

Work and Pensions Committee & Business, Innovation and Skills Committee

Oral evidence: The Pension Protection Fund and Pensions Regulator, HC 55

Tuesday 28 June 2016

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Members present:

Work and Pensions Committee: Frank Field (Chair); Richard Graham; Craig Mackinlay; Jeremy Quin.

Business, Innovation and Skills Committee: Mr Iain Wright (Chair); Richard Fuller; Amanda Milling; Amanda Solloway; Michelle Thomson.

Questions 2334-2779

Witnesses

[I](#): Alex Dellal, Director, Allied Commercial Exporters Ltd.

[II](#): Paul Sutton.

[III](#): Neville Kahn, Managing Partner, Financial Advisory, Deloitte.

Examination of witness

Witness: Alex Dellal, Director, Allied Commercial Exporters Ltd.

Q2334 **Chair:** Welcome to the Joint Committee of the Work and Pensions and the Business, Innovation and Skills Committees. We are looking at the sale and acquisition of BHS. Thank you very much for coming and giving us your time, Mr Dellal. We have seen evidence—your letter to the Committee.

Alex Dellal: Yes.

Chair: In that letter, you state that Lennart Henningson was “a longstanding acquaintance of the late Jack Dellal.” Do you mind expanding on that? What was the nature of that relationship?

Alex Dellal: Mr Henningson was married to my aunt’s husband’s cousin—it is a complicated one, but we had come across one another through that.

Q2335 **Chair:** How long ago was that?

Alex Dellal: I think the initial meeting of Mr Henningson and my grandfather must have been 20 or so years ago.

Q2336 **Chair:** And in that 20-year period, what business deals were worked on between the two?

Alex Dellal: There was a deal in Paris, which I am not so familiar with, and there were a couple of deals maybe somewhere else—I think in Tel Aviv there was one, but I couldn’t tell you. I’m not sure.

Q2337 **Chair:** But only one or two, is it fair to say?

Alex Dellal: A few, yes, but they would speak.

Q2338 **Chair:** On a regular basis?

Alex Dellal: No, not so much. Maybe once a year or so.

Q2339 **Chair:** Would they be classed as friends rather than, say, business acquaintances or partners?

Alex Dellal: No, definitely not a friend; more of a business acquaintance.

Q2340 **Amanda Milling:** To start, it would be very useful just to understand how and when you were introduced to Dominic Chappell.

Alex Dellal: It was 6 November 2014. Mr Henningson had written to me requesting a meeting about a property deal, and then he turned up on 6 November with Mr Chappell.

Q2341 **Amanda Milling:** You weren’t aware of Mr Chappell before that, or—

Alex Dellal: I wasn’t aware that he was coming with someone else and I had never heard Mr Chappell’s name or met him before that.

Q2342 **Amanda Milling:** When you met Mr Chappell, what were your impressions of him?

Alex Dellal: He was very driven to acquire BHS and he was trying to get his position in order, I suppose, to fulfil that acquisition.

Q2343 **Amanda Milling:** When you say he was very driven to purchase BHS, can you describe a bit more about what that looked like?

Alex Dellal: It seemed as though he was trying to get everything in order for something that seemed to be somewhat time-sensitive.

Q2344 **Amanda Milling:** Following that meeting, what checks did you do, in terms of Mr Chappell?

Alex Dellal: After the meeting we inquired who Mr Chappell was, and it had come out that he had been bankrupt in the past. It had been a decade or so before I met him. Past that, not so much of an impression. We did not do so much research on it because our focus was on the property component of our deals, so we were looking more at the security, based on the timelines we had. The security was the property component.

Q2345 **Amanda Milling:** So far I've got that he seemed very driven to purchase BHS; he wanted to move quickly; and in your searches you discovered the bankruptcy in the past.

Alex Dellal: Correct.

Q2346 **Amanda Milling:** What was your view of that? You had that information.

Alex Dellal: He had all the correct documentation for the properties we were discussing. He had a lot of due diligence on every aspect of the questions we were asking him. He seemed well versed, and it seemed he was in contact with the correct people to be the new owner of BHS.

Q2347 **Amanda Milling:** I just want to ask you this: when you met him, in your first impression, did you think that Dominic Chappell and Retail Acquisitions were equipped to run a business like BHS?

Alex Dellal: I would not know. I know nothing about retail, so I am not qualified to assess whether he would have been a good new owner or not.

Q2348 **Amanda Milling:** BHS was a big company here. Based upon the discussions you had had, did you think he could run a business like that?

Alex Dellal: I never came to any sort of question along those lines. I was very focused on—. As I said, the timeline was quite short, and we were trying to do as much due diligence on the properties as possible, because those were our securities in relation to the moneys going out.

Q2349 **Chair:** Sorry to interrupt, Amanda, but why were the timescales so short? Why did it seem to be in a rush?

Alex Dellal: I am not sure.

Q2350 **Chair:** Did you not question that?



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Alex Dellal: It is very typical. We have been in the property market for 70 years, and typically people come to us in an off-market position, when things are quite rushed. We are usually a last contact for that kind of route.

Q2351 **Amanda Milling:** Did you ever meet Paul Sutton?

Alex Dellal: I didn't, no.

Q2352 **Amanda Milling:** Did you know of Paul Sutton?

Alex Dellal: No.

Q2353 **Amanda Milling:** Okay. There were initial requests for a loan that was going to be secured against Marylebone House, North West House and Oxford Street.

Alex Dellal: In the first meeting, they wanted to borrow £120 million against various properties. We made it clear at the time that we were not interested in any money at that point. We were very focused on acquiring a property in Marylebone. We had moved our offices from Knightsbridge, where they had been for 60-odd years, to Marylebone about a year prior to that. Our focus was purely on those properties.

Amanda Milling: I know we will come on to properties in a bit more detail. Thank you.

Q2354 **Richard Fuller:** I forgot the family relation, Mr Dellal—was it your uncle's wife's cousin?

Alex Dellal: Uncle's wife's cousin's ex-husband. It's a complicated one.

Q2355 **Richard Fuller:** Okay. I just want to get that close family relationship down on the record. You just said you were kind of rushed. You met Mr Chappell on 6 November—

Alex Dellal: Correct.

Q2356 **Richard Fuller:** And you lent to him for the first time on 4 February?

Alex Dellal: I did not make a loan to him. Initially, it was a deposit for the purchase of Marylebone House.

Q2357 **Richard Fuller:** But the first time money changed hands was 4 February?

Alex Dellal: Changed hands? It went into a lawyer's escrow account.

Q2358 **Richard Fuller:** Okay, so you were not even at that stage happy to give him—

Alex Dellal: Well, no, I was trying to buy a building at that stage.

Q2359 **Richard Fuller:** But it was organised with him?

Alex Dellal: He was the intermediary of—

Q2360 **Richard Fuller:** That does not sound very rushed to me. We have heard



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evidence earlier on that the management of British Home Stores were given four weeks to work out a business plan. All you are doing is working out whether you want to buy a building or not. Why do you say you were rushed?

Alex Dellal: Because there was lots of due diligence to do on those properties—both Marylebone House and North West House—and I had to get comfortable with the prices we were agreeing to.

Q2361 **Richard Fuller:** I just want to check this. I don't know much about property deals, but it takes three months to work out the details on two particular properties. Were they unusual properties?

Alex Dellal: They were unusual to me because I had never been inside them or really focused on them. I had known about them because they were on Marylebone Road, but it took some time to get comfortable.

Q2362 **Richard Fuller:** Were you trying to get comfortable with the buildings or with the person?

Alex Dellal: With the buildings, because our focus was the buildings.

Q2363 **Richard Fuller:** You didn't really care about the individual?

Alex Dellal: To say I didn't care would not be correct, but that was not our area of focus. We were looking at what we were trying to acquire.

Q2364 **Richard Fuller:** Over the course of that rushed three months, did the terms of the deal change significantly, and in what ways?

Alex Dellal: They did. We were attempting to buy Marylebone House, and at the last moment that deal came off the table. The owner of that building changed his mind, and then Mr Chappell asked if we would be interested in buying North West House.

Q2365 **Richard Fuller:** And you said yes?

Alex Dellal: We said yes.

Q2366 **Richard Fuller:** And then you had to go through your due diligence again on that one?

Alex Dellal: We had no time for due diligence on that. I think it was about a two-week period, so our due diligence for North West House was off the back of the due diligence that we had done on Marylebone House.

Q2367 **Richard Fuller:** The money was already in escrow at that stage, wasn't it?

Alex Dellal: £35 million was in escrow, yes.

Q2368 **Richard Fuller:** Did you know how Mr Chappell was representing that money? Did you have any discussions with people closer to British Home Stores, closer to Arcadia Group and closer to Sir Philip Green?



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Alex Dellal: No, it was towards the purchase of Marylebone House. That had been made clear on various documentation that I think you have already seen—it might be on the website.

Q2369 **Richard Fuller:** Right. So you know that it was contingent on him succeeding in his transaction with Sir Philip Green?

Alex Dellal: Exactly. It was contingent on him buying BHS.

Q2370 **Richard Fuller:** Okay. From your point of view, would it be appropriate for Mr Chappell—I don't know if he did—to have represented this as a sign of his voracity as a buyer?

Alex Dellal: If he had, that would have been totally wrong, because those moneys were intended solely for the purchase of Marylebone House and thereafter North West House.

Q2371 **Richard Fuller:** Because it does appear that that was the case, doesn't it? I don't know if you've been following—

Alex Dellal: From what I've followed in the news, yes.

Q2372 **Richard Fuller:** What are your thoughts about that? Now that you've seen what's been said, what are your thoughts about that transaction and how it was handled by them?

Alex Dellal: It was very frustrating to read, obviously, but I am here today hopefully to clear that up.

Q2373 **Richard Fuller:** What would you say, then?

Alex Dellal: I would say categorically that those moneys were for the purchase of Marylebone House and thereafter North West House.

Q2374 **Richard Fuller:** Do you think that there was misrepresentation by Mr Chappell to Mr Green, or do you think it was a nod and a wink between the two and they all knew what was going on?

Alex Dellal: I couldn't comment. I wouldn't know.

Q2375 **Richard Fuller:** My colleague may want to come back on some of the details, but on the £35 million, in the end what was the value of that to you? Have you sold North West House?

Alex Dellal: We have sold North West House, yes.

Q2376 **Richard Fuller:** And how much money did you make on that?

Alex Dellal: On the sale of North West House?

Q2377 **Richard Fuller:** Yes.

Alex Dellal: It was around £6 million, it worked out.

Q2378 **Richard Fuller:** £6 million profit?

Alex Dellal: Give or take, yes.

Q2379 **Richard Fuller:** And that was sold how long after you lent the money?



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Alex Dellal: Are you asking how long after I acquired the building did I sell it?

Q2380 **Richard Fuller:** Until you put the money in escrow. I'm just trying to work out what your rate of return was.

Alex Dellal: I'm sorry, I don't understand—

Q2381 **Richard Fuller:** What was your rate of return on the transaction of £35 million, which you put into escrow and was subsequently used for the purchase of North West House?

Alex Dellal: Well, only £32 million of that went towards North West House, and then it was subsequently sold for £38 million or thereabouts—so, yes, £6 million.

Q2382 **Richard Fuller:** Okay. That is about a 20%-ish return.

Alex Dellal: Give or take.

Richard Fuller: I'm not very good at maths. Then you had another loan, didn't you, to your uncle's wife's cousin's ex-husband of £5 million. Why did you decide to double down?

Alex Dellal: Because Mr Chappell and Retail Acquisitions had said that they needed the £5 million loan to push forward the transaction of selling North West House.

Q2383 **Richard Fuller:** Okay. And that was on 10 March 2015?

Alex Dellal: It was.

Q2384 **Richard Fuller:** I'm just trying to check this. At that stage, had the transaction gone through—10 March 2015? I don't think it had, had it? It was 14 March.

Chair: It was the day before.

Alex Dellal: It was 11 March that it went out.

Q2385 **Richard Fuller:** So you were prepared to lend him another £5 million, even though at that stage he still had not secured the transaction.

Alex Dellal: No, but it was secured against Atherstone and it was conditional on his purchase of BHS.

Q2386 **Richard Fuller:** I don't know what you do after you have doubled down when you go down again, but then you did another £25 million loan—is that right?—in June when he had secured the business.

Alex Dellal: Correct.

Q2387 **Richard Fuller:** Sorry, just to go back to the £5 million loan, how much did you make on that loan?

Alex Dellal: We made a £1 million fixed fee.

Q2388 **Richard Fuller:** And any interest, or was it interest-free?



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Alex Dellal: No interest, no. It was a fixed fee.

Q2389 **Richard Fuller:** So it was £1 million back. I thought Mr Hitchcock told us that the loan got £2.2 million in interest and fees.

Alex Dellal: That's because we carried over an unsecured portion of the North West House deal into the Atherstone deal, but that had nothing to do with the £5 million loan.

Q2390 **Richard Fuller:** Okay. So the £6 million is correct for the first loan.

Alex Dellal: Correct.

Q2391 **Richard Fuller:** And then there is an extra £1 million in the second loan, but that relates to the first loan.

Alex Dellal: Correct.

Q2392 **Richard Fuller:** And then there is £1.2 million made on the second loan of £5 million, in fees.

Alex Dellal: Well, no. In fees we made £1 million, plus I think £75,000 in legal fees.

Q2393 **Jeremy Quin:** May I ask a point of clarification on the £5 million loan? Alex, £5 million was made available on the day before the deal was signed up, so it came across on 10 March, prior to the 11 March conclusion. We know from evidence elsewhere that Mr Chappell was required to produce £5 million of equity, and that was it—you were the providers of the equity. Were you aware of what he was using that £5 million for?

Alex Dellal: I wasn't, no.

Q2394 **Jeremy Quin:** So as far as you were concerned, you were lending him £5 million conditional on him being able to provide security over an asset he would be acquiring the next day. So basically, while he says it is 10 March, it is really 11 March I suppose that he got his hands on the £5 million. He had to say to the vendor, "I've got £5 million of equity." The vendor apparently did not know that that was where the money was coming from. That is your understanding.

Alex Dellal: My understanding was that he borrowed £5 million. I do not know what the moneys were for.

Jeremy Quin: Thank you. That is all I needed to know.

Q2395 **Richard Fuller:** Moving to the third loan, Mr Chappell now owns British Home Stores and he comes back to you again. How happy were you to see him the third time?

Alex Dellal: The third time being Oxford Street?

Richard Fuller: Yes, the £25 million Oxford Street loan.

Alex Dellal: He had expressed that they were having cash-flow difficulties and sort of a teething process of new ownership; he was looking to



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refinance in a longer term scenario and that he required a bridge loan for rent payments and salary payments of the BHS staff. Initially I did not want to do the loan, and then we found a way by which we would be happy moving forward.

We took a risk, being that we were on the hook for the rent of Oxford Street should he have gone into default. Then past that we had a profit share component, because they were having offers of around £30 million, I think, for the Oxford Street lease. Being that we were more familiar with the property market, we thought that number was way lower than it should be.

Q2396 Richard Fuller: They were bullish?

Alex Dellal: Quite bullish from the freeholder. Based on that, we offered them some support in better understanding that lease and we gave them a loan to give them some time to negotiate that sale.

Q2397 Richard Fuller: You are quite experienced in property transactions and Mr Chappell has come to the Committee and presented that he was fairly experienced in them. At this stage, where you have had deal No. 1, deal No. 2 and now deal No. 3, would you have assessed Mr Chappell as an expert in understanding property deals or would you have thought that he was pretty out of touch?

Alex Dellal: I would not like to comment. I am not sure. We were focused on our deals.

Q2398 Richard Fuller: The numbers comment for themselves, don't they? You made £6 million on the first deal, you made £1.2 million on £5 million in the second deal, and you just realise that he is out of touch in the third deal. Isn't he the gift that keeps on giving?

Alex Dellal: The £6 million that we made on the sale of North West House was not our intention; we bought that property to turn it into a shared workspace and hotel. Around that time the MIPIM property fair was going on in Cannes, and half my office were over there. We had been very focused on Marylebone and we had some very good contacts with both agents and potential buyers in Marylebone and we got an offer we could not refuse. Personally I think that was a very bullish offer, and it was a number we thought we could not say no to.

Q2399 Richard Fuller: The reason I say that is that we have seen a number of witnesses—I cannot speak for the Committee; I can only speak for myself—and while many of them said that they were experts at this, they did not present that they actually knew what they were doing. To be frank, you are one of the first people we have seen who seems to know what he was doing, and fairly methodically doing that, as we have gone through. It seems in sharp contrast with others, and particularly with Mr Chappell, but you did not seem to have that view.

Alex Dellal: I did not seem to have that view. We were too focused on what we were doing. The timelines, as I said, were very short. We are a very small team in my office.



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Q2400 Richard Fuller: But by the time you had the third loan, you had been through not just that rushed process from November of last year. We are now in June—so seven months and three deals with Mr Chappell—and you know about British Home Stores. Everyone knows about British Home Stores. It is a big company with £600 million in revenue and lots of people work for it and lots of people shop there. Had you created an impression about whether he was at that point up to the job?

Alex Dellal: My understanding at that point was that he had bought a company that had management in place. It seemed more of a management buyout from my loose perspective at that point. I did not give much thought to the inner workings of BHS because I don't understand retail. It would be far too much of a learning curve for me to start from scratch to try to understand the inner workings of such a big company.

Q2401 Richard Fuller: But you moved assets out of that business. This is more a theoretical question really that we are trying to wrestle with. You used the phrase—I don't mean to use it in a pointed way, but it is actually quite descriptive of a number of people—"I didn't give much thought to—" Mr Chappell's expertise in property, and then you just said you didn't give much thought to the retail operations that were behind those properties, which was perfectly reasonable from your point of view.

Alex Dellal: It would be better maybe to word it as, "I was concentrating on my portion of the deal," if that makes sense.

Q2402 Richard Fuller: Yes, exactly, but we have Mr Chappell running this £600 million business, where there are 11,000 employees, and the turnaround plan was dependent, from what we have heard, on property transactions occurring successfully. What message do you think that sends to employees who are now looking for new work? I am not talking about your role, because you seem to have managed your job very expertly, but don't you look at the system of how business operates with these different pieces, and do you have any conclusions now, looking back?

Alex Dellal: It's on a scale, quite frankly, that I have no experience in. I have never worked with or for a company of that size—of the size that BHS was. I have never had 11,000 employees, so to get my head around that would be—. I am quite young and I am somewhat inexperienced, to the extent that I have been doing this five or so years, so it is not an area I necessarily understood, but what has happened is a terrible tragedy. My thoughts are with all the people who have lost their jobs.

Q2403 Richard Fuller: The reason that I want to pursue it is that we have seen a number of people here who are very powerful people and fairly rich people. They have got money and have positions of authority. Almost every single one of them has made money out of British Home Stores, including yourself. The 11,000 employees are looking for a job and 20,000 pensioners don't know if they are going to get their full pension. The system in which companies like yourself and others operate, which is this free market system, relies upon people doing the right thing and knowing some of the consequences of the actions that they take and not



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just looking at their piece of the whole. Do you think there is some validity to that point of view?

Alex Dellal: From my perspective, we did an arm's length transaction. We are a property company. We were focused on buying a property in Marylebone. The whole year before we had been fighting against marketed properties, in that big funds that were usually in much higher categories of property valuations were going down a tier, so the competition was immense at that point in the market. We were very focused on the fact that we had an opportunity to buy a property off-market. Valuations of those properties aren't an exact science; they are more of an art, I would say, so it is very difficult to value. At one stage, I was looking for a potential partner. Not everyone agreed with my £32 million valuation, and then, I think today would show that is probably not about there even now.

Richard Fuller: Thank you.

Q2404 **Jeremy Quin:** Taking you back to the due diligence on Marylebone House, how did you execute that?

Alex Dellal: We did a survey. We did lots of comps in the area. We approached it almost as a residual valuation, which means that we start at the end and we work our way back to find the price that we are willing to pay.

Q2405 **Jeremy Quin:** And that price was?

Alex Dellal: For Marylebone House, it was £45 million.

Q2406 **Jeremy Quin:** That is what you thought was a fair market value—a value that you were willing to pay.

Alex Dellal: That was what we were willing to pay, yes.

Q2407 **Jeremy Quin:** I understand. Did you have a view as to what you could on-sell it for?

Alex Dellal: I didn't want to sell it. As I said, my intention was that I am involved in a shared workspace business and I wanted to put them as a tenant into that building.

Q2408 **Jeremy Quin:** So as a buy and hold proposition—

Alex Dellal: Correct.

Q2409 **Jeremy Quin:** —you got to £45 million. Thank you. In doing your due diligence, you must have had interactions with the owners of Marylebone House to execute the survey and so on, I presume.

Alex Dellal: I didn't have direct contact with any of them, but we arranged for a survey to be done and Retail Acquisitions allowed that surveyor to come in and do it. I'm not sure how they got—

Q2410 **Jeremy Quin:** You say Retail Acquisitions allowed that to happen, but they didn't own the building.

Alex Dellal: They must have been in discussions with the owner, because they got access, ultimately.

Q2411 **Jeremy Quin:** So all of your access to Marylebone House was via RAL.

Alex Dellal: Correct: through Mr Henningson and Mr Chappell.

Q2412 **Jeremy Quin:** So there was no direct contact with—

Alex Dellal: None whatsoever.

Q2413 **Jeremy Quin:** So your professional advisers—surveyors, et cetera—were going in. It was like using RAL as an estate agent: they went in, they did all the work—you didn't have direct contact. Did you think it strange that all your discussions were with RAL rather than with the owner of the business?

Alex Dellal: I didn't, because it seemed as though that was part of a conversation that had been happening before they had even met us. It seemed at the time that there was some sort of understanding between Arcadia, the owners of Marylebone House and potentially whoever the owner was going to be.

Q2414 **Jeremy Quin:** On the suggestion of putting in £35 million, was there a reason why £35 million was put in as a deposit, rather than £45 million? It feels like in the past you would say, "£45 million is the price. Can we see the £45 million in the escrow account?" I don't know why you put in £35 million rather than £45 million.

Alex Dellal: Well, that's what was asked. As I said, the timing was quite tight, so they wanted evidence that we could complete the transaction.

Q2415 **Jeremy Quin:** And there was no doubt in any way that this was held to your account—

Alex Dellal: It was held to our order.

Q2416 **Jeremy Quin:** —at Olswang. And that was clear to Olswang?

Alex Dellal: It was.

Q2417 **Jeremy Quin:** You had arrangements in terms of a fee to be paid in the event of the £35 million. You were paid £1 million, from memory.

Alex Dellal: Yes, it was £1 million.

Q2418 **Jeremy Quin:** Which is strange in the context of a deal being done. You are buying a property for £45 million but you get £1 million back.

Alex Dellal: Well, it was the opportunity cost of putting £35 million in escrow for such a long period of time—it was out for around five weeks, and those were the conditions we asked for.

Q2419 **Jeremy Quin:** And there was no certainty, I suppose.

Alex Dellal: Correct, and £35 million was pretty much the bulk of our working capital, so it put us in a stagnant position, where if another deal



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had come along or if anything had come along, we wouldn't have been able to do it.

Q2420 **Jeremy Quin:** I understand. You were then told that Marylebone House had gone away. Were you told why it had gone away?

Alex Dellal: My understanding was that the owners had received a better offer.

Q2421 **Jeremy Quin:** Do you know what that better offer was, which was not executed until July?

Alex Dellal: I didn't find out until recently and I'm still not sure of the number.

Q2422 **Jeremy Quin:** I can help you. It was £53 million. Does it surprise you that it was worth £8 million more than you had valued it at?

Alex Dellal: I wouldn't have paid that much, no.

Q2423 **Jeremy Quin:** Thank you. You were a clear buyer at £45 million. It was taken off the market because there was a better buyer. Were you invited in? "Go on, we know you're keen on this property, put your best foot forward—give it another go."

Alex Dellal: I was, and my best foot forward was £45 million.

Q2424 **Jeremy Quin:** So you were re-approached subsequently. After the deal had fallen through—

Alex Dellal: Not formally, per se, but it sounded as though if I had been willing to put more in I would have had an opportunity to say so. But I didn't.

Q2425 **Jeremy Quin:** Were you aware of any others in the industry who were keen to acquire Marylebone House?

Alex Dellal: There was lots of talk over the industry. I had heard through the grapevine that other people were looking and that details had been sent out to various parties.

Q2426 **Jeremy Quin:** I wouldn't embarrass you by asking you to name them in this session, but perhaps privately you could reassure us with some of the names that you were aware of and what you thought they might have been bidding. I am just curious. The ultimate bidder was BHS, as you know.

Alex Dellal: I never received that information directly, but various advisers had been telling me that they had had contacts mentioning that they had seen the property, or details of the property, and were looking into the possibility of buying it. The message I received was clearly that other people were looking at the building.

Jeremy Quin: Just to correct my comment for the record, it wasn't BHS that bought; it was Arcadia.

Alex Dellal: Sorry. Excuse me.

Q2427 **Jeremy Quin:** It was my fault; we can all get jumbled with this structure. So you had heard that there were people out there who might be looking at it or that it was being marketed.

Alex Dellal: I am not sure if it was being marketed, but the property world is a small world and people talk a lot.

Q2428 **Jeremy Quin:** Were you just given that from advisers or from—

Alex Dellal: From advisers. There was a moment when we weren't sure whether the deal was necessarily going to happen, as it got closer to the moment when it didn't. In our in-house conversations, we mentioned the possibility that outside interest may have steered the property away from us.

Q2429 **Jeremy Quin:** Thank you. You bought North West House instead as a consolation prize.

Alex Dellal: We always had an option on North West House in the original agreement to buy Marylebone House, so we had already expressed some interest in buying the property.

Q2430 **Jeremy Quin:** And that was £30 million, wasn't it?

Alex Dellal: The price was £30 million in our original dealings.

Q2431 **Jeremy Quin:** And you paid £37 million?

Alex Dellal: £32 million.

Q2432 **Jeremy Quin:** Of course. You had to do the due diligence and everything else. Weren't you slightly surprised that you weren't being put through a process with other people, when you were competing against other people for North West House? Were you surprised you weren't put through a sales process for the sale of North West House with other competitors?

Alex Dellal: I'm not sure that we weren't. There may have been other potential people, but we had our £35 million ready to go in escrow and the price we had agreed was £32 million. And then the transaction happened.

Q2433 **Jeremy Quin:** I suppose you were there, ready and available, and you had the cash sitting there.

Alex Dellal: We were, and we had been disappointed about losing out on Marylebone House, which had played a great part in our plans moving forward over the next three or four years—we had planned to occupy the building and put various projects that we were involved in within it. So yes, we were very disappointed. North West House was a silver medal, essentially.

Q2434 **Jeremy Quin:** Given that you were disappointed and that they hadn't been able to honour the Marylebone House agreement, why did you pay the extra £2 million? You had agreed £30 million. You strike me as a very



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canny businessman. They managed to get you up an extra £2 million to £32 million.

Alex Dellal: We agreed to £32 million. That is what they asked for, and we thought about it and it was a price we were still willing to pay.

Q2435 **Jeremy Quin:** Understood. You were able to sell it on at a profit quite shortly, which I don't object to—you have done well out of it, which is fine—but I am surprised that in quite short order, within two months, you were able to make that turn and create the value that the owners of the asset were unable to do themselves, particularly given that they had a desperate requirement for cash.

Alex Dellal: There was an element of timing to it. The MIPIM fair had just happened around that time. Marylebone was the fastest growing area in terms of price per square foot in London at the time. A lot of people in the market knew that we were particularly focused on Marylebone. We had had various conversations, we had had some very close relationships with agents in the area and we were offered a deal that we couldn't refuse. They paid more than we valued the property at—*[Interruption.]*

Q2436 **Jeremy Quin:** I will ask one last question before you are saved by the bell. At any stage did you discuss Marylebone House and North West House with Sir Philip Green and BHS, or were your relationships with RAL?

Alex Dellal: I didn't, no.

Jeremy Quin: They were purely with RAL?

Alex Dellal: Purely with RAL.

Chair: There is a Division in the House so we have to go up and vote.

Sitting suspended for a Division in the House.

On resuming—

Chair: Jeremy, do you want to continue with your line of questioning?

Q2437 **Jeremy Quin:** You were putting the money into escrow and it just remained in escrow, so when Marylebone went away you kept the money in the escrow account.

Alex Dellal: We prepared a letter to ask for the moneys back, and then just before we sent it the conversation about North West House began.

Q2438 **Jeremy Quin:** Okay. You can't remember the timing of that, can you?

Alex Dellal: I can't remember the exact date, no, but it would have been about a week or so before the purchase and two weeks before North West House.

Q2439 **Jeremy Quin:** Would that have been before 11 March?



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Alex Dellal: Let me double-check. The letter would have gone out before 11 March and the discussions were really started before that, because on the 11th we paid the £32 million.

Q2440 **Jeremy Quin:** Can you remember when you agreed the North West House deal? Was that prior to 11 March, from what you remember?

Alex Dellal: Yes, the negotiations and the details would have gone through before the 11th, and then I guess the completion date was the 11th.

Q2441 **Jeremy Quin:** You have answered the question. I just wanted to know whether that money was sitting in the account for no apparent purpose when the deal was executed.

Alex Dellal: No, we would have called the moneys back immediately, and the reason we did not decide to do that was that the conversations about North West House had begun.

Q2442 **Jeremy Quin:** Thank you. When you completed the deal, clearly the money was still at your order in the Olswang account and you were asked to transfer £25 million of those funds, I understand, to a BHS account and had no immediate instructions on the remaining £7 million.

Alex Dellal: No, that is not the case. On the £32 million, our order had been released, so it was in Olswang's account, held to Retail Acquisitions' order, I suppose. What they did with the money thereafter we have no idea.

Q2443 **Jeremy Quin:** Thank you. That is very clear. That is it from me.

Alex Dellal: Could I just make one point? I would like to clarify that the family relationship—the distant relationship—was with Mr Henningson, not with Mr Chappell.

Chair: Yes, thank you. Amanda.

Q2444 **Amanda Solloway:** Can I just come back to July 2015, when you lent £25 million—is that right? I think you mentioned that it was a bridging, or bridge, loan and that you had to be happy moving forward. I just wondered what those terms were that you were happy with for moving forward. What was the agreement that you had?

Alex Dellal: We had security over the Oxford Street lease and over the Manchester property. That gave us satisfaction in terms of security, but then we still had the risk of the potential rents and the fact that the rent was going up in 2017.

Q2445 **Amanda Solloway:** You felt satisfied that you were secure and that you would be safe in that deal?

Alex Dellal: Close enough, but there were no guarantees because, as I have said, this was done quite quickly. We had a view but there was an element of risk that we were prepared to take at that point.

Q2446 **Amanda Solloway:** As a snapshot in time, at that moment did Mr



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Chappell seem in control of the situation, or did you think he was spiralling out of control?

Alex Dellal: From my perspective, it seemed that they had a short-term cash flow issue and that long-term things seemed to be on track. I had no reason to believe otherwise.

Q2447 **Amanda Solloway:** So you actually believed that, even though this was the third loan, he was actually on track to turn around that?

Alex Dellal: I think so, yes.

Q2448 **Amanda Solloway:** Think so?

Alex Dellal: As much as I could understand. As I said earlier, I am not a retail expert. I had no reason to believe otherwise.

Q2449 **Amanda Solloway:** You believed he had a credible case, okay.

Alex Dellal: Yes.

Q2450 **Craig Mackinlay:** Mr Dellal, what is your understanding of your grandfather's relationship with Sir Philip Green?

Alex Dellal: I think they had a loose relationship. They were never friends per se. I didn't see him in a social context or anything like that. They had almost done some deals in the past, in the early '90s or so. He was not a family friend or social acquaintance of ours as a family.

Q2451 **Craig Mackinlay:** Do you know how they first got together all those years ago?

Alex Dellal: I'm not sure. I think they were in a group of Jewish businessmen in London at the time and must have come across each other at some point.

Q2452 **Craig Mackinlay:** But you don't know any further than that really. It's all rather in the mists of time, I suppose.

Alex Dellal: Exactly.

Q2453 **Craig Mackinlay:** Looking at your own company for a moment, if I may, your Allied Commercial Exporters Ltd is 100% owned by Allied Commercial Holdings Ltd.

Alex Dellal: Correct.

Q2454 **Craig Mackinlay:** I did a little bit of research on that. It has got a share capital of one million shares.

Alex Dellal: Correct.

Q2455 **Craig Mackinlay:** Of which you own 100,000.

Alex Dellal: Yes.

Q2456 **Craig Mackinlay:** You have got Guy Dellal who has the majority—633,000, of the shares.

Alex Dellal: He does, yes.

Q2457 **Craig Mackinlay:** There is another company in that share mix, according to the annual return, a company that owns just over a quarter of the entire share capital, at 265,000 shares. That is a company called Rockmoor Ltd. Can you tell me anything about that company? It doesn't seem to be a UK company.

Alex Dellal: It is a company owned by my late grandmother's will trust.

Q2458 **Craig Mackinlay:** Do you know where that company is registered?

Alex Dellal: I don't, no.

Q2459 **Craig Mackinlay:** So, quite categorically, that is your late grandmother's will trust. Fine. That has cleared up something that I found earlier on. Relating to yourself and your more current knowledge, have you had dealings with Sir Philip Green or his associates or companies?

Alex Dellal: I have not, no.

Craig Mackinlay: None of his companies during your—

Alex Dellal: None.

Craig Mackinlay: None at all?

Alex Dellal: None whatsoever.

Q2460 **Craig Mackinlay:** It just seems that there is this relationship with your grandfather and your company then becomes involved with this potential buyer of BHS. How did he find you, as it were? There seem to be quite a number of companies.

Alex Dellal: How did who find me?

Craig Mackinlay: Mr Chappell.

Alex Dellal: Through Mr Henningson. Mr Henningson knew we were in the market. We are a property company. He might have suggested us to Mr Chappell.

Q2461 **Craig Mackinlay:** So the old-fashioned family link—brief as it is—with Sir Philip Green is purely coincidental.

Alex Dellal: Purely coincidental, yes.

Q2462 **Craig Mackinlay:** That's fine on that point of questioning. Looking a bit further on, in February 2016 you advanced Mr Chappell an unsecured personal loan of £150,000.

Alex Dellal: I did, yes.

Q2463 **Craig Mackinlay:** He must have given you a reason for that. One can come to a conclusion as to what the reason might be, but perhaps you could tell us.



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Alex Dellal: He said he had received a tax bill and that he had had cash flow problems, and that he needed a two-week loan.

Craig Mackinlay: Two weeks?

Alex Dellal: Correct.

Q2464 **Craig Mackinlay:** You would have known that he was a previous bankrupt if you had done a fairly simple CallML search.

Alex Dellal: I did, yes.

Q2465 **Craig Mackinlay:** So you did that type of check and were still happy to proceed on that basis.

Alex Dellal: I was, because it was a long time before. There are many bankrupts who have gone on to be very successful businessmen. At the time he was the owner of BHS, and he seemed to be in a position to pay me back.

Q2466 **Craig Mackinlay:** Did you find it slightly odd that this man, who was the head of BHS and who seemed to be showing to the world that he had quite some substance, was struggling to find £150,000 for a tax bill? What does that say to you?

Alex Dellal: I didn't overthink it. It seems that lots of people have cash-flow problems at different points. It didn't seem out of the ordinary to me at the time. We have done similar types of loans in the past.

Q2467 **Craig Mackinlay:** What were the terms of that loan? For just two weeks, what were you going to charge him?

Alex Dellal: I was going to charge him 1% a month, and those were the terms.

Q2468 **Craig Mackinlay:** I understand that some of that money is still outstanding. Is that the case?

Alex Dellal: That is correct. He paid back 75,000 of the 150,000. There is 75,000 due and it is now in lawyers' hands.

Q2469 **Craig Mackinlay:** In lawyers' hands. Is there much progress with that?

Alex Dellal: It seems that we have come to an agreement to pay £10,000 a month until it is paid off.

Q2470 **Craig Mackinlay:** So you are doing that as an informal arrangement rather than pursuing it any further?

Alex Dellal: I am due an update tomorrow regarding the situation, but up until today that is the information I have got.

Q2471 **Craig Mackinlay:** From then to now is not a very long time. If this informal arrangement is not adhered to, what would be your next steps?

Alex Dellal: As I said, it is in the lawyers' hands and I will seek their advice.

Q2472 **Craig Mackinlay:** So it is unsecured. What is your knowledge of his own personal assets to underpin—

Alex Dellal: I don't have any knowledge of his personal assets.

Q2473 **Craig Mackinlay:** But you were happy with that sort of risk when you advanced it?

Alex Dellal: I am less happy with it today than I was on the day I did it.

Q2474 **Craig Mackinlay:** I suppose 1% a month is not exorbitant, but I assume it reflects the risk of that type of loan?

Alex Dellal: Correct.

Q2475 **Craig Mackinlay:** Was that on similar terms that you have for many clients?

Alex Dellal: No, it has happened from time to time; it is not our typical business. In that moment it seemed to make sense.

Q2476 **Craig Mackinlay:** Have you any other loans of a similar type out there with individuals on an unsecured basis?

Alex Dellal: Yes, we do.

Q2477 **Craig Mackinlay:** So it is not really out of the ordinary. It is slightly unusual, but not out of the ordinary.

Alex Dellal: Correct.

Craig Mackinlay: Well, best of luck with recovering the money.

Q2478 **Richard Fuller:** Mr Dellal, may I start by thanking you? You have given very clear, concise and—I am sure—complete answers and, not quite uniquely, you have not tried to blame anyone else for what has gone on, so thank you, genuinely.

Alex Dellal: You're welcome.

Q2479 **Richard Fuller:** But if you look back at the events that have transpired at British Home Stores, do you have any regrets about your involvement with it at all, or with the people involved?

Alex Dellal: I have regrets about how everything has ended, of course. But based on the information that I had at the time, my decisions made sense to me in those moments, and the way this has all ended is a terrible tragedy. I really did not expect this outcome.

Chair: Jeremy does want to say something.

Q2480 **Jeremy Quin:** I endorse everything that Richard has said. On the valuation of Marylebone House, I am just getting my head around the fact that it was £45 million due after a principles-first, basic valuation. You went through it all and you did quite a lot of due diligence, and you got to a valuation of £45 million. Do you have any sense as to why it may have been worth £53 million so shortly afterwards?



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Alex Dellal: I think maybe the person that would have spent £53 million would have had a very different approach to how they valued buildings. They might speculate on future potential rents or rent growth. We don't do any of that; we look at what the values are today and we stick to those. We do not do any crystal ball-gazing in terms of potential growth or anything of that nature, and lots of property companies do. Whoever bought must have done that.

Q2481 **Jeremy Quin:** But you looked at this as a £45 million purchase with a sitting tenant. You weren't putting in your own tenant, but doing it on a normal rental yield basis. I can understand it if someone was going to buy it for £53 million in order to transform it into a high-end hotel with jacuzzis and swimming pools and goodness knows what else. But that wasn't what the buyer eventually did with it. Their end purpose was far more similar to what your end purpose would have been, which is to have a sitting tenant. So I am curious.

Alex Dellal: Having a sitting tenant, meaning BHS?

Jeremy Quin: That is correct.

Alex Dellal: But it was on a two-year lease, I think, and at peppercorn rent.

Jeremy Quin: That is correct.

Alex Dellal: That is a good amount of time to get your ducks in a row, in terms of planning and spec'ing out your build and any design elements. We were happy with that timeline, and I am sure the new owners must have had similar views.

Q2482 **Jeremy Quin:** So you would have discounted the peppercorn rent for two years and just said, "That's fine. We'll look at it in 24 months' time."

Alex Dellal: We priced it in, based on our 45.

Q2483 **Jeremy Quin:** So that was the deal for you as well. You were going to allow RAL to stay in there for a couple of years.

Alex Dellal: I can't remember if we had come to that conclusion on Marylebone, but it was definitely the case on North West House. It will have been the same result.

Jeremy Quin: That is helpful.

Chair: Mr Dellal, thank you very much for your evidence. We are very grateful.

Examination of witness

Witness: Paul Sutton.

Chair: Good afternoon, Mr Sutton. Thank you very much for attending the



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Committee. We are very grateful for your time, and I am sure we will be very grateful for your contribution this afternoon. I am going to pass immediately on to my colleague, Amanda, who is going to ask the first few questions.

Q2484 **Amanda Solloway:** Thank you very much for coming to the Committee this afternoon, Mr Sutton. Before we get into the BHS purchase in a bit more detail, I would be interested to understand how and when you first came across the Green family.

Paul Sutton: I was introduced to Philip by Robin Saunders at the end of 2013 or the beginning of 2014—around that time. My children knew Philip's children from Monaco. I never met him one on one until that time. I was taken to meet him in Arcadia House with Robin Saunders.

Q2485 **Amanda Solloway:** Just to rewind a little bit, can I pick you up on the point that your children went to the same school in Monaco, but you never met Sir Philip before the contact with Robin Saunders? Have you ever met Lady Green?

Paul Sutton: I met Lady Green once after I was talking to Philip about BHS at the Dorchester, early morning.

Q2486 **Amanda Solloway:** So you met Lady Green after Sir Philip Green.

Paul Sutton: Correct.

Amanda Solloway: So this was—

Paul Sutton: All afterwards, yes. Nothing before.

Q2487 **Chair:** Can I pick you up on that, if you don't mind, Mr Sutton? We have a copy of a letter that was sent to us by LEK, the consultants. On the question we asked them about how Mr Sutton explained his connection with the Green family, they replied to us saying, "He claimed to have known the Green family for many years, having initially been involved in helping facilitate their move to Monaco." Why would they say that?

Paul Sutton: I'd known of them for many years. We lived in the same building in Roccabella in Avenue Princesse Grace. So knowing them as neighbours, yes; knowing them any more than that, no. I had nothing to do with getting Sir Philip to Monte Carlo. I don't know where that came from. I haven't got a clue. I don't know.

Chair: Sorry, Amanda.

Q2488 **Amanda Solloway:** No, that's fine. Can I just pick up on that? They said you were involved in facilitating the move to Monaco. That sounds like quite a close relationship—not simply living in the same building.

Paul Sutton: I don't know where that came from. I never helped Philip to get to Monte Carlo. I'm sure he doesn't need my help.

Q2489 **Amanda Solloway:** The other part of this is that you knew Lady Green well.



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Paul Sutton: No, I met Lady Green after I opened dialogue with Philip. Apart from living in the same building in a very small place, that's about it. We would nod at each other at a meal; that was all—nothing more.

Q2490 **Amanda Solloway:** You have already mentioned Robin Saunders. To start off, how did you come to be introduced to Robin Saunders?

Paul Sutton: Robin Saunders was looking to raise some money for a company that a friend of mine had called ITS. Robin had offices in Grosvenor Street and she was shrinking her staff, and I was rather keen to have office space in London, so we took over two thirds of her office and she kept one third of the office. She was working on a project of ours called ITS.

Q2491 **Amanda Milling:** Can you just confirm when it was when you first met, or had contact with, Robin Saunders?

Paul Sutton: Around 2012—beginning of 2013—something like that. I can give you that exact date. I don't know it now.

Q2492 **Amanda Milling:** But it was a very separate conversation you were having when you first met with Robin Saunders. It was nothing to do with BHS?

Paul Sutton: Nothing at all.

Q2493 **Amanda Milling:** So how did you come to this discussion around the potential purchase of BHS? Just talk us through.

Paul Sutton: Robin had spoken to Philip and had said that Philip was looking to do something with British Home Stores. I said, yes, I'd be interested to see what it was—"What does he want to do?" She said, "I'll set up a meeting," so the two of us went to meet Philip.

Q2494 **Amanda Milling:** Can you tell me when it was that you first met with Sir Philip Green?

Paul Sutton: It was late 2013, early 2014. I can't remember the exact date.

Q2495 **Amanda Milling:** Okay. At the time did you have a sense that he was sounding out with a number of potential buyers?

Paul Sutton: It is hard to tell with Philip. It was rather general. He is quite interested in doing something. Would we know anybody, or would I know anybody, or could I help facilitate? That's how it actually started—nothing more, nothing less. It wasn't a matter of "I want to sell this today," or anything else. No, not really. Robin came to that one meeting. It probably lasted 45 minutes and that was that.

Q2496 **Amanda Milling:** Sorry, I might have just asked this question but I was checking something else. When was that meeting?

Paul Sutton: I think late 2103, early 2014. I can get you a date; I haven't got the date.

Q2497 **Amanda Milling:** You had the initial contact with Robin Saunders beginning of 2013?

Paul Sutton: Yes, 2012-13.

Q2498 **Amanda Milling:** Then you had the meeting with Sir Philip and Robin Saunders—?

Paul Sutton: Late that year.

Q2499 **Amanda Milling:** Late that year—hmm. It is interesting because my understanding was that Robin Saunders had no contact with you after June 2013.

Paul Sutton: She may not have done, but up until that point we were occupying offices with her.

Q2500 **Amanda Milling:** We might come back to this. Talk to us about the nature of these meetings. You had this initial meeting—

Paul Sutton: I can get you the dates exactly on that. My staff will tell me.

Amanda Milling: That would be very helpful.

Paul Sutton: We actually occupied the office until the day they moved out because we moved across the street to a company called Snoozebox, so we were in there a good year. I can get you the exact dates; I haven't got them here.

Amanda Milling: There are just quite a lot of dates that we need to marry up here. So you had that meeting—

Paul Sutton: If you tell me the dates you want to marry up, I can get them married up for you.

Amanda Milling: We can write afterwards, yes?

Paul Sutton: Is that okay? Right.

Q2501 **Amanda Milling:** In terms of this meeting, you had that meeting. Did you have any other meetings where you had Sir Philip Green and Robin Saunders?

Paul Sutton: No. Just the one.

Q2502 **Amanda Milling:** So, that was just the one. Can you talk to me about the kind of contact you had with Sir Philip Green after that initial meeting—the number of meetings, how frequent these meetings were?

Paul Sutton: After the first meeting, we then spoke by phone about two weeks later and I said, if he would be interested, I would like to look further at what there was. I went round to meet him again at the offices. We sat only for a very short while. I said, "Look, I can put together some people to have a look at it." He said, "Fine, carry on."

The first major—well the first real discussion we had at that meeting, I suppose, was really about the pension. Philip said, "There are two



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problems with this business: one is the pension fund, and one is the losses. But I'm very committed to BHS," which he was, to the staff, and he was very emotional about the business, in truth. He said he would not look to me or anybody I could find to buy it; he would sort the pension fund himself. That was the very first conversation I had meaningfully with Philip, at the second meeting.

Q2503 Amanda Milling: You describe him as being very emotional about the business.

Paul Sutton: Philip was, yes. Well, you can see it. He basically over the years had done his bit to pump in money, keep it going and do whatever he could do to it, but I think he was very concerned. He wasn't in a rush to sell it at all; he really wanted to find a way of cutting the losses and sorting the pension fund. That was basically the main part of the conversation I had with him at the first meeting. Basically, he said to me, "I'm not prepared to give you any figures or go any further unless these are addressed up front." He said he had been trying to sort the pension fund, and I said, "Philip, that's over to you."

Q2504 Amanda Milling: So as far as you were concerned, the pension fund was going to be handled separately and was not going to be part of this.

Paul Sutton: Correct.

Amanda Milling: Okay.

Paul Sutton: Which he offered to do. He said, "I'll take care of that." That's exactly how he put it to me.

Q2505 Chair: Allow me, Mr Sutton, to quote again from the letter we've received from LEK in terms of the conversations that you outlined to them about the reasons for Sir Philip selling the business. "Mr. Sutton said that Sir Philip wanted to exit BHS primarily to focus his attention and resources on Topshop/Topman, which would represent the future of Sir Philip's international retail ambitions. According to Mr. Sutton, Sir Philip's American backers had supported him on the condition that he exit his other retail activities, to focus on driving international expansion of the core Topshop brands." Is that correct?

Paul Sutton: No. I wouldn't know if—

Q2506 Chair: Allow me to quote again. "He also said that BHS was losing money due to the highly competitive nature of the high street and Sir Philip wanted to offload the business to stem the drain on resources." Is that what you said?

Paul Sutton: Obviously the business was losing money. Everyone knew that. No, he never wanted to—. Look, from his point of view, whether he kept it or sold it at that particular time, going back to when we were talking, I don't think it made the slightest difference to Philip's Topshop or Topman business at all. Where LEK got that from is, I think—we wanted to bring in a top-class retailer to turn British Home Stores around. That's what LEK were there to do.



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Q2507 **Chair:** Let me quote further, then, because this is relevant to what you have just said. "He said that the Greens believed that if the business could be separated, put under new management and trade 'for a few years' that would absolve them of responsibility for any future failure, and associated reputational damage. He also said Sir Philip was unwilling to sell out to any of his retail rivals, as this would also have personal reputational consequences if a turnaround succeeded under their direction." Is that what you said?

Paul Sutton: No, not at all.

Q2508 **Chair:** So why would LEK say these things in respect of that?

Paul Sutton: Haven't got a clue. Philip Green made it perfectly plain to people in the industry that the business was for sale. It wasn't just for sale to me or anybody else; there were other people looking at the business, and whether you kept the business going for 12 months, six months or 24 months, it would still reflect on Philip if something went wrong—as indeed it has. So I don't understand that point, no, and it wasn't made by me. I wouldn't know that.

Chair: Okay.

Paul Sutton: Sorry to labour the point, but as far as the Topshop and Topman brands are concerned—what that's got to do with BHS, I don't know.

Q2509 **Chair:** Well, they go on to say: "There was also the potential, Mr. Sutton claimed, for the Arcadia brands other than Topshop/Topman to be sold to him along with BHS or in a subsequent transaction." Again, is that true?

Paul Sutton: That was discussed, yes.

Chair: Thank you.

Q2510 **Amanda Milling:** Before we go into the negotiations in a bit more detail, did you have to provide any evidence in terms of your credibility, first to Robin Saunders, when she was involved in the initial connection between you and Sir Philip Green, or to Sir Philip Green and/or any of his representatives?

Paul Sutton: No.

Amanda Milling: So no to either of—

Paul Sutton: No to both of them.

Q2511 **Amanda Milling:** Thank you. You had the initial meeting; you had the second meeting. Did you continue to have meetings with Sir Philip Green, or were they with representatives?

Paul Sutton: I then met Paul Budge and Gillian Hague. I would speak to Philip only a couple of times. Basically, the team I put together who were looking into it for me were speaking to Paul and Gillian, and they had one meeting with the property director—but I cannot remember his name.



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Q2512 **Amanda Milling:** I believe I am right in saying that you were going to give us some data about the business as well.

Paul Sutton: I was giving data, yes—I have given it over to you.

Q2513 **Amanda Milling:** Who gave you that data?

Paul Sutton: Paul Budge and Gillian. It came between the two.

Q2514 **Amanda Milling:** Can you remember at what point in time this was?

Paul Sutton: It is dated on what I gave you.

Q2515 **Amanda Milling:** In terms of the structure of the deal that you were working on, is this something that you and your advisers were working on, or was it something that Sir Philip Green and his advisers were developing?

Paul Sutton: Primarily my advisers, and speaking to a couple of people at BHS and Arcadia. We didn't really get in too many advisers. I think we had one meeting in the room with Philip and Neville Kahn from Deloitte, and then my guys would meet Paul Budge and Gillian.

Q2516 **Amanda Milling:** I was going to ask you the question—can you actually clarify which advisers were involved?

Paul Sutton: I have given you the list: Deloitte, Mishcon de Reya, Eddie Parladorio, latterly Dominic Chappell, and LEK. LEK was supposed to be headhunting someone for us to run the business.

Amanda Milling: It is probably a good time to move on to Dominic Chappell—

Q2517 **Craig Mackinlay:** I just wanted to make a couple of points, before we move on to your relationship with Dominic Chappell, just from what we have heard. Let me get this straight in my mind: you, through a sort of accident, shared an office, upstairs/downstairs—

Paul Sutton: On the same level.

Craig Mackinlay: With Robin Saunders.

Paul Sutton: Correct.

Q2518 **Craig Mackinlay:** That being a shared office or similar space for some time.

Paul Sutton: About nine or 12 months.

Craig Mackinlay: So we are in 2012-13.

Paul Sutton: Yes.

Q2519 **Craig Mackinlay:** At the same time, you lived in the same block in Monaco as Sir Philip—

Paul Sutton: I had done previously. I had moved out seven years ago.



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Craig Mackinlay: Seven years before 2013, or—

Paul Sutton: I moved out about 2005.

Q2520 **Craig Mackinlay:** So you are not in Monaco, or have not got a residence over there.

Paul Sutton: No, but my children have—

Q2521 **Craig Mackinlay:** Okay. So by accident you are sharing a floor with Robin Saunders; and on the other hand you used to live in the same block as Sir Philip. Robin Saunders, as we know, and Sir Philip Green had business relationships in the past. It is quite a remarkable coincidence, all that. I know it's a small world—

Paul Sutton: A small world—yes, it really is. I had never met Robin Saunders before, so, no, it was a small world. And Robin was in fact on the board of BHS and helped Sir Philip finance it.

Q2522 **Craig Mackinlay:** I see. So what do you think Sir Philip Green's thoughts would have been when Robin—who obviously had the confidence of Sir Philip—would have said, "Ah, I know this chap, you may remember him"? What would he have said—"I know that guy. He used to live in my block"?

Paul Sutton: Yes, he would have said, "I know of him," probably—something like that. I don't really know, in truth—

Q2523 **Craig Mackinlay:** It really is a small world, isn't it?

Paul Sutton: Yes, that is how it actually happened.

Q2524 **Craig Mackinlay:** Okay. In terms of the team, you have got to get across the credibility gap when you are talking to Sir Philip Green, I would imagine. What was the team you said was behind you when you—

Paul Sutton: I didn't say I was in a team. There was no team behind me. I walked in to meet Sir Philip in a purely exploratory nature. When he turned around and said, "There's a possibility that we will do something", I put a few people together who might be able to help do the transaction. If not me, I could have sold it on, or done something with it.

Q2525 **Craig Mackinlay:** You have mentioned quite a lot of big names in the industry, such as Deloitte and Mishcon de Reya. Who was financing all those—you?—because they don't come cheap?

Paul Sutton: They don't come cheap. Mishcon de Reya didn't charge me, and still haven't charged me, and Deloitte did the same thing. Basically—

Q2526 **Craig Mackinlay:** It was speculative, was it?

Paul Sutton: Yes, it was fairly speculative. It did not go into any great detail. We were supplied figures by BHS. We looked at the figures. We had a few cursory meetings. It was not something that ran up telephone numbers in debts.



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Q2527 **Chair:** What was the nature of their work, then? No one seemed to get paid for anything when it comes to the—

Paul Sutton: They don't sometimes, do they? Deloitte's are just reviewing the numbers and the facts and the figures that we were given. You have the name of the transaction—I left that with you. That is what they did. Mishcon's were looking at a very brief view of the possible property side to the company, against figures supplied by BHS. So there was no great thing. What was interesting was if something could be done with it. That is where they were going to earn their money, I think. We actually never paid them a pound.

Q2528 **Craig Mackinlay:** A nice deal if you can get it. You mentioned Mr Parladorio there.

Paul Sutton: Correct.

Q2529 **Craig Mackinlay:** Did you know him from old?

Paul Sutton: I had known Mr Parladorio for about 10 years.

Q2530 **Craig Mackinlay:** So after you had got through the front door with Sir Philip and he had said, "Yes, this may be for sale", you then thought, "Ah, I know a chap who might be interested in being part of the team", and you went to—

Paul Sutton: What happened was that Eddie Parladorio's office was off Oxford Street in Stratford Place. I went to him and said, "Look, there's a possibility here. Come to a meeting at BHS to see if we can do something", which he did. He offered his office as a sort of bunker, where we were going to do things from, as it was 200 yards down the road. Eddie had given me advice in the past on some harassment I have with people, and he had been a good chap. He did a good job and I thought he could help out, more on the human resources side. So he came along to the meetings and that is where we got to.

Q2531 **Craig Mackinlay:** How did you know Mr Parladorio? Was it purely professional, or was it social?

Paul Sutton: It was professional. I got introduced to him because he specialised in harassment cases and media cases and things like that.

Q2532 **Craig Mackinlay:** We are talking about a specialist body of law, looking at buying big companies. Why did you think he had the sort of skills you needed?

Paul Sutton: He didn't have the skills. I didn't have a back office of 400 people, so I just tried to get anyone—well, not anyone I could, that sounds derogatory—I was just piecing together the people I could to do the best I could.

Q2533 **Craig Mackinlay:** Had you thought, at this time, where your financing might come from if you progressed it any further?

Paul Sutton: To be honest with you, when we came to look at financing, we had not got enough paperwork or information. We were also, at that



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time, looking at another business in the same industry but in Europe, where we intended to put—if we were successful—BHS. But with BHS at that particular time, Philip was going to take care of the pension and, indeed, it came with a dowry—money to run it. So what we needed was some sensible retailers or some people who were going to do a good job of it. That is where LEK came in. And I also introduced Philip, in one meeting, to the ex-chairman of this company in Europe, which is 10 times the size of BHS, to run BHS and absorb BHS into it. Philip was aware of that and the ex-chairman of that company was going to supply the funding.

Q2534 Craig Mackinlay: This is a big company. It is retail. It is a specialist area. There are lots of big retailers across Europe and the world who would probably have an interest in this type of business, and they would have a lot of experience of it. What did you think when you were invited in, someone like yourself with no retail experience and no team behind you? What were your thoughts? Did you think it was odd that he was talking to you and not to one of the big boys, as it were?

Paul Sutton: I believed he was talking to the big boys as well. We had just floated a public company. We had just won public company of the year. We didn't have a greengrocers shop. This was a business that was never going to be run by any of us. It had to have the right people in it. That is why we approached—hopefully we were approaching some of the right people to come into it. I maintain to this very day that the way we were doing it, if it hadn't been stopped, it would be part of a much larger company now on the stock exchange. It wouldn't be in the terrible place it's in right now, with all these people in the terrible place they are.

Q2535 Craig Mackinlay: So what you are saying is that you had a vision for it that would have been realised rather better than perhaps Mr Chappell might have done.

Paul Sutton: With respect, that wouldn't be difficult, would it?

Craig Mackinlay: I will come back to Mr Chappell later, so I will revert back to you now, Chair.

Q2536 Chair: I want to ask one question before I bring Amanda in. I want to go back to the issue of not paying a pound for any of the advice. Did anybody pay for that advice on your behalf?

Paul Sutton: On my team?

Q2537 Chair: Maybe a third party.

Paul Sutton: No.

Q2538 Chair: There is no question that Sir Philip Green paid for this advice?

Paul Sutton: First, I know what the answer would be if you asked him, and secondly, I wouldn't do that. That's not the way it was. Philip put down what he wanted to do: "There's something on the table, Paul. If you can go and do something with it, fine. Don't come back and ask me to pay for petrol in the car to get you to the office and back." He was very open with me and very clear what he wanted to do.

Chair: Okay. Thank you.

Q2539 **Amanda Milling:** Can we come on to Mr Chappell? You were getting this group of people together. You knew Dominic Chappell from his Island Harbour project.

Paul Sutton: Correct.

Q2540 **Amanda Milling:** How did he get involved in this BHS deal?

Paul Sutton: Dominic was put back in touch with me. We put £160,000 into Island Harbour to buy some property—well, I did, and I lost that money because it went bust. His two colleagues at the time, Kevin Clancy and Tom Stokes, tried to hold Island Harbour together. Anyway, it didn't work. The reason I got involved in it was that I looked at suing him for the money, gave up and put it behind me—not in a bad way, but it happened.

Ten years later, I get a phone call from a lady called Natalie Tarrant, who says that Dominic Chappell has emailed her and wanted my phone number. So I spoke to Dominic and he said, "Look, I'm down on my uppers. This has happened, that has happened," and whatever—he didn't go into great detail—"can I see you?" So he came to London to meet with me and we sat down. We had just completed Snoozebox, so I said to him, "There is another company we are doing on the international container business called Containia". He said, "I would very much like to help you progress that." So we started out and he started looking at that—he ran it from his cottage down in Dorset. Basically, I think I was banned from driving at the time, so he was driving me here and there. He would wait outside Mishcon's office, outside BHS or outside wherever I was, and he gradually got more and more involved with me and the team.

Q2541 **Amanda Milling:** Given your previous experience with him—you were thinking about potentially suing him—when he made the phone call, why would you think about—

Paul Sutton: Speaking to him? Because I wanted my money back.

Q2542 **Amanda Milling:** Right, but then starting on another venture—

Paul Sutton: Because I knew I wasn't going to get my money back, so the only way of getting my money back was to try to get him involved in something or work something out that I could do with him. But it wasn't—he's a very personable person, and before we had got a long way down the road he was very much involved with the guys who were working for me. It just snowballed from there, to be honest with you.

Q2543 **Amanda Milling:** He was working on this other deal for you, but then he found his way into—you said he was driving you to and fro from BHS.

Paul Sutton: Yes, correct. The Containia business, following on from Snoozebox, was something that would not take up five days' work a week. It might take up one day a week and apart from that he wanted other things to do, so he got involved with us in that way—which in hindsight I regret, but anyway it is what it is.

Q2544 **Amanda Milling:** So can you elaborate a bit more on his involvement over time? There was a period of time and there were a number of people involved. What was Mr Chappell doing?

Paul Sutton: Really that: Containia, the Containia Suite, and then driving me around, making things—he just became more and more involved. I would want some help on this and he would help on that. One minute he was doing this and the next minute he was doing that. Before I knew it he was—

Q2545 **Chair:** What sort of help? Cleaning windows—what?

Paul Sutton: No, he didn't do the windows.

Q2546 **Chair:** Providing financial advice? What was the nature of the help?

Paul Sutton: No, not financial advice. Making things work between people. In other words, if something needed reviewing, or property—he had people here that he knew, he had people there. He gave advice: "I can get you this person." *[Interruption.]*

Chair: We are going to have to go and vote again, Mr Sutton, so I intend to suspend the sitting again and we will return here at 5.35 pm, if we can.

Sitting suspended for a Division in the House.

On resuming—

Chair: Mr Sutton, thank you for your patience; we had to go and vote a couple of times. I seem to recall that Amanda was asking you a question, so I am going to pass back to her.

Q2547 **Amanda Milling:** As I recall, we were talking about the fact that Mr Chappell really started on the BHS deal as a driver for you.

Paul Sutton: Basically, yes.

Q2548 **Amanda Milling:** But then he took a more active role in terms of providing contacts. Is that right?

Paul Sutton: Yes, he became familiar with the team of people around, and basically got more involved and worked himself up as part of that team, it has to be said.

Q2549 **Amanda Milling:** Could you clarify—because it was half an hour ago, apologies for that—that more active involvement? What did it look like?

Paul Sutton: Liaison with different members and doing things on the property side. He brought a property expert in called Mark Sherwood from Vail Williams. He was liaising with my team on an hourly basis, so it just built up from there.

Q2550 **Amanda Milling:** What gave him the credibility, from your perspective, to be taking on this role? Why did you think he was a credible character to do this?



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Paul Sutton: It never really dawned on me in that way. He was basically building himself up as one of the team players. I never expected him to go and do what he did. I never thought in a million years that he could run British Home Stores. I never thought in a million years that he could do a lot of things in truth; but to do certain things for what I was doing at the time—yeah fine.

Q2551 **Amanda Milling:** But it was a big deal for you. This was going to be a big deal for you.

Paul Sutton: Yes, but he was not a big part of my people involved in it. He was one small cog in a wheel. It was only when the wheels fell off for me through the blackmail I have had from the Tarrant family—I had to step down when this dossier was delivered to Philip and I have given the Committee the notification from the courts where they said things about me that are not true—that Dominic then decided to go off with these guys and do what he did. Until that time I never had the slightest wildest dream that he could go and run British Home Stores.

Q2552 **Amanda Milling:** I think we are going to come back to the dossier. After the dossier, you did stay involved to some extent, is that right? Did you stay involved in the deal?

Paul Sutton: No, when I stepped down, I stepped down. I left it to them. I had to sign a non-disclosure, or a non-disclaimer—whatever the thing is.

Q2553 **Amanda Milling:** Yes, that was in February 2015.

Paul Sutton: Whenever it was.

Q2554 **Amanda Milling:** That was quite a lot later than—it was a December date when they were actually requesting it, and then it was not signed until February. Is that right?

Paul Sutton: I haven't got the date. You have got the copy of it. Whenever that is, is when it was.

Q2555 **Amanda Milling:** We have a copy. From your perspective, when Mr Chappell took over did he develop a new plan from a clean sheet or was it your plan—the project you had been working on?

Paul Sutton: The deal was the deal; but no, he went and got his own team. He went and got Olswang and all the rest. They were nothing to do with me. He did not use anyone that I was using to go forward with the transaction.

Q2556 **Amanda Milling:** But was the actual structure, the plan, the same?

Paul Sutton: Yes, it is a copy of the document I gave you. It is basically the same as that, which he went on with. What he did with it and how they adapted it, I don't know, but at that time he did not use anybody that we had on—apart from Eddie Parladorio, nobody else went with him.

Q2557 **Amanda Milling:** Just a couple of other quick questions, if that is all right Chair, and then somebody else will no doubt have some more



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questions. Is it true that you jointly established a company with Mr Chappell which is registered in Panama?

Paul Sutton: Correct.

Q2558 **Amanda Milling:** When was this and what was the rationale behind it?

Paul Sutton: I think it was 12 July—again, you have got the document. The company I had been working on before I couldn't proceed with this transaction was interested in buying BHS off Dominic Chappell et al. For that, I was entitled to get a commission. He—or the board—agreed that commission, and the company was set up in Panama to receive that money.

Q2559 **Amanda Milling:** Finally from me, Mr Chappell said to the Committee that you owed him £800,000.

Paul Sutton: I can't give you the words that I would like to use, but that is rubbish.

Q2560 **Amanda Milling:** Why do you think he might say this, then?

Paul Sutton: He says a lot of lies. This is one more.

Q2561 **Amanda Solloway:** Following on from that, so that I am absolutely clear, though I think Amanda has made it clear—there are two Amandas, which is confusing—I am just checking: 10 years prior to this deal, he owed you £150,000. Is that right?

Paul Sutton: £160,000.

Q2562 **Amanda Solloway:** £160,000. After not paying that for 10 years, he comes back to you and says, "I've hit hard times." You say, "That's not a problem; come back and"—

Paul Sutton: No, I didn't say, "That's not a problem." I said, "What's your situation?" We started talking, and he offered to do some fairly valuable, time-consuming things for me, and that is how it kicked off. No, it wasn't a handout.

Q2563 **Amanda Solloway:** Did he have shares then? Was Containia the business?

Paul Sutton: Containia; correct.

Q2564 **Amanda Solloway:** So he had shares in that?

Paul Sutton: Yes. I gave him shares in that company to get on and run it.

Q2565 **Amanda Solloway:** So even though you doubted his credibility, you gave him shares in that.

Paul Sutton: Correct.

Q2566 **Amanda Solloway:** Did you pay him a salary for being a car driver?

Paul Sutton: No.

Q2567 **Amanda Solloway:** He just did that so that he had—

Paul Sutton: So he got a stake in it.

Q2568 **Amanda Solloway:** The car driver part: he was driving you around—he said one day a week—for Containia.

Paul Sutton: It wasn't one day a week. Things would happen with Containia—it was a fresh-off-the-block thing—so he had to work on that when he did. Then he would drive me from here to there. That's how it happened. There was no plan to it, no anything to it. That's what I asked him to do, and he did it.

Q2569 **Amanda Solloway:** As part of his role as shareholder in Containia.

Paul Sutton: Correct.

Q2570 **Chair:** Just to clarify this in my head, Mr Sutton, you paid him a salary to drive you around, though; is that correct?

Paul Sutton: No. I paid the expenses, Ian. I paid for the car, the fuel—stuff like that—and some form of salary, but nothing on a direct, monthly basis. It was ad hoc.

Q2571 **Richard Graham:** Chairman, could I ask Mr Sutton a little bit about the pension?

Paul Sutton: Good afternoon.

Richard Graham: Hi, good afternoon. You said a bit earlier that the deal was that you would be offered BHS, pension-free, and that Sir Philip Green would sort the pension. What did you understand it to mean, that he would sort the pension?

Paul Sutton: In the very first discussion I said I had with Philip in a meaningful way, he was emotional towards the staff of BHS, and also very conscious of the pension. I think he felt a little frustrated when he spoke to me. I said, "How much is the pension deficit?" It wasn't as clear as day. He said, "Look, Paul, you haven't got to worry about that. I'll take care of the pension. I always will do." We couldn't take it on with the pension deficit.

Q2572 **Richard Graham:** What did you understand that to mean, though—that he would take care of the pension? Did you deduce from that, or ask him whether he meant, that he would resolve the deficit in the pension, or do it to such an extent that it could be bought out by an insurer, and that you would therefore buy BHS with it literally not having a pension scheme to have any responsibility for?

Paul Sutton: I understand your question. No, it was never Philip's intention, in my opinion—a man who has built what he has built, and done what he has done—to not pay the pension. I think he always felt obliged to pay the pension.

Q2573 **Richard Graham:** To pay it all?



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Paul Sutton: Yes.

Q2574 **Richard Graham:** There was never any plan to offload it down the road on to the Pension Protection Fund?

Paul Sutton: Nothing with me at all.

Q2575 **Richard Graham:** And you would have bought it, would you, without any clearer assurances, or without seeing the Pensions Regulator?

Paul Sutton: We would have bought it without a pension deficit.

Q2576 **Richard Graham:** Without the deficit?

Paul Sutton: Correct.

Q2577 **Richard Graham:** And that was explicit with him.

Paul Sutton: Explicit.

Q2578 **Richard Graham:** That he would clear the entire deficit.

Paul Sutton: Explicit.

Q2579 **Richard Graham:** What do you think changed when you came out of the deal, if you like?

Paul Sutton: I honestly don't know. I don't know. I couldn't tell you from that day to this. I presume there was some arrangement between Dominic Chappell—how he would pay it off. I really don't know. You'd have to ask Dominic Chappell that one.

Q2580 **Richard Graham:** What discussions did you have with the trustees or the chairman of the trustees or the Pensions Regulator or anyone about—

Paul Sutton: We didn't get that far down the road.

Q2581 **Richard Graham:** Because he had given you that assurance.

Paul Sutton: Yes, and we weren't detailed enough into the transaction to get to that point.

Q2582 **Richard Graham:** What was Mr Chappell's involvement in the discussions you had with Philip Green on the pension side? Was he present when you had that conversation?

Paul Sutton: Not with Philip. He would have been aware of the discussions when we'd spoken back at the office. He wasn't aware in the sense of sitting with me and Philip Green, no.

Q2583 **Richard Graham:** Lastly, when you answered Amanda earlier, you said that basically Dominic Chappell picked up the deal as it was when you had been discussing it. Paul Budge has told us that Mr Chappell started again with a blank sheet of paper.

Paul Sutton: If they didn't use the project—and you have a copy of it there that I was given by Mr Budge. Mr Chappell was fully aware of that



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documentation. Whether they used it to go forward with them, I don't know, but he had that information.

Q2584 **Richard Graham:** Why would Mr Budge say something that sounds as if it isn't really remotely true?

Paul Sutton: I can't tell you, but Dominic Chappell—and all that information I had came from—

Richard Graham: The discussions you had had.

Paul Sutton: Yes. And you have a copy of the documentation, and Dominic Chappell had that. Whether Dominic decided to go in once he'd got his big team—Olswang and all the other people. Perhaps he didn't need our work, but they had it.

Q2585 **Michelle Thomson:** Just to finish off on this—forgive me; I'm still a little bit confused. We have Dominic Chappell driving you around in a car, presumably with full access to the details of the deal that you're working on—be it the cash flows, the assets and so on.

Paul Sutton: Correct.

Q2586 **Michelle Thomson:** And yet you did that in the full knowledge, you were saying earlier, that he owed you £160,000, and he phoned you to say that he was basically down on his hunkers. Are you some kind of latter day Joan of Arc, then? Do you normally do that?

Paul Sutton: I wouldn't call it that, no. There are two ways of looking at it: as a way to get my money back, and I thought—

Q2587 **Michelle Thomson:** But why would you then give him money? You're giving him money—you're giving him your expertise and money.

Paul Sutton: I'm giving him money to do things for me, but a latter day Joan of Arc? No. There were two choices I had at this point. If I ignored it, I wasn't going to get anything anyway, and this way I thought—what's that saying? Your friends or something—enemies. Anyway, that's what I did, rightly or—well, wrongly, by the look of it, but that's what I did.

Q2588 **Michelle Thomson:** Presumably, in business, deals fall out of bed and things go wrong—particularly property deals. Have you ever done that with anybody else?

Paul Sutton: Yes.

Q2589 **Michelle Thomson:** It might be that you don't care to name them in a Committee—

Paul Sutton: Well, he's passed away. Robert Breare, when I backed Snoozebox. We put a fortune into that, and lots of things happened on that one. It floated and it won public company of the year, but Robert never told me what the full story was and halfway through it I had to bail him out. Unfortunately, sometimes it happens. I went out to try to better the position I was in, not knowing what would happen.



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Q2590 **Michelle Thomson:** Would you have said at the time—did you trust Dominic Chappell?

Paul Sutton: No.

Q2591 **Michelle Thomson:** Never, throughout the whole interaction?

Paul Sutton: I didn't need to. He wasn't in a position for me to need to trust him. As long as he could drive a car and go into meetings—with the greatest respect, he wasn't that important in what I was doing.

Q2592 **Chair:** That is not true, is it? You have said that he is not only driving you around; he is actually acting as a co-ordinator. He is introducing you to people, and he is also a shareholder.

Paul Sutton: Yes, but he's a shareholder because I didn't want to pay him any money, and acting as a co-ordinator doesn't take the cleverest fella on the planet. He basically just had to do functional things, and I thought he wasn't in a position to do me any more harm. That's how it was.

Q2593 **Michelle Thomson:** I'm still confused that you would give him shares. I have never met anyone like that in my life—where I have lost a shed load of money and they give me a share in a company. I find it hard to understand the genuine set of circumstances.

Paul Sutton: That's how it was.

Q2594 **Michelle Thomson:** We get on to the point that you arrange a meeting with Philip Green in May 2014—you and Dominic Chappell. Do you recall that? Did that meeting take place?

Paul Sutton: With myself, Dominic and Philip?

Q2595 **Michelle Thomson:** Yes.

Paul Sutton: We met with Paul Budge, not with Philip.

Q2596 **Michelle Thomson:** Okay, and can you tell us what happened?

Paul Sutton: Yes. This dossier had been delivered to Philip. I said, "I have to stand down. The whole team is there. You've met all my guys. Dominic is co-ordinating it and you'll be working with them." That was that.

Q2597 **Michelle Thomson:** So you turn up at the meeting. Where did the meeting take place?

Paul Sutton: Arcadia.

Q2598 **Michelle Thomson:** So just walk me through. You walked into the foyer, went up in the lift—

Paul Sutton: Into Paul Budge's office.

Q2599 **Michelle Thomson:** Into his office? What did Paul say to you specifically?

Paul Sutton: He understood because of what had been delivered to Philip.

Q2600 **Michelle Thomson:** Did he tell you? Did he describe it?

Paul Sutton: No, I knew what it is.

Q2601 **Michelle Thomson:** But at what point did you know about it?

Paul Sutton: Just about the same time. Paul Budge told me.

Q2602 **Michelle Thomson:** Right, so what did he say?

Paul Sutton: He said, "This can't go ahead due to the dossier that's been delivered to Philip."

Q2603 **Michelle Thomson:** And what did you say?

Paul Sutton: I said, "Can I see the dossier?" He said, "It's too late, Paul, because it's gone to the company and we just can't go ahead with it."

Q2604 **Michelle Thomson:** And what did you surmise was in it?

Paul Sutton: I had been blackmailed for quite some time, which the police were fully aware about and, indeed, the police are here today. That had gone on for a year and a half before that. We didn't have the witness statements that we have today that now rest with the police. There was an article saying that I had been found guilty and extradited to France, which is not true. We have the proof. You have the proof. The Committee was given the proof the other day. That was all given to Philip and that went round BHS before I could do anything about it.

Q2605 **Michelle Thomson:** When was this blackmail allegation reported to the police?

Paul Sutton: There have been four different reports. The last one was six months ago to Wood Street Police Station in the City.

Q2606 **Michelle Thomson:** So, although you were being blackmailed at the time, you hadn't reported it to the police?

Paul Sutton: I had them stopped.

Q2607 **Michelle Thomson:** At the time?

Paul Sutton: Yes.

Q2608 **Michelle Thomson:** So, it wasn't until after the events—

Paul Sutton: No, the police had been involved. There was an internet campaign against me. I am not really up to speed on the internet. Once we found out about that, Charing Cross Police Station came in and got involved in that.

Q2609 **Michelle Thomson:** So for that initial one, you have an incident number from the first reporting.

Paul Sutton: We have lots of incident numbers. The police spoke to the Tarrant family that did it to me, and they took it off the internet the following day.



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Q2610 **Michelle Thomson:** When was the last contact you had with Philip Green? Was it that meeting?

Paul Sutton: My lawyer has the documents on it.

Q2611 **Michelle Thomson:** Was that the last contact you had with Philip Green or his advisers?

Paul Sutton: Yes.

Q2612 **Michelle Thomson:** Moving forward, what made it necessary—in your view—for you to certify your non-involvement in BHS?

Paul Sutton: I was told that Sir Philip Green asked for it.

Q2613 **Michelle Thomson:** And what made you do that?

Paul Sutton: I didn't want to hold back—it was my fault. I couldn't go ahead. It was not Sir Philip's fault. It was my fault, so the only decent thing to do was to stand back.

Q2614 **Michelle Thomson:** But why certify your non-involvement?

Paul Sutton: That is what they asked me to do. Eddie Parladorio came to me and said, "That's what they want." I said, "Okay." Mr Parladorio had it drafted up and I signed it.

Q2615 **Michelle Thomson:** Given what you are describing—you turn up and you've worked on a big deal with, presumably, what you saw as some significant opportunities, and they unceremoniously dumped you—what would motivate you happily to sign that affidavit? Did part of you not feel like saying, "No, why should I?"

Paul Sutton: Because I thought, at the time, that if they are working on a transaction and it looks like it is going to go through, far be it from me to hold it up. It's not their fault. It's my fault. Why should Sir Philip Green or these people all suffer because I have this campaign against me? It wasn't the right thing to do. It is not something that I wanted to do. In fact, I hated the idea of doing it, in truth, but there we are.

Q2616 **Richard Graham:** Very, very quickly on that, when you were told by Mr Budge that you had to stand down from the deal, what was your impression about who was behind Mr Chappell, effectively picking up the deal?

Paul Sutton: At that point, he was speaking to a company called Black Rock—no, a merchant bank, which I think you have seen.

Q2617 **Richard Graham:** River Rock.

Paul Sutton: River Rock, yes. I met with them once and I thought, if he was going to go ahead with this transaction, he would have the common courtesy to go ahead with the team that we had together, which was Deloitte and everyone else. But he went to see these people and then he turned around and, before I knew it, he had a whole new team involved. I never met them, saw them, spoke to them or anything else—none of them.

Q2618 **Richard Graham:** What was your impression about who was recommending him as the right person to take the deal forward?

Paul Sutton: It certainly wasn't me.

Q2619 **Richard Graham:** Did you sense that Paul Budge or Philip Green were behind it?

Paul Sutton: No. I don't know. In truth, I have watched some of this on the TV and I have seen some of these professionals. I don't know. That is the God's truth. It baffles me. It really does. I have known my team that were working with me for a long time. We have been quite successful in different areas, in floating public companies. How Dominic got all these other people, I just do not know. Honestly, I don't know. It defies gravity, if you want the truth.

Q2620 **Amanda Milling:** One question: in answer to one of my earlier questions, you said that after that meeting which Paul Budge couldn't attend, and the dossier, you didn't have any involvement in any proceedings from there on. However, in October 2014, which is some months after this, you attended a very preliminary meeting with Dominic Chappell and River Rock. Can you explain the discrepancy?

Paul Sutton: They asked me to go along to see River Rock. Dominic asked me to go along with—I can't remember his name; Eddie Parladorio was, I think, there—to explain how the background of the deal that I had put together could be worked up and taken forward. I spent half an hour, perhaps 30 or 40 minutes with them, and that was that.

Q2621 **Amanda Milling:** You can understand my slight confusion, in terms of there was this meeting. Also, given that you had walked away from this, and under the circumstances, why would you attend?

Paul Sutton: I did not want to walk away from it. If I could help, I would help. They didn't ask me for much, because I thought they had everything they needed, but when they went and changed different runners and riders, then I was absolutely no use at all and that was that.

Q2622 **Amanda Milling:** But why would you help? I am kind of trying to square that off. A bit like Michelle, there are some things—

Paul Sutton: I don't see why not to. I had worked hard on this transaction and I thought if it could go somewhere, let it go somewhere. I wasn't going to be involved and I was very sad not to be involved with it. I am at this present minute in time and have been looking at another venture, much, much bigger than British Home Stores, which, if things had been different, would have been very useful to British Home Stores. I can't tell you more about it—I have told the Committee; I told the gentleman—or the name of the company and what it is. I am on a non-disclosure agreement with the company. But it would have helped BHS immensely. So it wasn't just British Home Stores that was going along. I had other plans for British Home Stores, which I then could not bring to bear.

Q2623 **Amanda Milling:** But—

Paul Sutton: Look, six months after they bought the thing, I introduced a Chinese buyer to try and sell the company for them. That was done through Addleshaw Goddard in London. I put this down in my meeting the other day. It is not something that I wanted to walk away from. At that point, I did not have a clue what they were doing to this business.

Q2624 **Amanda Milling:** I'm still confused because it sounds like you did have an attachment to the deal and a personal desire to see it—

Paul Sutton: I don't see what you're confused about. What are you confused about? I could not be involved with the running of British Home Stores, and I had to stand down, so I did. I offered all my professionals, and everybody else, to go and do what they could. If they needed me, they could have come back to me and asked. They asked me a few things, and that's about it.

Q2625 **Amanda Milling:** So they asked you some questions, and you attended this preliminary meeting?

Paul Sutton: And that's why this business plan was given to me. It wasn't my staff who made the business plan; it was given to them. If they wanted to know anything about the project—you have a copy of the document—they would ask me.

Q2626 **Amanda Milling:** Can I ask one more question? What was the benefit to you? You weren't involved in the deal anymore. What was the benefit of keeping involved in the dialogue, in helping them and in attending meetings?

Paul Sutton: There was no dialogue. If I was rung, I would help—that was about it. I was completely unaware of what Dominic et al were up to behind the scenes. I was offering, I thought quite kindly, some information.

Q2627 **Amanda Milling:** People don't necessarily do things out of kindness in business.

Paul Sutton: I do.

Q2628 **Amanda Milling:** I am trying to get to the bottom of this.

Paul Sutton: There is nothing to get to the bottom of. That is what it was. Nothing else, nothing more and nothing less.

Q2629 **Chair:** I have three very quick questions on funding and advisers. Were Rothschilds part of the deal to arrange funding?

Paul Sutton: No.

Q2630 **Chair:** Not at all?

Paul Sutton: With me?

Chair: Yes.



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Paul Sutton: No, I don't know Rothschilds.

Q2631 **Chair:** I am going to quote my L.E.K. letter again.

Paul Sutton: Here we go again. I never met Rothschilds, and I wouldn't know Rothschilds.

Q2632 **Chair:** Let me just quote: "Mr Richard Briance of Edmond de Rothschild Ltd of London telephoned Iain Evans, whom he knew previously, to say that we might receive a call from a party who wished to engage L.E.K. to assist with a business plan for a UK retail business. We understand that Mr Sutton had approached Rothschilds for assistance with a plan to acquire BHS." Is that not correct?

Paul Sutton: That is correct, but we never took any more than one phone call, and Rothschilds never asked to raise money for us.

Q2633 **Chair:** What was the nature of the advice that they would be providing you?

Paul Sutton: The advice, if they were going to supply anything, was structuring and individuals.

Q2634 **Chair:** Individuals?

Paul Sutton: Board members. Non-execs.

Q2635 **Chair:** Did you ever have contacts with Goldman Sachs about this deal?

Paul Sutton: No.

Q2636 **Chair:** None at all?

Paul Sutton: I have never spoken to them.

Q2637 **Chair:** My final question is in relation to Deloitte. I declare an interest, because I used to work for Deloitte. Who introduced you to Deloitte?

Paul Sutton: That would be quite a few years ago. I have known Lee Manning at Deloitte for 10 years.

Q2638 **Chair:** But when this was all being pulled together, what was the nature of that? Did someone say, "Why don't you try Deloitte?"?

Paul Sutton: No, I just rang Lee Manning and said, "Lee, I have an opportunity." He came to two or three or four meetings at BHS.

Q2639 **Chair:** Was that a common thing? If you needed advice, you'd phone somebody—Lee from Deloitte?

Paul Sutton: Yes. I have known Lee for 10 years. I said, "I've got this situation." The same thing with Mike Stubbs at Mishcon de Reya. I said, "Mike, can you come and give me advice on this?" And they would.

Q2640 **Chair:** Mr Sutton, thank you very much for your evidence.

Paul Sutton: Thank you.

Examination of witness

Witness: Neville Kahn, Managing Partner, Financial Advisory, Deloitte.

Q2641 **Chair:** Mr Kahn, thank you very much for attending, and thank you very much for your patience. There have been a number of votes of all different varieties in Parliament today. Let me declare again what I said a moment or two ago. I used to work for Deloitte, which I want to have on the record. Could you talk us through the history of your dealings with Sir Philip Green?

Neville Kahn: Certainly. I first came across Sir Philip in 1992, when I was a manager at PwC on an administration called Parkfield Entertainment. Sir Philip, or Philip Green as he was at the time, was interested in buying some stock from Parkfield Entertainment in the early '90s. I did not have any particular direct dealings with it—it would have been another colleague of mine—but I was aware that he was interested in buying some of that stock out of administration. The next main interaction would have been in early 1996, when I was appointed the administrator of a company called MK One Oxford Street plc, a ladies' fashion apparel business. I was appointed administrator of it, and a company controlled by Sir Philip purchased it. That, I would say, was the first main interaction with him, in 1996.

Q2642 **Chair:** What is the nature of your relationship with Sir Philip Green?

Neville Kahn: As you are aware, I am an insolvency practitioner, and I have been involved in a lot of retail situations. My interaction with him has been through those situations. For instance, I could be appointed over a company that might have a trading relationship with him, like a concession arrangement, or he might be interested in the stock, etc. That is where our interaction would be: through retail insolvencies, predominantly, or distress situations, which is obviously my role.

Q2643 **Chair:** What would that be? As an insolvency practitioner thinking, "I'm dealing with a distressed company here," would you phone up Sir Philip Green and say, "You might be interested in this. You might be able to buy it. There's a fire sale," or whatever?

Neville Kahn: What happens, particularly in retail, as you see, is a very public situation. It would be well known that the situations were there, and we would get many expressions of interest, including from him. It wouldn't be that I was particularly going to him with any situations. As I say, if it was public knowledge that we were involved and appointed as administrators, he would come and ask questions about the stock and the opportunity from the business.

Q2644 **Chair:** How often would you see him? Give us a number. What would a normal six-month period or year be?

Neville Kahn: I would say that prior to November 2013, when we got engaged on this, it would be sporadic. Unless there was a case that I was involved in, I wouldn't see him from one year to the next. It would be very sporadic.



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Q2645 **Chair:** But would there be more regular contact over the phone?

Neville Kahn: No, I am talking about any sort of contact. It would be very irregular.

Q2646 **Chair:** You have been described in the media as part of Sir Philip's inner circle of advisers. Is that a fair summary?

Neville Kahn: It depends what you would describe as an inner circle, but I would say no. As far as advising Sir Philip, or Taveta or Arcadia, the first engagement that I have had with him was with respect to this in 2013. That's why I wouldn't describe it as that.

Q2647 **Chair:** I just wanted to clarify that. In terms of Sir Philip Green's involvement with BHS from 2000, the first time that you had any involvement with that company was in 2013?

Neville Kahn: That is correct, yes.

Q2648 **Michelle Thomson:** Hello. Thank you for waiting.

Neville Kahn: Hello.

Q2649 **Michelle Thomson:** Do you enjoy your job?

Neville Kahn: Yes, I do enjoy my job. It has its challenges, I have to say, but having been involved in it for nearly 30 years, I think it is fair to say that if I did not enjoy it, I probably would be doing something else by now.

Q2650 **Michelle Thomson:** You have previously said that you hold the record for the number of people you have made redundant. When you started advising on the sale of BHS, were you looking to add another 11,000 to your grand total?

Neville Kahn: I actually think that quote has been said of me, rather than by me. I think it comes with the territory. If you are dealing with very distressed businesses and insolvencies, you are unable to save every single business that we are involved in. We do save a great deal of businesses and a lot of jobs. It is always sad when you are unable to do that.

We get put into situations as insolvency practitioners which are not of our making. We come in, normally, pretty late in the day and have to deal with the situation as it is. Often, that will mean, unfortunately, that the company or the business cannot be saved. Unfortunately, that sometimes does lead to people being made redundant, but as I said, it is not a situation of our making, and it is very sad. What we try to do is deal with all those individuals in the best way possible.

Q2651 **Michelle Thomson:** As you say, you clearly have a great deal of experience. What were the similarities and/or differences that you saw between BHS and other failed high street retailers? It is a constantly changing market, we know, but what did you see that was similar, and what did you see that was different?



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Neville Kahn: I would say with retail, and particularly anything to do with fashion—there's a clue in the name: fashion things come in and out—businesses have to be able to adapt, and to adapt quickly, to different changes in the marketplace. Often, businesses don't adapt as quickly to the marketplace as they need to. Retailers are obviously very much dependent on what they call footfall, on people coming in and buying the product. Unless you are getting enough people through your door or, these days, through the web, on the internet and digital, that will cause a strain. So I would say that we have seen over the years many operating models, many retailers, who have not kept up with the times and, unfortunately, often have been saddled with a lot of fixed costs—as you know about retailers, the property costs are often quite difficult to negotiate.

Q2652 **Michelle Thomson:** When you are using that language, are you just really applying that to BHS, in terms of not keeping up with the times?

Neville Kahn: When you look at BHS in its last few years, from what I am aware of, it was losing a considerable amount of money—between £30 million and £50 million, I understand—so I think that reflects that it was obviously not getting enough margin through sales, through the business, to support its prospects, so yes.

Q2653 **Frank Field:** Before we move on, will you tell us a little bit more about your relationship with Sir Philip? He likes being reported as having a high social life; did he ever involve you in any of his parties?

Neville Kahn: I have never been to any of his parties.

Q2654 **Amanda Milling:** Good afternoon—evening, I think it is now actually—

Neville Kahn: Let's hope we don't get to morning.

Chair: Don't worry. We will have a break for an hour.

Q2655 **Amanda Milling:** Just a few quick questions about Paul Sutton. Did you ever have any contact with Paul Sutton as to the potential deal in the attempts to purchase BHS?

Neville Kahn: Yes, I did. This would have been in 2014, so he was meeting with Taveta with respect to BHS. Because we had been engaged to do some work already around BHS, on Project Thor, and work was ongoing with that, we were asked to attend meetings, or I was asked to attend meetings with our client, in order to explain and to answer any small questions he might have about that. It was in respect of the work that we had already been doing around Project Thor.

Q2656 **Amanda Milling:** Who would typically attend these meetings?

Neville Kahn: I met him only two or three—maybe a handful of—times. He attended them by himself. Also, on I think two occasions, he asked whether my colleague—whom he mentioned, Lee Manning—could also attend in order, basically, to explain and so he could better understand the situation. As we made quite clear to Mr Sutton, we were acting for Taveta; we were not acting for him, and my colleague was not engaged by Mr



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Sutton. That is why we were not paid any fees, because we were not engaged by him at all. It was purely in order to be helpful, because it was someone he knew at Deloitte—so we could actually just help him in understanding the situation that was there.

Q2657 **Amanda Milling:** So he would attend on his own and not have any advisers there.

Neville Kahn: I don't recall any advisers there.

Q2658 **Amanda Milling:** What about other members of the team?

Neville Kahn: No, he was doing it on his own.

Q2659 **Amanda Milling:** When Paul Sutton was introduced to you in terms of the concept and the potential sale, how was he positioned and presented to you by Sir Philip Green and his team?

Neville Kahn: He was presented to me as someone who had shown an interest in the business. Therefore, because of the work that we were doing, there was a request for some information understanding the financial position of the business, and the restructuring that we were looking at, so it was therefore asked if we could just assist our client by being there to answer any questions.

Q2660 **Amanda Milling:** Was he presented as a credible buyer?

Neville Kahn: We did not really have those discussions about his credibility.

Q2661 **Richard Graham:** Mr Kahn, you were representing Deloitte and representing Sir Philip Green during the discussions over Project Thor. Is that right?

Neville Kahn: Yes. As I explained, I come from a restructuring background, dealing with distressed businesses, so that is why initially the approach into Deloitte to get involved in November 2013 came through me. As it was relatively quick we could see that there was a pension issue to deal with, and that is when I brought in my partner Tony Clare, who came and gave evidence.

Q2662 **Richard Graham:** Yes, but I hope that you will be able to answer some of our questions on the pension side, from your wide experience.

Neville Kahn: I will do my best.

Q2663 **Richard Graham:** What would you say were the major sticking points between the trustees represented by KPMG and Arcadia represented by yourselves on Project Thor?

Neville Kahn: I don't think there were any major sticking points because, in fact, our client had agreed heads of terms with the trustees in the summer of 2014, I think. They were agreed with the pension trustees, and obviously they were advised by KPMG. As I said, there were heads of terms that were agreed.

Q2664 **Richard Graham:** Right, but wasn't there a significant disparity between your estimated outcome statement and that of the trustees?

Neville Kahn: Yes, but an estimated outcome statement is an estimate of, effectively, insolvency recoveries at a point in time. At the time of the heads of terms, there was still discussion, because it is obviously a view of a balance sheet realisation.

Q2665 **Richard Graham:** It is a judgment, effectively, on the realisable value of the assets, isn't it?

Neville Kahn: Yes, and also of the liabilities, because you need to look at what the return would be, so you have to look at both the assets and the bottom half of the balance sheet with the liabilities as well.

Q2666 **Richard Graham:** What sort of things did you analyse were different in your estimate and theirs?

Neville Kahn: In our estimate we would look down the balance sheet and, as far as BHS was concerned, its primary assets would have been its real estate and its stock, or inventory as we call it.

Q2667 **Richard Graham:** What was the size of the difference between your two estimates?

Neville Kahn: I would need to look back at the correspondence about how wide it was. I would say that over time we came closer, as we discussed it. There was very regular interaction, and it was based on information provided to us. As far as our work was concerned, we were not formal valuers of stock or property, so we were relying on the estimates provided to us, which we would then compute into the estimated outcome statement.

Q2668 **Richard Graham:** How accurate were the estimates given to you?

Neville Kahn: You can't tell how accurate they were. They were presumably dependent on the assumptions made at the point in time.

Q2669 **Richard Graham:** You do not think that the estimates given to you were inaccurate.

Neville Kahn: I am not saying that they were inaccurate. They were estimates given to us at the time, based on the information that the company had, and we provided them to KPMG and the trustees.

Q2670 **Richard Graham:** My understanding was that you did realise that there was an estimate that had been based on incorrect information and that you then had to take some action. Is that correct?

Neville Kahn: I don't know what you are referring to.

Q2671 **Richard Graham:** On the estimate that you made—

Neville Kahn: I don't know which aspect you are referring to.

Q2672 **Richard Graham:** Right. And then there were delays in providing the data to KPMG that were also requested by the Pensions Regulator.



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Neville Kahn: No, there weren't any delays. There were requests that came in. We needed to investigate those requests. We would then go back with responses, and there was a continual back and forth of information. There was no delay in providing it. We were obviously relying on the company to provide information to us, and as soon as it came through we would then analyse it and send it on to KPMG in a timely manner.

Q2673 **Richard Graham:** I have a note here. Chris Martin, chairman of the trustees, who you will remember well, was seeking clarification on a number of issues relating to the ongoing support for the pension scheme. The note says that Neville Kahn and Tony Clare contacted him on 10 March to discuss these and requested he provide a clear email from the trustees stating what they want confirmed, as Sir Philip Green is "quite uptight". What was going on exactly?

Neville Kahn: This is March 2014.

Richard Graham: 2015.

Neville Kahn: So, March 2015 was the time when—obviously, the company was sold on 11 March 2015. At that time—

Q2674 **Richard Graham:** What would he have been getting "quite uptight" about at that time?

Neville Kahn: Sir Philip? I don't know, because we actually were not—

Q2675 **Richard Graham:** Those were your words.

Neville Kahn: I don't recall at this point what he was uptight about at that point.

Q2676 **Richard Graham:** So what was the plan you were advising him on exactly, in terms of the pension scheme? You have heard Mr Sutton say that Sir Philip Green said he would "sort the pension", but he did not sort the pension. Instead, he found Dominic Chappell to sell the company to, without sorting the pension. What was the pension solution?

Neville Kahn: As I think Mr Clare said in his evidence, we were engaged to look at both the business and the pension side of it. Continually, our clients were looking for us to come up with ideas to try to find a solution. It was quite clear that the client wanted to find a solution for the pension scheme, given the circumstances.

Q2677 **Richard Graham:** This is what I find rather puzzling. Several times, we have heard discussions of the deal to sell BHS with the phrase "debt-free", but "debt-free" does not seem to have included the pension scheme, where there was a huge debt. What was your advice to Philip Green on that?

Neville Kahn: We were not providing advice in respect of the sale. I imagine that when people talk about debt-free—typically, in the language we use, that would be bank debt. Every company has liabilities that are terms of debt, whether they be pension liabilities, supplier liabilities or

landlord liabilities. I would use the term “debt-free” to talk about bank debt-free.

Q2678 Richard Graham: You would exclude the pension liabilities, which are of course a huge responsibility on the owner of the business, are they not?

Neville Kahn: Correct. I would term that a liability. Typically in the transactions we are talking about, if you talk about selling a business debt-free, I would expect that to mean bank debt-free. It does not mean excluding liabilities.

Q2679 Richard Graham: So if you did take that to mean bank debt-free, what was the Deloitte advice to Philip Green on the pension scheme?

Neville Kahn: Our advice started in January 2014 as Project Thor, with respect to looking at different solutions. That has continued to this day, to look at what the solutions could be.

Q2680 Richard Graham: Project Thor came to an end because the Pensions Regulator asked for information that Sir Philip Green did not wish to provide. Would that be a reasonable summary?

Neville Kahn: No, that is not correct. Project Thor was paused in September 2014 for various different reasons around going into the trading period up until Christmas. Also, at that time, in the discussions with both the trustees and—

Q2681 Richard Graham: You will remember Mr Budge’s famous email about wanting to take into account political difficulties in Ukraine and so on.

Neville Kahn: Yes.

Q2682 Richard Graham: None the less, the timing of it coming the day after the Pensions Regulator had asked for a huge amount of transactional detail, which I think Philip Green described in one email as being 10 years of bullshit, is rather more than coincidental. Are you really saying that there is no connection between the Pensions Regulator’s request for information and the pausing or freezing—ultimately it was never resurrected—of Project Thor?

Neville Kahn: When you look at the correspondence with the regulator at the time, the thousands of documents requested by the Pensions Regulator comes much later. It was not at that time. At that time, there was some correspondence going on. In fact, our feedback from the regulator and the letter from the regulator to Chris Martin, which I think has been part of the evidence, actually showed that they had a report from KPMG, which said, based on the information that they had at that time, they saw little to concern them about moral hazard. However, they wanted a few different areas also looked at.

Q2683 Richard Graham: So moral hazard is precisely those questions of the details of transactions that I was referring to?

Neville Kahn: Yes. At that time I think the client took comfort from the confirmation from the regulator that they were not concerned about moral



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hazard, based on what KPMG had told them. There was a request for further information. As part of the pause, it was absolutely agreed that we would still progress those various inquiries and matters around, for instance, agreeing the estimated outcome statement. There were some inter-company type of issues, so effectively we were trying still to progress that, because there was a pause, to pick up in January 2015 after the Christmas trading period, such that—

Q2684 **Richard Graham:** Why wasn't it picked up?

Neville Kahn: It was, sir.

Q2685 **Richard Graham:** Why did it collapse?

Neville Kahn: We were re-engaged, and I think actually late 2014 there were a couple of calls with Chris Martin, but we effectively got re-engaged in January 2015—

Q2686 **Richard Graham:** Yes. You stated to Chris Martin on 25 January that Sir Philip kept "getting approaches" regarding a sale of BHS. Is that true?

Neville Kahn: That is my understanding, yes.

Q2687 **Richard Graham:** Who were all these approaches from?

Neville Kahn: I do not know because we were not involved in finding or looking for buyers of the business.

Q2688 **Richard Graham:** So when you said Sir Philip kept getting approaches regarding the sale of BHS, did you know that he was getting approaches or did he tell you that he was getting approaches?

Neville Kahn: We would have been informed of that by our client.

Q2689 **Richard Graham:** So the client was telling you that he was getting approaches.

Neville Kahn: Yes.

Q2690 **Richard Graham:** But you had no idea whether that was actually the case and who they were from.

Neville Kahn: Well, when you go through into February 2015, as the company was progressing their discussions, we were asked to attend a few meetings with some of those people who had shown an interest, either to explain the pension dynamic or other dynamics. So, through that work, we became aware of some of the people who were interested in it, because we were asked to go and explain, whether it be Project Thor or some of our work.

Q2691 **Richard Graham:** So your belief is that there were a whole series of serious bidders out there.

Neville Kahn: That is what we were informed, yes.

Q2692 **Richard Graham:** But you cannot share any of these names with us.

Neville Kahn: Well as I said, we were not engaged as a sale adviser of the business. We did attend meetings with more than one party. I do not know, given the confidentiality arrangements between the client and those parties, whether I can disclose those parties, but I can certainly go back and check that, Chairman, if you would like me to.

Chair: Yes, please.

Q2693 Richard Graham: At that stage, then, Project Thor had not been agreed. There was effectively a stand-off between the Pensions Regulator and the owners of the business. Did you think to advise Philip Green that he needed approval from the Pensions Regulator before selling the business, given the state of the deficit of the pension scheme?

Neville Kahn: As I have said repeatedly, we were not involved in that sale. The client had legal advisers dealing with the sale—and if people are actively involved in the sale, the structure of the sale and so on, that would be a question for them and would not be a question for us.

Q2694 Richard Graham: Let me put the question another way, then. If you were providing advice to Philip Green on the sale of a company, how important would it have been for him to get approval from the Pensions Regulator first, in order to know that the pension scheme was not then going to trigger a section 71 two days later or something?

Neville Kahn: The position with needing to get clearance between the different types of transactions for a pension is not my area of specialism, so it would not be something that I would advise on; that would be for a pension specialist to advise on, getting clearance from the Pensions Regulator.

Q2695 Richard Graham: Who, then, gave the advice or made the proposal that Arcadia would pay £5 million a year to the trustees for each of the next three years? Where did that come from?

Neville Kahn: You'd have to ask the client. I don't know.

Q2696 Richard Graham: Nothing to do with you—you were completely unaware of it.

Neville Kahn: We became aware of it, effectively, after the transaction had occurred on 11 March. We were then re-engaged in order to liaise between our client and the purchaser and the regulator. As part of that, there was an interaction after 11 March around the arrangements for going forward with the scheme.

Q2697 Richard Graham: So how did you interpret that? Paying £5 million a year for each of the next three years was not going to solve the pension deficit problem by any wild stretch of the imagination.

Neville Kahn: I interpreted that as—our client was never looking to run away from the pension scheme. It was there, and my understanding from the documentation was that there was an understanding that the pension needed to be solved. The sale to RAL in itself did not solve the issue of the deficit in the pension scheme.



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Q2698 Richard Graham: You have just said that your client was not trying to walk away from the pension scheme, but that is precisely what he did. He sold the company for a pound, complete with a pension scheme with a £570 million deficit and an offer of Arcadia paying £5 million a year for the next three years. What provision was made for the balance of the hundreds of millions of pounds of liabilities to the pension scheme members?

Neville Kahn: Certainly, in my interaction with the client, there was an expectation that there would need to be a Project Thor or a Project Thor-like arrangement. We were aware that Grant Thornton were looking at that, and they came up with their Project Vera. Our client knew that when the plans of the new owner came to trying to find a solution, there might well be a discussion with him—with Arcadia and Taveta.

Q2699 Richard Graham: That is very interesting, because the “Points of principle” document, at paragraph 8, required the new owner to “use its reasonable endeavours to reach a settlement, as soon as reasonably practicable, with the pension scheme trustees as envisaged under Project Thor (or similar)”. That suggests that Arcadia believed that interest rates were part of the reason for not being able to go ahead with Project Thor—the document mentions “following a favourable change in interest rates”—and that rising interest rates would solve the whole problem of the pension deficit. Is that true?

Neville Kahn: I do not recall any specific discussion around interest rates being the key item at that point. As I say, I think that accords with what I said, which was that there was a recognition that the pension solution needed to be found, and that might include our clients. We were certainly there to assist, given the work that we had already done.

Q2700 Richard Graham: Were you involved in the drafting of that document?

Neville Kahn: No.

Q2701 Richard Graham: Who was?

Neville Kahn: I don’t know, because I wasn’t involved.

Q2702 Richard Graham: Right. Is there anything else, Chairman, that you would like to pursue on this? Just for clarification, Mr Kahn, can you confirm when you heard that BHS was to be sold?

Neville Kahn: We heard in late January that there was consideration of a sale, if that’s under the definition of “to be sold”. As part of that, we were part of the communication to the pension trustees and the regulator, to inform them at that time that a sale was being contemplated.

Q2703 Richard Graham: You informed the Pensions Regulator?

Neville Kahn: It wasn’t me personally, but someone on the team. Because we had had the communication—

Q2704 Richard Graham: The team—meaning Deloitte?

Neville Kahn: Yes.



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Q2705 Richard Graham: That is curious, because you have just said that you were not involved in giving advice about having to approach the Pensions Regulator for approval before the sale of a company with a scheme in such a large deficit. But now you are saying that it was actually you who advised the Pensions Regulator about the sale.

Neville Kahn: No, I did not say that it was us who advised with respect to the sale. What I said was that, partly because of the communication on Project Thor between ourselves, the pension scheme and the regulator were going through our channel of my colleagues on pensions. We were asked, as part of the update to the trustees, to make sure the regulator was aware that discussions were happening about a sale.

Q2706 Richard Graham: So Deloitte had a channel of communication with the Pensions Regulator. Did they have one with the PPF as well?

Neville Kahn: No. That would be with the trustees, and with the trustees and the regulator.

Q2707 Richard Graham: And that was your colleague, Mr Clare, who was advising Sir Philip on the pension scheme?

Neville Kahn: Yes. It would be our team. Mr Clare's team was advising Taveta, yes.

Q2708 Richard Graham: But none the less, as far as you know, they didn't think to suggest to Philip Green that it would be important, if not essential, to get the approval of the Pensions Regulator first before selling the company.

Neville Kahn: I think you would have to ask them, as I said. I am personally not aware of the actual regulations around getting clearance or not. I would expect that would have been a discussion between the respective lawyers of the sellers and the buyers.

Q2709 Richard Graham: Chairman, it would be helpful if we could ask Mr Kahn for his colleagues to clarify in writing at what stage they formally advised Philip Green that, if he wanted to sell the company—BHS—without having, as Philip Green would put it, solved the pension scheme problem, they would need the approval and support of the Pensions Regulator first. It would be very interesting to know whether that advice was given and what his reaction was to it, because Mr Kahn either does not know or does not wish to share it with us today.

Neville Kahn: There is nothing here that I would not share. If I was aware, of course I would share it with you. I am more than happy, if there are any further follow-up questions, to look at them and deal with them accordingly, with pleasure.

Q2710 Frank Field: Can I take you back to Sir Philip's wish to fix the pension scheme? We understand there was a meeting with the Pensions Regulator yesterday. Did you know of that meeting at all?

Neville Kahn: Yes.

Q2711 **Frank Field:** Did you attend the meeting?

Neville Kahn: Yes.

Q2712 **Frank Field:** In what capacity did you attend the meeting?

Neville Kahn: Deloitte have a continuing engagement with Arcadia Group Ltd with respect to the BHS pension schemes.

Q2713 **Frank Field:** Given that all these pensions-fixing proposals get names, should we call the proposal that was up on the table yesterday Project Tina? Could you give us some idea what the substance was of Project Tina? What is Sir Philip aiming at now in his wish to fix the pension issue?

Neville Kahn: The project does have a name—Project Atlantic—so I think it is best we call it that, so there is no mistake.

Q2714 **Frank Field:** Let's just accept this: I would guess that a large sum of money will be required to do justice to the pensioners. As the moneys from BHS and Arcadia have gone up to Lady Green, it might be appropriate to call the project of paying back the pensioners Project Tina, wouldn't it, because the money will come from her?

Neville Kahn: The project is called Project Atlantic.

Q2715 **Frank Field:** All right. You can call it Project Atlantic.

Neville Kahn: With respect to the meeting, it was a confidential one, and I would not want to prejudice the discussions going on between our client and the Pensions Regulator by discussing those details here today.

Q2716 **Frank Field:** Would it be true to say that the framework of the previous fixing is the basis of Project Atlantic?

Neville Kahn: Mr Field, I really can't go into any details of that, for the benefit of the scheme members—it is a very sensitive area. I really don't want to prejudice any of those discussions and go into further detail here.

Q2717 **Frank Field:** Fair enough, but one of our main concerns is the pensioners, both the current ones—those who suffered cuts—and those who will suffer cuts on their deferred pensions. I just wondered if you might help us a little further. If you can't tell us anything about the settlement, how near do you think you are to a settlement?

Neville Kahn: Again, it is difficult because of confidentiality. I suppose the best way I could describe it is as a work in progress, but I really don't want to go any further than that, because I don't want to prejudice any of those discussions.

Q2718 **Frank Field:** All right. On the work in progress, we know that the Pensions Regulator was there. Who comprised Sir Philip's team? Knowing them can't affect whether the pensioners are going to get a fair deal, can it? Who were you with yesterday, please?

Neville Kahn: The team was the Deloitte team, representatives from Arcadia and legal representation from Linklaters.

Q2719 **Frank Field:** Can we please ask who was from Arcadia?

Neville Kahn: Certainly. It was Chris Harris, Paul Budge and Sir Philip Green.

Q2720 **Frank Field:** Sir Philip Green?

Neville Kahn: Yes.

Q2721 **Frank Field:** He was there?

Neville Kahn: Yes.

Q2722 **Richard Graham:** Just on that one, Mr Khan made a quite understandable point earlier about distancing yourself from everything to do with the pension scheme. That wasn't your field of activity; it was done by your colleagues on the pension side. You didn't know whether there had been any approach to the Pensions Regulator before the sale of the business. Given all that, and given that you made a point of saying that the pension scheme isn't really your thing, in what capacity were you there yesterday? What advice were you giving, in terms of pensions, which is what the meeting yesterday was all about?

Neville Kahn: All the advice with respect to pensions was given by my partner, Tony Clare, who was there and led the meeting from a Deloitte perspective around pensions.

Q2723 **Frank Field:** So you were there to give the meeting weight.

Neville Kahn: I'm not sure that that would be my interpretation. In any solution, you need to try to find a structure that works. As a restructuring partner, we often look at structures, given the different situations. Some of them may have a pension situation in them; some of them may have a bank debt situation.

Q2724 **Richard Graham:** This was entirely a pension situation. I am just interested in what you brought to the meeting. Were you there because Sir Philip asked you to come?

Neville Kahn: The client requested that I came. It wasn't specifically any one person, but given my involvement previously—

Richard Graham: So who did the request come from, then?

Q2725 **Frank Field:** Richard, can I just pause on that? Who asked for the meeting with the regulator? Did you?

Neville Kahn: We received a call from the regulator.

Q2726 **Frank Field:** In your capacity as what?

Neville Kahn: As the regulator knows, we have an ongoing engagement with Arcadia. The meeting was arranged through me and one of the regulator's team.

Q2727 **Frank Field:** So the regulator found you, or did you find the regulator for the meeting?

Neville Kahn: There were phone calls going backwards and forwards.

Q2728 **Frank Field:** No, no. Who initiated the meeting?

Neville Kahn: On this occasion, I received a call from a member of the regulator's team, who made me aware that the regulator was willing to meet at this point. I took instruction—

Q2729 **Frank Field:** Was there any basis that she was never willing to meet?

Neville Kahn: During the discussions prior to the insolvency of BHS, there were occasions when our client was trying to meet with the regulator, and it appeared that we were unable to organise the meeting.

Q2730 **Frank Field:** As Richard was saying earlier, there you are, and your client flogs the business with a mega pension deficit and without any by-your-leave with the Pensions Regulator. It is not as though the Pensions Regulator was the difficulty here. Surely the difficulty was your side.

Neville Kahn: I don't understand what the difficulty from our side was. Our client was—

Q2731 **Richard Graham:** The key question, which I am having a bit of difficulty understanding, Mr Khan, is this. If you were advising your client, who is effectively Sir Philip Green, on BHS and the pension scheme, I don't understand how on the one hand you appear not to have been involved in the pension issues at all—because that was being handled by your colleagues, and therefore you had no knowledge of whether any clearance was sought from the Pensions Regulator before the sale of BHS for £1, which you implied you did not know about until it had happened—yet here you are, yesterday, in a pretty crucial meeting with the Pensions Regulator precisely on the issue of having to resolve the pension scheme deficit. Do you not see that anyone listening to this might find that rather curious?

Neville Kahn: Let me try to help that curiosity, if it exists. Let me try to clarify the role. I was involved as part of looking at various different options, and I had my colleague helping from a pensions perspective. You subsequently asked me a specific question about requirements for clearance from the Pensions Regulator. That would not be something on which I would opine, because it is not in my specialism.

Q2732 **Richard Graham:** But would you not be aware of that? With your seniority and experience in dealing with insolvency, have you never come across a situation where a company has been sold with a large pension deficit for a totally nominal sum of money? Have you not come across that before? Comet?

Neville Kahn: In this situation, where I had been involved and continue to be involved, and where there are specific points of requirement around clearance, I would rely on the specialist adviser in our team.

Q2733 **Richard Graham:** I understand that, but earlier you appeared to give



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every indication that you had no idea that applying for clearance from the Pensions Regulator before the sale of a company in this sort of situation would be necessary at all.

Neville Kahn: No, what I was actually saying—forgive me if I have not made it clear enough for you—was that we were not actively involved in the sale process of the business.

Q2734 **Richard Graham:** But with regard to selling the business, you were telling the chairman of the pension trustees at the end of January that there were lots of approaches, so it was not as if this came totally out of the sky, from nowhere. You were advising him that there were lots of bids, though you did not know what they were, or who they were from, if we understood that correctly. The idea that your client was thinking of selling the company was surely obvious to you.

Neville Kahn: So therefore you would expect our client, in consummating a sale of the company, to take lawyers' advice around the sale and all the details of the sale, which we were not involved in and not aware of. I would expect, in my professional opinion, them to take advice in respect of those items from their legal advisers at the time.

Q2735 **Frank Field:** Richard, can I come back in? I am puzzled, because Sir Philip has been briefing the press that he is going to fix the pension. You are now telling us that a member of the Pensions Regulator staff phoned you to arrange the meeting that took place yesterday, so in fact it was the regulator that was trying to bring him to the table to put some proposals down to justify his briefing the press that he was going to fix the pension issue. Is that right?

Neville Kahn: No. I think our client—obviously, you had our client here earlier this month—made it clear that he was still there to try to find a solution to get it sorted. Therefore, off the back of that—being quite clear that our client still wished to do that—that's why I am assuming the approach came. Since we have been engaged, our client has tried to find a solution for the pension scheme, and is still there, trying to find a solution to the pension scheme. You can ask the regulator, but I suspect that the call really came in after the clarity that our client gave during his evidence.

Q2736 **Frank Field:** It took a long time for the Pensions Regulator to respond to that; it was weeks ago. One last point on what Richard said: you are presenting yourself as being in a team, but not having the pension expertise, yet the Pensions Regulator staff phoned you asking for a meeting, so that Sir Philip could come along and put proposals on the table.

Neville Kahn: No. The call that came through to me was to clarify that the regulator was willing to meet. The case officer who—

Q2737 **Frank Field:** Besides, why would you ever assume that the Pensions Regulator, who is desperate to sort this out now and was appearing before us, would be unwilling to meet? I find that weird.

Neville Kahn: I didn't say that I had assumed that.

Q2738 **Frank Field:** Right. I thought you said they phoned to see whether the meeting could take place?

Neville Kahn: They did.

Q2739 **Frank Field:** It is their job to have a meeting, isn't it? For the record, you did not initiate this meeting at all? This came from the regulator side?

