



Scottish Affairs Committee

Oral evidence: [Impact of the closure of City Link on employment](#), HC 928

Tuesday 27 January 2015

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Members present: Mr Ian Davidson (Chair); Mr Adrian Bailey; Mr Brian Binley; Katy Clark; Mike Crockart; Caroline Dinéage; Ann McKechnie; Graeme Morrice; Pamela Nash; Mr Alan Reid; Nadhim Zahawi.

Questions 101-420

Witnesses: **Jon Moulton**, Better Capital, gave evidence.

Chair: Mr Moulton, welcome to this meeting of the Scottish Affairs Select Committee. Today, we are meeting jointly with the BIS Committee. We have taken a particular interest in what happened to the employees of City Link, which, as you are no doubt aware, closed not all that long ago. We were unhappy about the way they seemed to be treated. We have had informal meetings with staff in a couple of locations; we have also had the RMT in; and we have been seeking to have you here, and, obviously, you are here today. We are also trying to get representatives of City Link and the administrators, but unfortunately we have not been able to get all of you on the same day. We appreciate that you were willing to come in at short notice, and that is why we have slotted you in on your own.

I understand that we have to check declarations of interest.

Katy Clark: I would like to make a declaration of interest. I refer to the Register of Members' Interests. In the past, I have received financial donations from the RMT trade union in relation to election campaigns.

Q101 Chair: First, can I ask you to introduce yourself and say what you do, to get it on the record?

Jon Moulton: I am Jon Moulton, who normally has a proper voice. I am chairman of the fund entity that owned the shares in City Link.

Q102 Chair: You have said previously that Better Capital had to consider the City Link investment for longer than normal. Why was this?

Jon Moulton: The initial investment or the exit?

Q103 Chair: The initial investment in City Link.

Jon Moulton: It was a very challenging deal. The company had lost somewhere in excess of £300 million for its prior owners, so it was clearly a very frightening sort of company. We had to believe there was a way forward to cut costs and improve systems and processes to get it to be a profitable company and an investment worth having for our shareholders.

Q104 Chair: Presumably, when you invested in it, you thought that all of that could be done.

Jon Moulton: Of course we did.

Q105 Chair: Am I right in thinking that with hindsight it was a mistake?

Jon Moulton: I do not think you need to be particularly good at hindsight to recognise that it was a mistake.

Chair: Fine. I just wanted to clarify some of these things.

Q106 Caroline Dinenage: Better Capital's website states that, when you look at potential investments, one of the questions you ask is whether there are "a few controllable steps" to move a business to profit. What did you think those steps were in the case of City Link?

Jon Moulton: They were basically business process steps. The company was run with a very large level of overhead, and we thought we could reduce that quite substantially. We thought we could improve the network of depots. Both those proved to be correct—that we could in fact do so. We thought we could improve the IT systems, which were just horrible, to something much better. We made some progress on that, but ultimately we did not finish it before things came to a head.

Q107 Caroline Dinenage: What would you say were the main things that changed between buying City Link in April 2013 and its going into administration in December 2014?

Jon Moulton: Largely, a decline in the market. We were losing customers steadily; we could not retain customers at rates which made it economic to operate. That was the main macro; that was the real negative that was hurting the business.

Q108 Caroline Dinenage: But those considerations were not taken into account when you were considering your controllable steps.

Jon Moulton: Certainly not adequately.

Q109 Caroline Dinenage: But you feel that the steps that you identified initially as being the controllable ones were controlled sufficiently.

Jon Moulton: I think they were. They were not perfect. We do not pretend we are perfect at managing things, nor do we employ perfect managers, but they did pretty well. These were not done badly. I am sure mistakes were made—in fact I am certain they were—but, on the whole, I would say that people probably deserve scores of seven or eight out of 10.

Q110 Katy Clark: One of the changes introduced by Better Capital when you bought City Link was greatly to increase the number of people employed on agency contracts. Is that correct? What we have been told is that it made City Link a toxic brand. Do you think that increasing the number of agency staff damaged the firm's brand?

Jon Moulton: I do not think it did damage to their brand. On the subject of self-employed versus employed workers, obviously there are pros and cons all over the place. The first thing that was quite striking when we took over was that, on average, self-employed drivers delivered more parcels in a day than the employed. That is not a definitive answer though, because different parts of the country and different densities made it possible for people to achieve more or less.

For some parts of the country, the self-employed model was a perfect fit; for other parts of the country it was a very poor fit. If you have a highly dense regular delivery area, an employed person makes much more sense. I do not think it had an impact on the brand; it did not affect the quality of service to any great extent. There were certainly instances where it would have done. Some people went to self-employed—because they had a choice—and then discovered they could not make enough money. That was a problem, because if they decided they did not want to turn up for a day it caused problems in quality; but it did reduce costs overall and it did somewhat improve productivity. The process of going to self-employed was not terribly brilliantly executed. Its deployment was tried in some areas where it did not work and it had to be reversed.

Q111 Chair: To follow up the question of self-employment, it was suggested to us that a lot of this was what has been described to us as bogus self-employment. People working for the company were sacked and then re-engaged as private contractors; they were told they had to buy City Link uniforms and have their vans painted in City Link colours by contractors you specified; and they were told that they could not take parcels for anyone other than City Link, so that to all intents and purposes they were actually still employees. Was using that mechanism simply a means of cutting costs?

Jon Moulton: First of all, I have to make the point that I have never been a member of the board of City Link; I have never been to a board meeting, and I certainly was not engaged in any part of the process—the detail—you are talking about. I simply do not know whether or not you are saying fully the truth. I do not think people were sacked and forced to re-hire. Some of the other things I am quite confident would be right. People would presumably be stopped from delivering for other carriers. That would be rather difficult to

handle. I am not sure that it was true of the entire country. From faint memory, one large Scottish subcontractor operated for several delivery companies.

Was it close to employment? Yes, it is. It is a subject which appears in quite a lot of industries. We have an investment in the double-glazing industry where the salesmen largely work for one company, but they choose to be self-employed because they can get more money and a better tax position.

Q112 Chair: The question of choice is the key one here. We met a number of employees, as well as representatives of the RMT, who suggested to us that there was really no choice in it at all. People were told they would no longer be employed by the company, and, if they wanted to be paid by the company, they had to undertake a number of steps, which were exclusivity, buying the uniform, and having a van—I understand you need to have the van, but it had to be painted in the company's colours; and the main advantage to the company was simply in terms of driving down costs. Why I think this was significant is that a lot of these people have now ended up without the protections they would have had under a closure, had they remained employed.

