



## Class Action Lawsuits

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The government is readying a scheme to provide financial assistance to **minority investors** filing **class action lawsuits** under the companies law.

- Under **Section 245 of the Companies Act**, investors can file a class action suit in case they feel the management or conduct of the affairs of a company is prejudicial to their interests.
- The concept of class action suit provides an option for investors to seek remedy as a group, is well known in western countries. The lawsuit involves a plaintiff suing a defendant or multiple defendants on behalf of a group or a class.

## Advantages

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- It is a way to further bolster measures to protect the interests of investors, and encourage investors to resort to class action suits.
- It will provide financial assistance to minority investors to file class action by using the **IEPF (Investor Education and Protection Fund)**.
  - IEPF is managed by the IEPF Authority, which comes under the Ministry of corporate affairs.
  - IEPF is for promotion of investors awareness and protection of the interests of investors.

## Significance

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- The push for class action suits also assumes significance against the backdrop of various instances of investors getting duped by illegal money pooling schemes as well as being impacted by corporate governance issues and fraudulent practices at some companies.
- Minority investors are not well equipped to pursue a class action. There is provision for disgorgement also. Class action suit is an important way to empower minority shareholders who are the worst sufferers.

Auditors, credit rating agencies, everybody would be liable to a class action.

Among others, if statutory auditors have been callous and negligent, endorsing falsified statements, the investors can certainly proceed against them with a class action.

### **IEPF Authority**

- It is formed for administration of Investor Education and Protection Fund Government
- India has on 7th September 2016 established Investor Education and Protection Fund Authority under the provisions of section 125 of the Companies Act, 2013.
- The Authority is entrusted with the responsibility of administration of the Investor Education Protection Fund (IEPF), make refunds of shares, unclaimed dividends, matured deposits/debentures etc. to investors and to promote awareness among investors.

### **The IEPF is to be utilized for**

- The refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest.
- Promotion of investors' education, awareness and protection
- Distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the Court.