

British Pub Confederation

Standing Up for Pubs and Publicans

Fiona Dickie
Pubs Code Adjudicator
Lower Ground
Victoria Square House
Victoria Square
Birmingham
B2 4AJ

6th May 2020

Dear Ms Dickie,

URGENT – Star Pubs and Bars discrimination against tenants with MRO agreements

First of all, on behalf of the British Pub Confederation, we congratulate you on becoming Pubs Code Adjudicator. We hope that you will work to uphold the rights of pub tenants as laid down in the law and the Pubs Code. We hope your tenure will see a change of approach from your predecessor who as you know, we believe failed in his duty as envisaged by Parliament. We look forward to engaging with you on behalf of tenants.

We are bringing to your attention two urgent issues, both related to the UK's largest pub owner, Star Pub and Bars.

1. Clear discrimination against tenants with an MRO agreement

The PCA office is aware, including from our previous letter, dated 8th April, that the regulated pubcos are still charging their tenants rent on closed pubs with no income, which is pushing tenants into significant debt and threatens the survival of many pub businesses and pubs themselves.

We have been informed that Star Pubs are offering different levels of rent during closure depending on the level of Government grant that the tenant has received (which in itself is disgraceful, as these grants are intended to enable small businesses to survive, not to fund huge multinational corporations. Star are, of course, part of Heineken UK, part of the worldwide Heineken corporation, whose annual profits are reported as being around £4 billion a year.

It has now been brought to our attention that these 'offers' of lower rent (on closed pubs with no income) are only being made to pubs operating on a tied lease **and that tenants who have moved to a Market Rent Only (MRO) agreement are not been offered any rent reductions, but are still expected to pay full rent for the closure period** (deferred, but still required to pay in full).



Member organisations:

Forum of Private Business

Licensees Supporting Licensees

Guild of Master Victuallers

GMB

Scottish Licensed Trade Association

Fair Pint Campaign

Pubs Advisory Service

Justice for Licensees

Punch Tenant Network

Unite the Union

Protect Pubs

Society for the Preservation of Beers from the Wood

This is treating these tenants, tenants who have pursued their rights to seek a Market Rent Only option, in a clearly detrimental way, something that was expressly mentioned in the legislation as being unacceptable.

We look forward to an announcement from you as a matter of priority, to make clear you will be taking action to clamp down on what is very clearly discrimination against tenants who have exercised their right in the Pubs Code to move to an MRO agreement.

We also ask you to look into the fact that (as raised with Mr Newby, with no proper response) some Star tenants have what are listed as MRO agreements, but that are not Pubs Code compliant. They are being discriminated against as well as suffering from the failure of your predecessor to take action against or even comment on non-Code compliant MRO leases.

2. Star Pubs and Bars letter to tenants giving 5 days' notice to agree reduced rent during the enforced closure

We copied in your predecessor to our letter to Lawson Mountstevens and sent a copy of the letter Star has been issuing to tenants, seeking to push them into signing a letter agreeing to reduced rent.

We had a wholly unacceptable response from the PCA office on Friday rather absurdly suggesting "You will appreciate that the office of the PCA is not able to provide a bespoke response to all intelligence received in every case; nor can it give updates on how information is being used".

We were reporting a hugely important and specific matter, with evidence, on behalf of thousands of pub tenants and we expect and demand a proper response to that.

So we are now writing formally to you, so this is no confusion that we require a proper response to this and hope to see you, as PCA, take action on this matter.

Star Pubs and Bars have issued letters to tenants, giving 5 days' notice, for them to be agree to pay a reduced rent during Covid-19 closure or risk becoming liable for the full rent.

We have been sent a copy of the letter, from one of many very concerned tenants and we have sent this to the PCA office. We seek your public comments on this letter and your suggested course of action as Pubs Code Adjudicator.

The intent of the Star Pubs and Bars letter is clear, to push tenants into signing, by threatening that otherwise they will be forced to pay full rent during the closure period, is clear from section 2.3:

2.3 if you do not comply fully with the terms of this letter or if there is any material breach of your obligations in your **lease**, we will be entitled to withdraw the **concession** immediately on written notice to you, and there will immediately become due and payable to us a sum equal to the **rent** which would have been due to us under the **lease** during the **period of closure** had the **concession** not been in place;

Section 2.7 relates to the Government grants pubs and pub tenants are eligible for. Tenants have informed us that Star Pubs and Bars field representatives (Business Development Managers) are actively contacting tenants asking them if they have received their Government grants and if, not, to inform Star Pubs when they do. This

letter/agreement actually forces them, as a condition of receiving any recent concession, to inform Star Pubs and Bars when the tenant receives their grant:

2.7 you will notify us as soon as reasonably practicable after the date on which you receive any financial assistance provided by any government body and /or statutory authority or any similar organisation or body as a result of the coronavirus (COVID-19) pandemic, together with the details of the assistance that is being provided;

It is very notable that as part of this supposed 'offer', Star Pubs are demanding confidentiality, in other words, part of the price of tenants accepting that they still must pay some rent on their closed pub is their silence. This is a sinister attempt to quash the rising criticism of Star Pubs by their own tenants.

2.8 the terms of the **concession** and the arrangements set out in this letter are confidential and are not to be disclosed by either of us to any person save as required for the purposes of the proper management of the **property**, any dealing with it or as required to comply with any accounting, legal or regulatory requirement;

It is also outrageous that Star have not only giving tenants just five days for to sign up to pay rent on closed pubs, but that Star are seeking to sign them up to do so without the express consent of the tenant and are further pressuring them by stating it will be assumed the tenant has given deemed consent if they do not reply. That is outrageous.

If we do not hear from you within 5 working days of the date of this letter then your approval to such terms and conditions shall be deemed to have been given.

Star tenants have described this letter/agreement – and Star's behaviour – as bullying and high-pressure tactics more akin to a loan shark than to the behaviour of the UK's largest pub-owning company and their supposed business partners.

So we are raising both these matters with you, as Pubs Code Adjudicator, and hope to see clear action taken in regard to both.

We look forward to hearing from you and to see action from the nation's new Pubs Code Adjudicator.

Yours sincerely,



Greg Mulholland
Chair, British Pub Confederation

Simon Clarke
Secretary, British Pub Confederation

On behalf of the British Pub Confederation and member organisations: