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Monitoring directors' remuneration, fat cat packages and perks of office

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Abstract

Purpose

This paper revisits existing regulatory approaches in tackling the practices of bogus and extravagant company directors' remuneration packages, often called “fat cat packages” which erode company capital and dividend return to shareholders. It explores the efficacy of existing rules, pointing out their inadequacy and ineffectiveness. It emphasizes the need to hold directors accountable to shareholders for remuneration received. The object is to proffer a more comprehensive and effective regulatory regime for directors' remuneration packages.

Design/methodology/approach

The paper is analytical, reviewing several literature and case law on the subject. It adopts a comparative approach drawly primarily from the Nigerian Companies and Allied Matters Act 2004 which is compared in critical areas with the provisions of the English Companies Act 1985 and 2006.

Findings

The analysis concludes that existing rules monitoring directors' remunerations packages are ineffective. The rules do not address directors' pecks, expenses and other perquisites of office. Often these pecks are more valuable to the director than the actual remuneration package and they constitute a veritable avenue for dissipating company capital. The articles also finds that audit committees and their members are presently not subjected to any liability

The article points out that until regulations are formulated to regulate or cap directors' pecks and expenses, there exists ample room for fraudulent dissipation of company resources resulting in blotted costs of administration and reduced rewards for shareholders. It also advocates the need to subject audit committees to a higher regime of liability in public companies.

Originality/value

The paper draws the attention of scholars, law reformers and law enforcement agencies to the inadequacies of the rules regulating directors' remuneration packages and suggests additional rules. It will certainly incite further scholarly discussion and challenge law reformers to address the issues raised in several jurisdictions.

Keywords

- Nigeria
- Directors
- Remuneration
- Legislation
- Regulation
- Directors' remuneration packages
- Fat cat packages
- Directors' perks and expenses
- Nigerian Companies and Allied Matters Act
- Companies Act (UK)

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