Jon Moulton: Certainly, anybody who becomes a contractor rather than an employee absolutely loses their employment protections. That is the current law, and it is very much in the hands of people like you to deal with whether or not you think it is appropriate.

As regards the company, I do not know of any individual fact patterns that match what you are saying, but they may have occurred. If people were told their jobs were terminated but, if they would like to, they could reapply for the job on the following terms, that is not a gross evil. It is not forcing somebody to come back to work. They were being made redundant, and somebody was going to take up that job as a self-employed driver to deliver the parcels. That was what was happening. Nothing more, nothing less.

As regards the RMT, they never represented more than about 10% of the work force, and I think it would be unfair to describe them as a great help to the business.

Q113 Chair: Leaving aside for the moment our views on the RMT; I was quoting the evidence of the RMT because they seemed to be the only grouping available from whom we could draw evidence. They had gathered it across a fairly wide spread, and there was nothing they said to us that was contradicted by the views of the individual employees in Scotland we were able to speak to.

Jon Moulton: I cannot contradict you; I have no reason to. The RMT may have given you a completely perfect picture; they may not. I really do not know.

Q114 Chair: Maybe I should clarify why we are raising these issues with you. You said you had never been to a board meeting. I think we were taking the view, as most of the people involved did, that you were the big, big boss; I don't think that's the technical term, but that is, effectively, what you were seen to be. You were, as it were, the driving inspiration running the whole shebang, even though you weren't hands on, and there was very little likely to be going on at a macro level inside the business in which you were not involved. While I appreciate that you might not have known about the exact circumstances of Jimmy Smith, or

any other individual, none the less the strategic direction, in particular the question of changing people from being directly employed to being self-employed, was likely to have been something driven by yourself.

Jon Moulton: That is simply not true. I really did not drive that process at all. Beneath me, if you would like to regard me as the big cheese at the top, there lies a firm of highly competent people, which is a consultancy firm, and below that lie the operating partners who look after companies and the management of the companies. The plans for the portfolio of companies are derived by the boards of directors of those companies, which include people from one of Better Capital's arms—yes, definitely—but they are not dominated by it. The plans were derived at a level well below me and realistically not known to me in detail, save as they were reported. Bear in mind that I have never even committed to work full-time for Better Capital, and I don't.

Q115 Pamela Nash: My understanding is that you founded Better Capital. Is that correct?

Jon Moulton: I did.

Q116 Pamela Nash: You said you have layers of people below you making these decisions. In the end, you are at the top of that pyramid. While you say you did not know the details of those decisions at the time, if you had been aware of them would you have taken the same decisions, or would you have made a different decision in terms of people switching to being self-employed?

Jon Moulton: I do not think there is anything inherently wrong with people switching to self-employed. In some cases it would have been to their benefit, and in some cases it would have been to their detriment: no question. There would have been a mixture of people. Some would have been very enterprising, worked their nuts off, done 100 hours a week and made a fortune; others would have found themselves with poor runs where they could not make a serious amount of money and they would have been put in a much worse position. I am sure both happened, but it made it a much more variable cost for what is, remember, a very seasonal business. Parcel delivery does not run at a constant level all year; it explodes at the Christmas period, for example, so you need more variable cost than fixed.

Q117 Pamela Nash: I appreciate that, but on the costs and benefits to those men, and some women, who were working for City Link, and indeed working for the company while it is in operation, I do not see any benefit to those who are self-employed, in the reality they now face with the company going into administration. Was that taken into consideration when these decisions were being made and the company was not in a strong position?

Jon Moulton: The company was actually in a very strong position at the time you are talking about. This company had £35 million in cash on 1 January last year. This company was not in a weak position at that stage and imagining its own insolvency. It went downhill very rapidly this year, with losses well in excess of £30 million. This was not done against a background of expecting failure; it was against a background in the prior year of rapidly diminishing losses and an optimistic forecast for this year of significant profit. It was not made; it did not happen.

I cannot tell you that self-employment is a panacea or a terrible evil; it can be both. It depends on the fact pattern for individual people. If you believe that it was driven simply by a desire to reduce cost, and even if it was, at least it would have meant that the company would have lasted some considerable period longer and preserved jobs for a while. It would have failed earlier, presumably, if the costs had been much higher. In the event, I do not think it saved the company much cost at all.

Q118 Pamela Nash: Was the £35 million in cash to which you referred in the form of loans from Better Capital?

Jon Moulton: Yes, overwhelmingly.

Q119 Mr Reid: Can you tell us how much Better Capital invested in City Link?

Jon Moulton: £40 million.

Q120 Mr Reid: Can you tell us how that investment was structured?

Jon Moulton: Overwhelmingly as secured loan, with a tiny amount of equity.

Q121 Mr Reid: How much of it would be a secured loan?

Jon Moulton: Thirty-nine point something.

Q122 Mr Reid: What is the advantage of making the investment in that way?

Jon Moulton: It gives the company the ability to do things like negotiating with landlords from a much stronger position, and gives the investor the opportunity to recover some of their money if the company fails.

Q123 Mr Reid: Now that the company has failed, how much of that £40 million do you expect to recover?

Jon Moulton: Better Capital is a public company. There is a public company announcement which says that £20 million is about the right number for the expected recovery.

Q124 Mr Reid: If £39 million was a secured loan, why is it that you will get only £20 million?

Jon Moulton: Because there are not enough assets to recover the totality. The company has a £5 million first charge to Rentokil, the previous owners. That comes out of the money before it goes to Better Capital, as do a number of other things. There simply are not enough assets to pay everybody out.

Q125 Mr Reid: You get back about £20 million of the capital. Have you received any interest payments over the year?

Jon Moulton: Nothing.

Q126 Mr Reid: What is the advantage to City Link of the investment? I can see the advantage to Better Capital. What is the advantage to City Link?

Jon Moulton: They had £40 million of cash to use in the business, which they did.

Q127 Mr Reid: You, or rather your company Better Capital, wrote to City Link in September pledging to provide finances to keep it going for another year. Is that correct?

Jon Moulton: No, it is not correct. The company was about to sign up for a set of accounts, and the auditors normally require that a company has 12-month forward visibility of being a viable concern. The initial draft letters provided to the fund required the fund firmly to commit that they would put in essentially unlimited amounts of capital to maintain the company for another year, which, bearing in mind the rate of loss, was not something the fund was minded to do. At that stage, it was minded to try to sort out the company and hoped it would do so.

A letter was provided, after considerable negotiation with the auditors and directors, stating that there was a current intention. I am afraid they were very narrow words in drafting; it does not mean, “I’ll mean the same tomorrow,” and it is a lot less than, “I love you.” We delivered that letter and, on the basis of it, the auditors qualified the accounts to say the company was not clearly a going concern. The words are freely available on public record for you to look at.

We thought that would be a serious blow to the company and we were very sad that we had to put it in that position. In the event, it had almost no impact. People carried on trading with the company regardless of the fact that it had filed pretty dodgy-looking accounts. That is the fact pattern. We had not made any firm commitment. If we had made a firm commitment, we would definitely have honoured it.

Q128 Chair: Can I seek further clarification? I have an extract from *The Independent*, and I am tempted to say that therefore it must be true. It says that the letter you sent said that it was the latter’s—that is, Better Capital’s—“current firm intention to provide finance sufficient to enable the business to continue as a going concern for the next 12 months from the date of approval of the financial statements.” A normal person, I would have thought, would assume that 12 months meant 12 months from the date of the financial statement, which was 9 October, and that you had committed to support it for the next 12 months. I do not quite understand this dancing on the head of a pin about what current intention means.

Jon Moulton: It is dancing on the head of a pin. We had three choices. We could refuse to provide support, in which case the accounts would have been qualified with “Not a going concern,” and the company would almost certainly have gone immediately into bankruptcy. We could have done that. We could have said, “We will provide all the finance whatever happens,” and we would have provided the finance whatever happened. We chose something in the middle and towards the bottom end. “Current intention” is a

term of art meaning “not a lot”; it means “today”, and the auditors, therefore, carried on. The quote you’ve got there is not a precise quote from the letter, a copy of which I have in front of me.

Q129 Chair: We are working on the basis that because it was in *The Independent*, it must be true.

Jon Moulton: That is a very dangerous assumption.

Q130 Chair: Indeed; I am now learning that. Can you clarify what the use of “current firm intention” in the letter actually was? Maybe the staff could get us a copy of that from you.

Jon Moulton: “Current intention”—delete for a second the word “firm”, which is self-evident—means that it is a view held today. We are not saying that we will hold that view tomorrow. We will be affected by the analysis of what is going on. A much longer letter of the same date went to the directors, which talks about “we acknowledge”, “there could be”, “we’re working with you to try and get it”, “we can’t be sure that we will get it”, “we can’t really give you anything much more than that”, and “we will continue to work with management in seeking to deliver a solvent outcome”. Those were the words the directors got at the time.

Q131 Chair: But I would have thought that “current intention” suggests to any normal person that it does not apply just to today. Indeed, we could start subdividing the day. If you say something to me about your intentions, I presume that it’s going to last longer than the time you are actually in the room.

Jon Moulton: There is a considerable difference between intention and undertaking. This is a statement of intention. I am sorry to have to use the words so carefully, but I’m afraid this is a very arcane area. If you use one set of words you get one outcome; if you use another you get another, and so on. There is a very limited number of outcomes.

“Current intention” is a statement, which was made honestly, that it is our general intent to provide funding, provided everything checks out reasonably well. That is really the underlying proviso. Subsequently, a vast amount of effort went into this company to see if there was a solvent route forward. We explored selling the company, merging with others, buying others, cutting the company down to size—every route we could see—to try to deliver a solvent outcome. We had periods of exclusivity with potential buyers that did not deliver. We spent several million pounds in the latter part of the year trying to get to a solvent outcome. We failed. No pleasure whatsoever in that.

Q132 Chair: I understand you failed, but what I am trying to clarify is whether or not your word is worthless. If you express the view that it is your current intention, I would have thought reasonable people could take a degree of comfort from that. Here is a man with loads of money whose current intention is to see us okay, and we are going to be okay for at least 12 months. What you are saying to us, I think, is that that was absolutely meaningless shortly after it was issued.

Jon Moulton: No, I am not. I am saying that at the date it was issued it was an honest statement. There was an immense amount of work going on to look at a financing for the company. That financing was very unstable. At the date that letter was written, the requirement was believed to be £20 million; a few days later it was believed to be £25 million. A few weeks earlier it had been believed to be £15 million. Facts were changing. We were seeing further erosion of the revenues and further erosion of pricing. Things were getting a great deal worse, and it became clear that £25 million might well turn out to be greatly inadequate.

Q133 Chair: But, effectively, for anybody who was looking for assurances, this was worthless.

Jon Moulton: No. What it is is very slightly comforting, and that was what the auditors took out of it and put into the accounts.

Q134 Ann McKechin: If this letter of assurance could only be given weight for a short period of time, would it not be expected that, as you made your investigations and found that, in your words, a completely different picture was occurring, you would intimate to that person at the earliest possible opportunity that your statement about an intention to fund was no longer going to be practically applied?

Jon Moulton: The exact state of where we were at all times was conveyed to the board of directors of the company—not to the auditors, but to the board of the company. At no time were they under any misapprehension as to where we stood and what our likely courses of action were.

Q135 Ann McKechin: That was stated to them in writing.

Jon Moulton: Yes, definitely, and in numerous meetings too. This was an extremely intense process. We had as many as five streams of work going on at the same time.

Q136 Ann McKechin: When you refer to a letter of assurance and say this was your intention, I think the Committee would want to see the text of the letter, because presumably, from what you have described this afternoon, various caveats were attached to that letter which we have not seen. In your opinion, were those caveats very clear, so that they could not have taken any more than, in your words, a very basic degree of comfort?

Jon Moulton: The auditors essentially took no comfort at all: “These conditions, along with the other matters explained in Note 1”, which talks about the company’s liquidity, “indicate the existence of a material uncertainty, which may cast doubt upon the company’s ability to continue as a going concern.” That was what the auditors said after receiving the letter. They did not take much notice of the letter.

Q137 Mr Binley: Mr Moulton, I am a businessman. I founded two companies. They employ only 300 people, but I am very proud of them. I am very proud of being a businessman. The actions of your business shocked me in those terms. Can you confirm that you make the point in the letter—because that is what the quote says—that it will continue as a going concern for

12 months from the date of approval of the financial statements? Did your letter actually say that?

Jon Moulton: For the avoidance of doubt, this is not signed by me.

Q138 Mr Binley: Whoever signed it, it is your company.

Jon Moulton: No, it is not my company.

Q139 Mr Binley: You are involved. Mr Moulton, let's not mess about. Answer my question.

Jon Moulton: You do not run the country, and I do not run this company.

Q140 Mr Binley: But we do run the country.

Jon Moulton: What it says is that it is “currently our firm intention to provide finance, presently estimated at £25 million, sufficient to enable the business to continue as a going concern for the next 12 months”.

Q141 Chair: If I may clarify something for the avoidance of doubt, who signed that letter?

Jon Moulton: This letter is signed by an individual called Tim Daines.

