as the Sevenoaks survey.

"This ... systematic exchange of confidential information as to intended fee increases was anti-competitive and resulted in parents being charged higher fees than would otherwise be the case," the OFT stated.

The inquiry has focused fresh attention on the benefits private schools derive from their charitable status - a controversial tax exemption that critics say effectively amounts to a government subsidy - in return for questionable wider "public benefit".

Yesterday the Charities Commission said it would be looking closely at the implications of the ruling for private schools and charities in general.

The Independent Schools Council (ISC), the umbrella group which represents 60% of private schools, rejected the OFT's findings and said there was no evidence to support the claim that the sharing of information had led to a rise in fees.

"Fees in the independent sector rise in line with costs in the [public] sector, for the obvious reason that most of the costs are staff salaries and pensions," said Jonathan Shephard, the ISC director-general. He said the investigation, which lasted two and a half years and cost hundreds of thousands of pounds, was a "scandalous waste of money".

Earlier this year research by the Halifax building society showed that school fees had risen by more than three times the rate of inflation over the last 20 years. The schools now have until March to appeal when the OFT will make its final ruling and decide what fines, if any, to impose.

The OFT can fine each school up to 10% of its annual turnover, but yesterday's statement said any financial penalties were likely to be limited. "At this stage the OFT does not anticipate that any penalty imposed is likely to be at the top end of the range available," the statement read.

But the ISC said that any fine would mean that some schools would be forced to put up fees. "Some obviously have considerable endowments but for a lot of those in the independent sector there will be no choice but to pass on the costs to parents," said a spokesman.

The OFT investigation focused on fee rises between 2001 and 2004 and found that in each year, schools swapped details of their intended fees. Sevenoaks school in Kent then "collated that information and circulated it, in the form of tables, to the schools concerned. The information in the tables was updated and circulated between four and six times each year as schools developed their fee-increase proposals in the course of their annual budgetary processes."

The investigation was reportedly started by a student who hacked into his school's financial records and leaked the documents to the press.

Bursars have freely admitted that they used to meet regularly and talk about fees, but they maintain that this swapping of information did not amount to a concerted plot to push up fees.

Speaking before yesterday's findings Stephen Taylor, the bursar for Uppingham school in Rutland, said: "We did exchange information about fees. We did that for yonks and yonks." He said that, rather than colluding to drive up fees, the aim was to keep them down. He said that as the schools were facing similar costs, the bursars would swap ideas on the cheapest solutions.

Malvern school described the findings as "very suspect". "Bursars got together from time to time in general meetings to discuss fees among themselves," said a spokesman. "They did not feel as though they were plotting."

A spokesman for Eton said that any fines would be "unnecessary and counter-productive" and instead urged the OFT to adopt a different approach - "we think the right way of proceeding in the interests of parents and pupils would be binding undertakings on what information can or cannot be shared [between schools]".

The ISC said the schools did not know that competition rules applied to them and described the findings as "Kafkaesque."

Mr Shephard said: "The law seems to have changed without parliament realising - and without the independent sector being consulted - contrary to the government's own strict guidelines on consultation. Schools are now being held liable for breaking a law which no one knew applied to them. The moment that schools realised that the law had changed they immediately stopped exchanging information. This was done before the OFT launched its investigation, and was quickly backed up by a code of practice agreed with the OFT."

The ruling by the OFT comes as the sector is under huge pressure to attract new pupils. The number attending private schools fell for the first time in a decade this year in the face of rising fees.

The most recent annual independent schools census, published in May, showed the average fee rise at more than 1,200 schools was 5.8% this year to £3,259 a term. The ISC, which compiled the survey, said this was the lowest fee rise since 1999. But there are now 88 ISC member schools charging fees of more than £20,000 a year. The ISC said pupil numbers were down from 504,830 in 2004 to 501,580 this year - a 0.6% drop.

**How fees have risen**

**School** Fees 1995 **Fees 2005**

**Charterhouse** £11,910 **£23,955**

**Eton** £11,934 **£23,688**

**Harrow** £12,360 **£23,625**

**Winchester** £12,270 **£23,500**

**Malvern** £11,400 **£22,737**

**Rugby** £11,865 **£22,500**

**Uppingham** £10,710 **£22,500**

**Haileybury** £11,775 **£21,990**

**Westminster** £11,850 **£21,948**

**Sevenoaks** £10,701 **£20,199**