Neville Kahn: For the record, since getting close to the time of when BHS was going into administration and the CVA, which was March earlier this year, there had been various conversations between our client and the regulator in which our client was seeking to try to find a solution against the backdrop of, whether it be a CVA or administration, and there was ongoing dialogue with the regulator at that point.

Q2740 **Frank Field:** And your client?

Neville Kahn: And our client, yes.

Q2741 **Richard Graham:** Chair, can I just ask a quick question?

Chair: Very quickly, because I am conscious of the time.

Richard Graham: Looking at this, the thing that comes over most strongly is your description of a company being sold debt-free, and your understanding that debt-free means bank debt free, without any allusion to the fact that it may or may not have a pension scheme with huge liabilities. Does that reflect your understanding or your client's understanding of pension schemes? How seriously did both you and your client take the pension scheme and understand that it was a debt—an obligation—that had to be paid by someone?

Neville Kahn: Very seriously.

Q2742 **Richard Graham:** But you were quite comfortable with him describing it as selling the company debt-free, even when it included the deficit in the pension scheme?

Neville Kahn: I think it was very clear to all parties that the liability of the pension scheme is to the employer companies within the group, so it wasn't sold liability-free at all.

Q2743 **Richard Graham:** So it was very clear when he sold the company that he was getting rid of the pension scheme as well?

Neville Kahn: No, the pension scheme is a liability of the companies, which effectively were the employer companies.

Q2744 **Richard Graham:** But he was just selling the company, wasn't he?

Neville Kahn: Yes.

Q2745 **Richard Graham:** So what would his liability have been on that?

Neville Kahn: I think, as you have referenced, there were ongoing discussions—



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Richard Graham: Five million pounds for three years. That's £15 million.

Neville Kahn: There were ongoing discussions with respect to how the pension scheme would be sorted after the sale and the contribution—

Q2746 **Richard Graham:** But it would no longer be the owner's responsibility, surely? You are a practitioner in this. It is no longer the previous owner's responsibility once the company has been sold, is it? So how can your client credibly go on saying he wanted to sort the pension scheme and then get rid of it in a sale of the company for £1?

Neville Kahn: I think, very credibly, our client has said that he has still, even though it was sold, been trying to seek a solution for the pension scheme.

Q2747 **Richard Graham:** That I agree, and we have to hope that is the case, but at the time of the sale I do not see any sense of that ongoing responsibility at all. If you think there is some, I would be interested to see it.

Neville Kahn: My understanding when the sale was explained to me, effectively after it happened, was that there was an expectation that, shortly after the sale, the different elements of the restructuring that were discussed previously—pensions, landlords and operations—would still be dealt with soon after the sale. Our expectation would have been, for instance, that the new owners would also address the high rental for the properties and also that there would be an immediate interaction with the regulator to try and sort the pension. It was our expectation at the time that, while it had been sold and there were new owners, trying to find a solution to the pensions would happen very soon after that.

Q2748 **Frank Field:** Is that because Sir Philip was really still running BHS that you would have that expectation? My impression, listening to all the evidence, is that he is Banquo's ghost—he continued to call the shots on all of these areas—so it would be quite reasonable, in answer to Richard's question, that he would continue to try to solve the pension problem for BHS because he was still, in effect, running it. He was the one who tipped it into liquidation—administration.

Neville Kahn: It was not Sir Philip or Taveta or Arcadia that tipped the company into administration, no. With respect to who was running the company after the sale, my understanding is that it had a management team led by the CEO of BHS, Darren Topp. Obviously the new owners brought in their own advisers—the Grant Thorntons and the Olswangs and their various lawyers and their board—in order to run the business. That is who was running the business after the sale.

Q2749 **Richard Graham:** The difficulty of your position is that, on the one hand, you are trying to say, "The company was sold to an independent entity, RAL Ltd. They were responsible for running the company and there was no legal responsibility for the previous owner at all for either the business or its pension scheme." On the other hand, you are saying that Philip Green still wanted to sort the pension scheme of the company he had just



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sold, although there is no evidence for that, other than this commitment for £5 million a year for three years from Arcadia, which, as I have hinted, is really a drop in the ocean compared with the size of the overall pension deficit. Which is it? Which do you really believe was the situation?

Neville Kahn: I absolutely believe, and I have seen, that Arcadia and Taveta have tried to continue to find solutions to sort the pension scheme.

Q2750 **Richard Graham:** Can I ask one final question? Why is it taking so long? The buy-out valuation from the PPF has been known for a very long time. The buy-out valuation of the scheme as a whole on an insurance basis has been known for a very long time. What has effectively prevented a solution that your client has been talking about for a very long time from being reached?

Neville Kahn: I think the reason for that is that after the sale in 2015, our client's expectations were that it would have been sorted in short order, but because they were not running the business, RAL and its advisers decided not to address the landlords and not to address the pension scheme. It was only in January 2016, when they started to run out of money effectively, that they came back to say, "Let's try to see what we can sort," and that is when we were re-engaged to try and sort it.

Q2751 **Richard Graham:** Which does beg the question as to why it was not sold pension scheme-free, as it was originally promised to be.

Neville Kahn: I'm not sure it was originally promised to be—

Q2752 **Frank Field:** Can I just ask one final question? What was the basis of Sir Philip being there yesterday? Was he there representing Arcadia? Was he there, as I see him, in this role as Banquo's ghost, still running the show and therefore turning up because it was BHS? Alternatively, was he there because he now feels a moral responsibility to meet the pension deficit?

Neville Kahn: We were there representing Arcadia, and we were with three members of the senior management team of Arcadia, which was Sir Philip Green, Chris Harris and Paul Budge.

Q2753 **Amanda Solloway:** Good evening—although I think we are getting to "Good night" now.

Chair: It would be easier to say, "Good morning."

Amanda Solloway: When we had Dominic Chappell here, he told us that the speed of the sale was a major factor in the failure to get a good pensions deal. What was the rush to get a sale through?

Neville Kahn: I don't know what—the rush was that you had a company that was obviously losing money. In my experience, when you are dealing with distressed businesses, they tend to go through on a pretty rapid timetable because you want to get on with the business of trying to stop the losses.

Q2754 **Amanda Solloway:** So the pension scheme was considered at this point.

Neville Kahn: Are we talking now about February 2015?

Amanda Solloway: Yes.

Neville Kahn: Well, absolutely, because as I have explained, it was very well aware of the pension situation. My colleagues briefed RAL's advisers on Project Thor and went through the papers on Project Thor and so on, so the pension scheme situation was very well known, as far as I am aware, to the RAL team.

Q2755 **Amanda Solloway:** Therefore, wouldn't the speed of it going through—the haste—have concerned you?

Neville Kahn: As I said, our role at the time was really to explain the work that we had done, so we weren't involved in the intricacies of the actual deal, but in situations where businesses are in distress, they are often dealt with on a pretty rapid timescale.

Q2756 **Amanda Solloway:** So when Sir Philip Green was selling to RAL, as an example, do you think he felt there was a need to push it through quickly, perhaps in order to gloss over the pension scheme?

Neville Kahn: I wasn't involved in those discussions, so I can't comment.

Q2757 **Amanda Solloway:** Did you have any involvement at all in advising Sir Philip Green between March 2015 and April 2016?

Neville Kahn: After March 2015, when the business was sold, there continued to be some information requests coming through to our client, so we were involved again, through the communication channel that I referenced earlier, in providing information on a timely basis to the trustees or their advisers. But then we were not really involved at all until—it would have been early 2016, when, as I said, we effectively got re-engaged.

Q2758 **Amanda Solloway:** So there was no real involvement between March 2015 and April 2016.

Neville Kahn: Other than just to assist around some information flows, which would come in on occasion. Some information requests came—it was really more in March-April time, going through the second quarter of 2015.

Q2759 **Amanda Solloway:** So in other words, it was April 2016 when you understood that BHS was likely to enter administration.

Neville Kahn: No. First of all, prior to the administration, there were the discussions around the CVA, because the advisers to BHS and RAL made our client aware that they were contemplating a CVA. That is when we were asked to get involved, effectively as a restructuring specialist, and advise our client around that.

Q2760 **Amanda Solloway:** Briefly, you mentioned earlier things about fashion coming and going. When Philip Green originally bought BHS, I think going back to 2001, it wasn't a going concern. It clearly never really became



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some kind of—it probably didn't achieve where he wanted it to go to. In the end, in your view, when it was sold in March, was it ever going to be a going concern as a retailer?

Neville Kahn: First of all, my understanding from the evidence given is that when it was bought, it was profitable, so I would have thought it would have been a going concern at that time. I understand it was still highly profitable. At the time of the sale in 2015, a great deal of restructuring clearly needed to be done. From my perspective, for the restructuring, as I said, the rent needed to be restructured; the operating model and the costs around it I would imagine needed to be restructured; and then—it's not my area of expertise—there's the pension, obviously. Clearly you would expect that there needed to be a turnaround of the offering to the customers, but we would not get involved and did not advise around how to get more people into the shops and so on. That is not something we would do.

Q2761 **Chair:** So is the fact that that had not been addressed over 15 or so years of ownership a real failure? Does that show failure of retail expertise here?

Neville Kahn: I think you have to look at which point it started to turn down, but it is clear that this was making losses for quite a few years prior to the sale.

Q2762 **Amanda Solloway:** Therefore, I guess when Dominic Chappell took it over, would a suggestion be that he was looking more to streamline it, in terms of selling properties and so on?

Neville Kahn: I have only seen what has happened post, as I was not involved in understanding his plans for it. I understand he had plans, but I have only seen what has happened since.

Chair: Before I hand over the final line of questioning to Michelle, I want to ask you a very specific question, if I may.

Neville Kahn: Certainly.

Q2763 **Chair:** We have been told that you informed Paul Budge and Chris Martin that the purchaser of BHS had deposited £35 million in a Goldman Sachs account as a statement of intent. Was that the case?

Neville Kahn: No.

Q2764 **Chair:** That was not you?

Neville Kahn: Me? No, definitely not.

Chair: Okay. That is very helpful. Thank you.

Q2765 **Michelle Thomson:** I have a final question. This has certainly been a long session. In terms of Duff & Phelps as the proposed administrators, how was the decision to appoint them made?

Neville Kahn: The ultimate decision to appoint them was obviously made by the BHS board and its advisers. To try to help you understand how they



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got there, I will go back. There was a meeting that I attended with our client. It was the BHS directors, management team, and their advisers looking at the immediate cash flow of the business. The company, at this point, is already in CVA. It is about a month after the CVA, and they are needing cash.

Q2766 Frank Field: When you say your client, do you mean Arcadia or Sir Philip?

Neville Kahn: Arcadia Group Ltd. So we are there, with Arcadia Group Ltd, and there was a discussion around the cash flow, the cash-flow facilities that RAL were trying to raise and whether there was sufficient cash for the company to trade on. At that meeting, the finance director—I am not sure if it was the finance director, but it was the head of finance for BHS—the chief executive of BHS, various members of the management team and, interestingly, the lawyer from Olswang looked at it and concluded that it was clear the company was running out of cash and would not have enough facilities. At that meeting, we could see the BHS management team concluded that because, I think, they had not sold the property for the amount they were expecting, which was in the cash flow, and all these things were getting delayed. At that meeting, there was a discussion about who should be appointed as the administrator if they decided to go into administration. That meeting was on 18 April.

During that meeting, a couple of firms were mentioned. One of those was Duff & Phelps. I was asked what my view was about Duff & Phelps. Obviously, as an insolvency practitioner, we tend to know all the different firms. I commented that I thought they were capable of doing the job. They had done other large retailers; I was aware of that, so I commented on it at the meeting. After that meeting, I said to them, “We can’t advise”—we were not advising BHS—“They need to go back and speak to their own lawyers and decide whether they want to go into administration.” I have seen in the evidence the board minutes where the BHS group, with their advisers—we are not involved in that at all—decided to appoint Duff & Phelps.

Q2767 Michelle Thomson: That is your role in terms of the advisory role to Arcadia. What was Philip Green’s role in appointing Duff & Phelps?

Neville Kahn: Arcadia Group were the floating charge holder. In very normal circumstances, you would expect a company to consult some of its creditors about that. At the meeting, as I said, more than one firm was discussed. As far as I am aware, the BHS directors then went away. They met Duff & Phelps. I was not involved in any of those meetings. They decided—BHS or RAL—to appoint Duff & Phelps.

Q2768 Frank Field: Was Sir Philip at that meeting? Was he part of the Arcadia Group?

Neville Kahn: At the meeting on 18 April, yes, together with the other senior management team—Mr Budge and the other people.

Q2769 Michelle Thomson: And is that what you would normally expect? I



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appreciate there was a floating charge in place, but you would normally expect that the chief exec or whoever held that role would appoint the administrators or meet in the appointment of them, rather than the chief exec of the failing company. Where does the accountability sit?

Neville Kahn: In the vast majority of the cases that I would see, it is the company itself that appoints the administrator. A company basically has the ability to apply to court by sending the forms into it. That is what you would expect; the company would decide to do that, by effectively communicating with its secured creditors. That was what you would see if this was any high street bank. You would expect the company to consult with its secured creditors.

Q2770 **Michelle Thomson:** That is what I am asking. Is that specifically what happened in this case, because what you have described to me—correct me if I am wrong—is that although clearly there were discussions, Philip Green had more of a leadership role? I would have expected the company itself to say, “Right, this is what we’ve got”, to appoint the administrators and to confer with the primary creditors.

Neville Kahn: The company did. My understanding is, and I have read the note from Duff & Phelps, that they went—I’m not sure if it was the next day or a couple of days after our meeting—and met the BHS management team and RAL; I would imagine that they were combined. They got satisfied that Duff & Phelps were the appropriate people to be appointed and they made the appointment. So I don’t see anything unusual in that at all.

Q2771 **Michelle Thomson:** So you didn’t think that it was unusual that Sir Philip had already been in touch with Philip Duffy on 19 or 20 April?

Neville Kahn: At the meeting that I was at on 18 April, Duff & Phelps were openly discussed as a potential appointee. That was why—

Q2772 **Michelle Thomson:** Did you discuss, in terms of company involvement, the proposed administration with anyone else once you were aware of it?

Neville Kahn: Yes. So, after that, we were also aware, because we’d been having some discussions with the trustees and the PPF—of course, at this time, because the company had been in CVA, the actual liability of the pension scheme rested with the PPF. Even though it is in its assessment period, that is the person who votes for the CVA, etc.

I called the PPF to tell them that it was likely that the company might go into administration. They asked me whether it would be Deloitte that would be taking the administration. I said to them, “No, it would not be.” They asked me, “Who?” I said to them, “That is clearly a matter for BHS. I think there are a couple of firms being discussed.” I spoke to them—it would have been during the week of the 18 April—to let them know, because they were, frankly, one of the largest creditors, if not the single largest creditor there, so I thought it—

Q2773 **Chair:** You sounded quite assertive there that you weren’t going to be the administrator. Was there a particular reason why you were quite so



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assertive?

Neville Kahn: Given our involvement, we would consider it to be a conflict of interest.

Q2774 **Michelle Thomson:** Did you have any other discussions in terms of Sir Philip Green's plans for BHS in your conversation with Duff & Phelps?

Neville Kahn: No. My only conversation with Duff & Phelps was just to be aware that there was a situation happening, although I did ask, given that we had been involved, if there was anything else that we could do to help. We were there to help in what was, frankly, a pretty difficult situation. But there was just one call and that was it.

Q2775 **Michelle Thomson:** Beyond the PPF, were there any conversations that you had with anybody else regarding the situation with BHS—any other potential buyers, for example?

Neville Kahn: No. We were not involved at all with any—obviously, I have seen the report that subsequently the administration didn't happen, I think, until the Monday or Tuesday afterwards. There were discussions around potentially a last minute sale, but no, I had no discussions then, no involvement at all.

Q2776 **Frank Field:** One of the many puzzles about all of this, Neville, is who was getting what out of it? I mean, we have established that quite a few bodies got very large fees. One that didn't was Goldman Sachs and yet Goldman Sachs was quite an important player in how this story unfolds. Were you aware of Goldman Sachs' role in being an adviser to Sir Philip?

Neville Kahn: When we became aware that there was a sale happening, we were aware that Goldman Sachs had an involvement but we were not aware of the exact terms of that involvement.

Q2777 **Frank Field:** So none of the advice that Goldman Sachs gave Mr Budge or Sir Philip came on to you at all?

Neville Kahn: Correct. We were not involved in any meetings or discussions with Goldman Sachs with respect to the sale. We just weren't involved with that aspect.

Q2778 **Frank Field:** No, but did their name come up in your discussions at all, which is different?

Neville Kahn: I was aware that there was involvement, but I was not aware of the details of their involvement.

Q2779 **Frank Field:** So, Sir Philip or Mr Budge never said to you, "This is the advice that we have from Goldman Sachs"?

Neville Kahn: As far as I can recall, we didn't discuss it. I can't recall any discussions.

Chair: Neville, thank you very much for your time and for being so patient.