Q142 Chair: What was the headed paper?

Jon Moulton: It is on the headed paper of BCAP12 GP Ltd—a catchy name.

Q143 Chair: I am not familiar with that company. Could that be reasonably taken to have come from you?

Jon Moulton: No, it could not.

Q144 Chair: Where did it come from? Is this guy just writing it on his own?

Jon Moulton: It came from a company of which I am a director. That is correct.

Q145 Mr Binley: With joint responsibility. Thank you. So it was your firm intention in that particular statement to convince people you traded with. It was your intention—there is no other reason for putting that. You wanted people who were your suppliers to believe that they could continue to supply you for a period of time. That was the firm intention of it, wasn't it?

Jon Moulton: No, it was not.

Q146 Mr Binley: Would you have expected—

Jon Moulton: This letter—

Mr Binley: Hang on, hang on.

Jon Moulton: This letter is addressed “Strictly private and confidential”. It is for the use only of the auditors. Nobody else has seen that letter, or knew of its existence.

Q147 Mr Binley: But the point made is that you wished to give the impression that this company could trade and receive supplies from its suppliers for a period of 12 months.

Jon Moulton: Anybody who read the accounts could not form that view.

Mr Binley: Let me tell you, Mr Moulton, that there were very firm rumours in Northampton in November that you were going bust and that people should be wary of trading with you.

Chair: We are going to come to that later, Brian. We want to deal just with this letter at the moment.

Q148 Mr Binley: Okay. We’ll just deal with this letter. I do not have a great deal of confidence in some of the language used by auditors. We as businessmen read between the lines. If I had that letter, I would feel that it was the intention of this company to trade, and that money would be available to trade, for 12 months. Is that a fair assumption?

Jon Moulton: If anybody had written you such a letter—and they didn’t—and they did not write one to any of the suppliers of the company either, you might be able to take that assumption; otherwise, you would be grossly unfair to take that assumption.

Q149 Mr Binley: Then what was the point of the letter?

Jon Moulton: The point of the letter was to obtain a set of audited accounts for the company, a legal requirement for the company, prepared at the last possible moment, against the background that there were three reasonable outcomes: an undertaking to provide finance, which was not given—clearly not given—and was debated at considerable length with the directors and auditors; we could have gone to the other extreme and given no comfort, in which case we would have had a fully qualified set of accounts and would have ceased trading immediately, when the company had reasonable prospects for going forward.

It is up to you where you take the trade-offs in this kind of stuff, but that would have killed all the jobs there and then. Or you can go down the route given here, which is the gentlest of comfort—current intention: plenty of legal background on what that means, if you wish to look at it—addressed to the auditors, not to other people. Nobody was being lured into continuing to supply this company by that letter. Nobody.

Mr Binley: Mr Moulton, I am very glad that my companies did not trade with you.

Q150 Chair: To be clear, the provision of this letter stopped the company being closed down at the point the letter was provided.

Jon Moulton: I cannot guarantee that was the case, but I believe it to be so.

Q151 Nadhim Zahawi: You needed the accounts to be audited.

Jon Moulton: Yes. Actually, I did not—

Q152 Nadhim Zahawi: The company needed it.

Jon Moulton: The company did. Yes.

Q153 Nadhim Zahawi: Otherwise, they could not trade.

Jon Moulton: No. The directors would themselves be fined and subject to various sanctions.

Q154 Nadhim Zahawi: Ultimately, that letter allowed the accounts to be filed.

Jon Moulton: Yes.

Q155 Nadhim Zahawi: Indirectly, the suppliers could be misled, because without filing accounts suppliers would panic; with accounts filed, they would carry on.

Jon Moulton: If they are interested in filed accounts, it is there to be seen.

Q156 Nadhim Zahawi: You know what I mean. If the auditors do not sign off the accounts, without your letter the company is shut down. That is what you have said already.

Jon Moulton: It would have been shut down.

Q157 Nadhim Zahawi: With the benefit of hindsight, could you have worded the letter differently to reflect more honestly the circumstances, considering that this was a private letter to the auditors?

Jon Moulton: It really is an area of rather arcane art. There are relatively few precedent forms of letter that people accommodate. If you get stuck in with the technical departments of the accountants, you get that. “Current intention” is at the weakest end.

Q158 Nadhim Zahawi: I get that, but it is also a fudge to get out a set of accounts that can be interpreted as being okay for 12 months.

Jon Moulton: It could be, but in fairness, I have read to you what it says in the accounts, and they are not—

Q159 Nadhim Zahawi: But do you think now, “I shouldn’t have had that letter,” as a director of whatever the company is called? By the way, can the Committee have those letters?

Jon Moulton: Absolutely. As far as I am concerned, I think you can have all of them. I would have to ask the consent of the directors of City Link to release that. I certainly have no objection to it and I doubt very much that they would, to be honest, but I think I should ask them as it is a strictly private and confidential letter.

Q160 Nadhim Zahawi: But would you have worded it differently—more honestly?

Jon Moulton: I don’t know about more honestly. I might have put it in much clearer language. At the time we were genuinely working on a refinancing of the company. There is no issue about that. Don’t forget, there is no interest on our part in trading this company on to make losses. I am sure that in Brian’s view it would be so against our own interest. This company was losing 2 million quid a month, or a similar number, so why wouldn’t we want it brought to an end? We are not gaining anything from running out the creditors; we are losing money.

Q161 Mike Crockart: In your opinion, what was it that led to the collapse of City Link?

Jon Moulton: At the end of the day, it was too small a company in too difficult an industry.

Q162 Mike Crockart: When did it become clear that that was going to happen?

Jon Moulton: That it was absolutely doomed to be the end really became clear late in the autumn. You could argue about the date; you would take a view on that. In technical—

Q163 Mike Crockart: In Parliament, we have an issue about when autumn actually is, because an autumn statement tends to be in December, so perhaps you could be a little clearer about what late autumn means.

Jon Moulton: If you look at the time lines, to continue trading the company has to have reasonable prospects of meeting its liabilities as they fall due. It is a different test, unfortunately, from the one in the annual accounts, but that is the test the directors had to do—not me, the directors of the company.

At various dates, from the beginning of November until roughly three weeks into November, they were in active discussions to sell the company, with a clear offer on the table, which was subsequently very savagely reneged upon, so no offer came through. We had been looking at refinancing plans continuously—different ways of cutting the company. We had even looked at buying some other companies in the industry to add bulk to the company. The final legs ran out when the last buyer ceased to be on the table, and the last refinancing plan was deemed not achievable, and that actually was on 22 December.

Q164 Mike Crockart: None of that answered my question.

Jon Moulton: As a going concern and stand-alone business, I do not think we had much faith in it from some time in November, but it is a matter of opinion. Different people would have had different views.

Q165 Mike Crockart: At the point when you wrote the letter, you still felt that it had a future.

Jon Moulton: We still thought we had quite a reasonable chance of doing a refinancing. I cannot give you percentages or anything very meaningful. We were working hard to that end. We had just installed a second management team to work alongside the primary management team to try to come up with a solution that would lead to a solvent end.

Q166 Mike Crockart: You understand my question; I am trying to understand what the code means.

Jon Moulton: Can I answer the question?

Q167 Mike Crockart: Let me ask the question first. If you are saying that the letter was written in an accepted code between investor and auditor—that the auditor really knows what it means; that “current intention” really means, “Well, you know what, it’s on a really shaky peg”—if that was your intention, surely at the point at which you were writing the letter, you were pretty much writing off the company.

Jon Moulton: We clearly had doubts as to its ability to continue and to be refinanced. We were working to that end, but I’m afraid you have this black, white and grey problem. We definitely had not made a decision that we would not refinance it; we had not made such a decision, or else we wouldn’t have bothered with the bloody letter. Why would we?

On the other side, we definitely had not formed the view that it was definitely worth putting the money in. We were trying to work towards putting the money in, and at the date of that letter the work was overwhelmingly in that direction, but it was not convinced, hence the form of the letter. I do not know what the stats are, but I would guess that a very substantial number of companies that get “current intention” letters fail in the next year or so.

Q168 Mike Crockart: To jump forward to the point of collapse, at which point there was a rescue bid tabled to try to save City Link, it has been reported to us that one of the reasons the rescue bid failed was that it undervalued City Link assets. Is that your view?

Jon Moulton: First of all, don’t forget that once the administrators are appointed I have absolutely no influence—truly not. The administrator chose to announce the administration, not us; we certainly did not want to announce it on Christmas day, for example. That was forced on us. The administrator dealt with an individual who claimed to represent a consortium. I know a little of this from talking to the administrator subsequently, but I was not around at the time. I do not know what offers he made. I

understand there was no cash; it was largely deferred. It was unclear who the backers were. That's about all I know. The only other thing I know is that the leader of the consortium came from my home town.

Q169 Chair: Is that a good or a bad thing?

Jon Moulton: I don't know. I left it.

Q170 Mike Crockart: Let's not ask which town it is. It has been alleged that it was better for you for the company to continue into administration rather than that any rescue bids should come in, because of the fact that you had the secured loans and would therefore be able to get a significant amount of money from that. Is that the case?

Jon Moulton: Realistically, there would be some level at which that would be true, though somebody who wanted to run this company had to arrive with enough cash to run it. Somebody would have needed, besides whatever they paid us, something like another £25 million of working capital. I do not believe there was anybody around with that. If there had been a credible buyer of the going concern, we had spent three months trying to find one and had failed before the administration.

We hired an accounting firm who spoke to all the players in the industry, including some overseas ones, so we were very carefully looking for any kind of rescue route. You did not need to be a genius to work out that this was a public relations disaster waiting to happen. If we could have found a way that would have led to a going concern sale we would have encouraged it, and if there had been a viable one for the administrator—if he had come to us and said, “Look, you'll get £5 million less”—we would probably have said, “Yes,” but he did not.

Q171 Mike Crockart: In your view, with all the work that you did before it went into administration, you would have been very surprised if the administrators had managed to come up with a way of keeping it as a going concern.

Jon Moulton: We would, because once you have appointed an administrator it is hard to see how you reverse the process. As soon as the pipeline is switched off and customers are moved—they will do it in a day—the company has had it the day it happens.

Q172 Graeme Morrice: What was the loss City Link made in 2012 and what was the loss that was made in 2013?

Jon Moulton: I do not know the number for 2012 offhand; it was very large, because it was partly not in our ownership. I can give you what is in the statutory accounts, but it does not cover the full year. In the last year it lost about £32 million, and in the year before something slightly less.

Q173 Graeme Morrice: The figures for 2013 compared with 2012 show that the loss was much smaller.

Jon Moulton: It depends. Which set of accounts? City Link Ltd?

Q174 Chair: I think we will have to check that. The figures we have been given for 2013 showed that City Link made a loss of £14 million, and in 2012 it was £27.5 million.

Jon Moulton: The £27.5 million sounds about right; the £14 million sounds a bit low.

Q175 Graeme Morrice: Was the figure for 2013 an anomaly?

Jon Moulton: No; things were improving.

Q176 Graeme Morrice: It was clearly an indication or sign of an improvement.

Jon Moulton: The early effects of taking various obvious steps were an improvement in trading.

Q177 Graeme Morrice: Why did you not take the view that that would probably continue to be the case and therefore—

Jon Moulton: If 2013 had carried on. Actually, we valued this investment at March 2013 on the assumption that it would be able to drive itself up into profit, so you can tell that our realisation came later that it was not going to. It was losing money heavily in the first quarter of last year, but then it was planned to. What it was not planning to do was lose money heavily in the second, third and fourth quarters, which it absolutely did. The month of December's accounts have been prepared by the administrator; there was a straightforward loss of £3 million, and that is the busiest month of the year.

Q178 Graeme Morrice: You take the view that the failure of City Link was inevitable.

Jon Moulton: At the end it was. We tried every which way to avoid it being an end, because it is in our economic and, believe it or not, our social desires, too, to make sure that the company survives if it possibly can. It is our business. We do turnarounds; we do not do turnarounds that fail, but we do.

Q179 Graeme Morrice: At that point, you obviously decided to cut your losses and pull out.

Jon Moulton: The directors were in an impossible position come the 22nd. No buyer. The last buyer had retreated over the weekend, and we decided that we could not fund it adequately because, from where we sat, we were staring at another £25 million at least going in. We would lose the £20 million of security we currently had. It would have been a £45 million-plus decision. With the presentation of that refinancing plan, given to us by a very seasoned and experienced management team, in a mode which bore a startling resemblance to a man reviewing the details of his own hanging, there was just no enthusiasm for the trade-on option. I wish there was.

Q180 Graeme Morrice: Clearly, you were disappointed at the underperformance of the funds injected by Better Capital.

Jon Moulton: Yes.

Q181 Graeme Morrice: And you regret that.

Jon Moulton: Of course we do. We sincerely regret what has happened. There is no question but that very severe pain has been administered to a lot of employees and contractors. Nobody wanted to do that. Less important in a social manner but important to our business, we have hurt our investors.

Q182 Mr Reid: In answer to an earlier question you said that Better Capital expected to recoup about £20 million. What proportion of the total assets of City Link does that amount to?

Jon Moulton: It depends what you mean; forgive me for being just a touch technical. If you mean the assets, that is a number which exists before administration, and a different one exists the day after, because it is the realisable value of the assets. I think we will get back £20 million out of about £34 million or £35 million.

Q183 Mr Reid: Where will the other £15 million be?

Jon Moulton: Costs of administration, unsecured creditors prescribed part, and preferred creditors, to the extent that there are some; and £5 million to Rentokil for their prior charge. In fairness, there is still quite material uncertainty to several million pounds as to what the ultimate outcome will be. It is possible we will end up with less or more than £20 million, but not much.

Q184 Chair: For the benefit of those of us who perhaps do not have experience in these matters, I was under the impression from what I had been told, and partly from what you indicated earlier, that secured loans had first goes at all the money—these are not technical terms, you will appreciate. In those circumstances, why would anybody like yourselves do anything other than put in secured loans? Why would you ever put equity into a business when you can put in a secured loan that gets your money out first?

Jon Moulton: For some businesses, you absolutely have to have piles of equity in, because people will not deal with you, and regulators require it. Sometimes there is just no choice. Believe me, many of the UK banks tried to work out how you operated without equity. You need equity in the structure. Most of the structures that Better Capital has are dominantly equity.

Having said that, most turnaround investments are done using the assets basically as an insurance policy if the business does not work—so the use of secured debt, either from an equity provider like Better Capital or, more commonly, from a loan provider, somebody like one of the banks or the asset-based lending side of an insurance company, would take secured assets into the transaction. It is the safest way of operating in a world where there is massive uncertainty.

Q185 Chair: You indicated that of the money that was left—the £35 million or so, without quibbling over the exact amount—you would get only about £20 million, but if you had security over the assets, surely you get yours first. I can understand that the administrators might want to take theirs.

Jon Moulton: For the avoidance of doubt, that is not an immaterial amount of money; in fact it is a lot of money. There are various categories of creditor that are preferred by statute, and then there is Rentokil. That is how it comes out. Being a secured creditor does not put you in front for everything.

Q186 Chair: All the briefing we have indicates that it does. We have secured creditors first and the administrators second.

Jon Moulton: No. Administrators are pre-eminent. They get their money out in full before you see a brass farthing, I assure you.

Q187 Chair: That is great reassurance for any administrators who are here.

Jon Moulton: If it is helpful to the Committee, I will happily send you a summary of how the money gets carved out.

Chair: That would probably be helpful.

Q188 Katy Clark: When did you start making contingency plans for the fact that the company might not be able to continue?

Jon Moulton: We started looking at contingency planning on or about 22 November. That was the first time we looked at that possibility.

Q189 Katy Clark: You will be aware of your legal obligations to consult in good time if you think you may be required to dismiss employees.

Jon Moulton: Absolutely.

Q190 Katy Clark: As a constituency MP, I have been involved in quite a number of situations where companies have gone bust, and there have been very complex financial arrangements involving assets being transferred between different companies. At the end of the day, the company has gone bust and it is the state that ends up paying the bill by making redundancy payments. One of the things we are looking at, as members of the BIS Committee, is whether or not this is another of those types of situation, and what lessons can be learned for the future. Will there be enough money left to make redundancy payments to City Link staff, or will the staff have to claim statutory redundancy pay?

Jon Moulton: In many cases, I think they will probably already have claimed statutory redundancy pay. From my understanding of the asset realisations, they will be reliant upon the state paying out, but let me give you a few numbers to play with. I do not know

accurately the number that will fall to the state, but I think it is of the order of £4 million—something of that size. During the 18 months that we actually owned this company, it paid something of the order of £75 million between employee pay as you earn, national insurance, VAT and contractors' payments of the same nature into the Government, so it has not been a bad deal for the Government.

Q191 Katy Clark: We are not going into how much tax you may or may not have paid over a long period of time. What we are looking at is how business operates in this country, and whether the regime we have is a good deal for taxpayers in particular, which is why I am asking about redundancy pay, and whether you started the process of consultation early enough, in line with your legal responsibilities.

I know that the Scottish Affairs Select Committee has taken evidence in relation to the real situations that the work force are in, whether they are self-employed or not self-employed. I have one example where an employee had been persuaded to go self-employed, was owed £4,500 and was now going bankrupt. If he had known and had notice, it may be that he would have been able to deal with things in a different way. That consultation period is there for a purpose. When was it that you started to consider whether you should start that process?

Jon Moulton: We started to consider that consultation, in line with every other legal duty we had, somewhere round about October. We have taken very extensive legal advice throughout this process from first-class firms. The directors have had independent, expensive advice from a first-class firm.

Q192 Katy Clark: And the conclusion is that you believe the state will probably have to pick up a tab of the order of £4 million through statutory redundancy payments, because nothing else will be available to the work force.

Jon Moulton: I think that is correct.

Q193 Chair: The state ends up picking up the redundancy payments, but you walk away with a big chunk of your money. Is that a fair summation?

Jon Moulton: Absolutely, and it has been so since the first Companies Act.

Q194 Chair: Does that seem reasonable to you?

Jon Moulton: The whole subject matter is one of trade-offs. If the £4 million had been a liability that could not be avoided by an investor, it is less likely that the investment would have been made, so it is a trade-off. Where do you put the line for limited liability? I make the point repeatedly and very clearly: most of these deals are done with a bank holding the secured asset, not the person in my seat.

If we had done this with a bank, you would have had somebody from Royal Bank of Scotland to discuss this issue with, rather than an equity player. We would have lost our £20 million and they would have been protecting theirs. It is a matter of policy, I'm afraid; it is not something where I think there is a clear right or wrong. What you want to do is encourage a turnaround culture to try to rescue companies. If you think you are going to

make things better by inflicting large amounts of cost on people who do turnarounds, you will end up like France where they do not do it.

Q195 Chair: Can I clarify the issue of the £75 million that you mentioned? How much of the PAYE and national insurance was paid by Better Capital?

Jon Moulton: Absolutely none of it.

Q196 Chair: How much of it was paid by City Link?

Jon Moulton: All of it.

Q197 Chair: They paid the PAYE.

Jon Moulton: Yes, of course they did.

Q198 Chair: Did that not come from the employees?

Jon Moulton: Pay as you earn is arguably straight from the employees, or it is arguably a payroll tax. That, as you will be well aware, is a rather narrow distinction.

Q199 Chair: No. I don't think it is a narrow distinction at all. I pay PAYE and it comes off what would otherwise be my salary, so I have paid that. Your employees paid PAYE.

Jon Moulton: I am happy to agree with you that it is trust funds from the employees. I am happy to agree with that; what I am also going to point out, though, regardless of the analysis you put on it, is that the Government still got 75 million quid, and they would not have got it if we had not done that turnaround.

Q200 Chair: I understand that, but I think it is fair for us to take on board that it was not as if you paid this £75 million to the Government as a charitable act.

Jon Moulton: Not at all.

Q201 Chair: You did it on the basis that you could do it—

Jon Moulton: We did it in the hope of generating profitable investment. Of that, we lost £20 million and you could argue that £20 million went to the Government.

Q202 Chair: You might argue that.

Jon Moulton: I would not recommend the argument; I simply make the point you put.

Q203 Chair: I think I understand that. On the question of paying tax to the Government, is Better Capital based in the UK?

Jon Moulton: Better Capital is a UK premium listed fund with its operating company based in Guernsey, in common with the vast majority of that industry.

Q204 Chair: What is the significance of the base in Guernsey?

Jon Moulton: The significance of the base in Guernsey is that there is no tax at the level of the company; there is only tax at the level of the investor.

Q205 Chair: There are tax advantages to the company in being in Guernsey.

Jon Moulton: Absolutely.

Q206 Chair: Far from being applauded for paying £75 million to the UK Treasury in tax, which you could not avoid, you could not unreasonably be condemned for basing yourselves in Guernsey and avoiding paying any more tax than you can possibly avoid.

Jon Moulton: It shows an incredibly simplistic view, if I might say so. There are tons of non-private equity vehicles listed in Guernsey for the same things. Infrastructure funds and, for example, the Government's PFI structures are all located in Guernsey or similar locations, so that you avoid a double tax. If I have a pension fund in the UK that wants to invest in this, they would pay no tax. If I put them through a corporate entity and the corporate entity makes a gain, they pay tax. If you want to call that tax avoidance you can, but it is not; it is merely organising things in a way that people end up where they should be.

All the shareholders in Better Capital are liable to whatever taxes they are liable to on any realised gains that come out of the company and on any dividends that come out of the company. There is no evasion of tax; there is an avoidance of double tax.

Q207 Chair: There is an avoidance, not an evasion. I understand the distinction. Use of the word "avoid" is very helpful for you. I think part of your defence was that everybody else does it as well. I remember having that dismissed in primary school. The fact that all the other boys did it was not an excuse for me to be doing it, so I do not think it is necessarily the sole argument on which you would rest your case, but, to be fair, you did not do that.

Jon Moulton: It is a bit broader than today, but the subject matter is one that the Government are addressing. They are now putting in place a structure where these kinds of things can be done onshore, and future entities of this nature may very well be done onshore. There won't be any tax, because what they are doing is moving the investment manager exemption, as it is called, such that it can be operated from the UK—a very sensible move.

Q208 Chair: I understand much of that. You yourself now live in Guernsey.

Jon Moulton: I do indeed.

Q209 Chair: There are tax advantages to that.

Jon Moulton: There are indeed advantages.

Q210 Chair: I thought there might be. Can I clarify two separate points in relation to the issues that Katy was discussing with you? One is the question of redundancy payments, which I think we have clarified will not fall to the Government. The other is the point about lack of notice, for which there is also a potential penalty. Am I right in thinking that, if it is pursued by the employee, that is also likely to be paid by the Government?

Jon Moulton: I think not.

Q211 Chair: Who would pay that?

Jon Moulton: For a start, I do not think there is a valid claim to run—I really don't. I may be wrong, but I do not think there is. If there is, I am afraid that claim will still just fall into the unsecured creditors.

Q212 Chair: Can I clarify the question that there is not a valid claim to run? My understanding of the legislation is that people are entitled to a period of notice.

Jon Moulton: They are indeed, and the consultation period is the bit you are really interested in.

Q213 Chair: That's right.

Jon Moulton: So the question is, when does that fall to occur? I think the earliest date when it would have fallen to occur was 22 December, and that would have been open to a degree of debate.

Q214 Chair: A few days here and there, but people were dismissed before they had their consultation period.

Jon Moulton: It is very common during—

Q215 Chair: I am not disputing whether it is common; I am just trying to clarify the position.

Jon Moulton: In an insolvency, generally speaking, there is no time to consult with the work force.

Q216 Chair: That is right, and because they were not consulted adequately in line with legislation—

Jon Moulton: Then they can claim that they haven't been given notice. That can be a TUPE'd claim on a new employer.

Q217 Chair: If in these circumstances there is no new employer, there will be a claim which is to be payable by somebody. Will that come from Government funds?

Jon Moulton: I do not think it will come from Government funds. I'd have to verify that, because you are asking me a question I have not addressed.

Q218 Chair: Where might it come from?

Jon Moulton: It would come from nowhere; there is no money to pay it.

Q219 Chair: If it comes from nowhere, it won't be paid.

Jon Moulton: Yes.

Q220 Chair: Effectively, the employees will lose out on that money.

Jon Moulton: They would.

Q221 Chair: Effectively, that is a charge being levied on the employees, by the absence of a payment.

Jon Moulton: Yes, although you can also legitimately take the view that it is a charge that was being levied in a rather odd way. The purpose of the consultation period was consultation. These are circumstances where no consultation is reasonably possible.

Q222 Chair: Can I take you back slightly? You said that in your view—I think I'm quoting this correctly—the company was doomed late in the autumn. You could have started consulting then.

Jon Moulton: You could; if you really want to see a company fail very quickly, you can consult with your staff about redundancy well before the date.

Q223 Chair: You had a choice.

Jon Moulton: No. You only have to do it when you have to do it.

Q224 Mr Binley: I want to understand whether you were trading legally, because from my perspective you were not. City Link had made a loss and—

Jon Moulton: They would not have done it. You are making an extremely serious accusation.

Q225 Mr Binley: Indeed I am, but I have privilege in this place.

Jon Moulton: It is a good job you have, sir.

Q226 Mr Binley: Let me proceed with my question, because you are too cool by half. You worry me, sir. From 2008, City Link had not made a profit; they had made a loss every year.

Jon Moulton: Yes.

Q227 Mr Binley: In April 2013, you bought the company for £1.

Jon Moulton: Yes.

Q228 Mr Binley: You then had a secured situation on the company as a priority for repayment.

Jon Moulton: Yes.

Q229 Mr Binley: Does that mean that your company in truth actually made money out of that deal?

Jon Moulton: It would be one hell of an interpretation, requiring a significant lack of intellect, to form that view.

Q230 Mr Binley: Don't be rude, sir.

Jon Moulton: I am going to, because we have lost 20 million quid. That is clear. We are going to get 20 million out of 40.

Q231 Mr Binley: How much did you say you lost?

Jon Moulton: We have lost 20 and got 20. We put up 40.

Q232 Mr Binley: So you are not a loser.

Jon Moulton: Yes, we are; we have lost 20 million quid: 40 minus 20 equals 20.

Q233 Mr Binley: I understand that. Can I suggest to you that at no point was this company trading with a view to trading out of its financial difficulties? At no point.

Jon Moulton: You can put that point to me. It is a complete falsehood.

Q234 Mr Binley: Why?

Jon Moulton: Why the hell do you think we bought the damn company?

Q235 Mr Binley: I am just trying to work that out. You are a very clever man. You will come out of this in a good situation, but many of the people who trusted you won't. That is why I am putting the point to you, sir.

Jon Moulton: I am absolutely aware of the number of people who are going to come out of this in a worse state than I am. I have already said so and I have apologised for that situation. It is the nature of the world we live in though, to an extent. The fact of the matter is that we have lost £20 million. We had no brilliant gain. There was no property angle—nothing being shuffled to one side, nothing taken out the back door. There is no angle on it. We killed ourselves to try to save this company and failed.

Q236 Mr Binley: Can I suggest to you that you made a very, very bad judgment when you went into it in the first place?

Jon Moulton: With the benefit of hindsight, you are entirely correct.

Brian Binley: Thank you very much.

Q237 Mike Crockart: To return for a moment to redundancy, you previously worked for Alchemy Partners.

Jon Moulton: I did indeed.

Q238 Mike Crockart: In 2011 they made an unsuccessful bid for MG Rover.

Jon Moulton: They did indeed.

Q239 Mike Crockart: It went instead to the Phoenix consortium, who presumably did something fairly similar to what you did in buying City Link—securing their money that went into it through the assets and trying to trade out of difficulties. They failed in exactly the same way as you did in City Link.

Jon Moulton: I think there is about an 800-page BIS report.

Q240 Mike Crockart: Let me finish the question, first of all, and then we can hear your answer. From my perspective, it is very similar to what has happened just now. Your reaction to that and to the fact that the Government had to step in to meet the redundancy payments in that company was: “Now the rest of us ended up paying redundancy and filling up the pension fund, actually a great deal more than the amounts trousered by the Four. The staff and suppliers lost a lot.” You have just said there was not a clear right or wrong in what happened to City Link through your company. You seem to have changed your view from what happened in 2009.

Jon Moulton: There are some significant distinctions. Here is the first basic one. The deal we had agreed at Alchemy in those days was that BMW would pay us approximately £2 billion. That was to pay for the full redundancy and to top up the pension fund in full.

That money was there to be had. The Government of the day chose to intervene. They went out and found themselves the Phoenix Four, subsequently disqualified because of various things you can read about in the BIS report. They only got £1 billion. That is because they did not understand the deal we had done with BMW and asked for the wrong amount of money, and then claimed they got the same one.

The fact that the Government ended up putting up, I think, about £850 million that fell on the public purse, on assorted things in Rover directly, and several hundred million subsequently for redeveloping the area, was entirely preventable. If we had bought it in the first place, all those liabilities would have been discharged within days of acquisition. It is a different fact pattern.

Q241 Mike Crockart: Your argument is that City Link was more of a basket case than MG Rover.

Jon Moulton: The difference was that it was perhaps more of a basket case, but it certainly did not have a fairy godmother with pockets the size of BMW's.

Q242 Mike Crockart: It is all right for your company to walk away with £20 million and leave the Government with £4 million costs, but not for the same to happen in MG Rover in 2009.

Jon Moulton: I do not think it is vaguely the same fact pattern, as I have just described it. It is a very different fact pattern.

Q243 Mike Crockart: It seems very similar from my perspective.

Jon Moulton: There is no question but that the company ended up without money in it, but I would point out that there is a BIS report showing various assets going out of Rover. There have been disciplinary actions against the accountants involved with it. It is a very much murkier picture than anything you are going to find here, however long you ask about it. It just is not the same.

Mike Crockart: There is a BIS report on them already, and we will wait for the insolvency report into this one.

Q244 Ann McKechin: Perhaps I may quote an answer received last week from Matthew Hancock, Minister of State, to a question I put about the administration: "The Insolvency Service first received information that a national logistics firm was at risk via email on 9 December and passed this to the Department for Business, Innovation and Skills...on 10 December. Requests for the company name were rejected as the information was commercially sensitive...It is not uncommon for BIS to receive commercially sensitive information about companies or facilities at risk in strict confidence...BIS treats any such information with the utmost discretion." I am sure you will be aware of the workings of the Insolvency Service. Were you aware that a communication had been sent to the Insolvency Service on the 9th?

Jon Moulton: We were not.

Q245 Ann McKechin: Given the fact that the Department in turn corresponded with the e-mail addressee and did not provide the information on the grounds that it was commercially sensitive, it would suggest that the information came from an informed source. Would you agree?

Jon Moulton: Quite likely.

Q246 Ann McKechin: Do you think that would be good practice, or would you have thought it better practice if they had actually told them the name of the company?

Jon Moulton: I cannot imagine why anybody would think it was particularly useful to anybody to send information in the form you are talking about. During the efforts at selling the company we obviously extracted non-disclosure agreements from all the people we dealt with. Unfortunately, one party—we do not know who, though there are still actions going on to try to find out—leaked the full details of the state of the company to other companies in the industry. It may very well be that it is the same source; it is roughly the same time scale as you are talking about. Somebody was trying to do us commercial damage, and possibly succeeding.

Q247 Ann McKechin: When we talked about engagement with the staff, many told us that they were informed by contractors from other companies that their own company—City Link—was going to go bust, and specifically at Christmas. They had a time period and date which turned out to be entirely accurate. At what stage were staff made aware that their jobs might be at risk? The common conception is that they were made aware on 25 December—on Christmas day—when they were sitting at home with their families. Would that be correct?

Jon Moulton: My understanding is that the first clear statement—a narrow group of people would have been aware on 22 December, the senior management. I am certainly aware that it became more of a rumour during the 23rd. On the 24th, the RMT took it upon themselves to write to their members stating that the company was already in administration. It was not.

Q248 Ann McKechin: If I may quote the answer from Mr Hancock to another written question that I put, he said: “The Department was contacted by Better Capital”—your company—“on 23 December and informed that they intended to put City Link into administration on the following day.” As far as the Government were concerned, from information that I think they would be entitled to rely on, your company was going into administration on the 24th, so it is not exactly surprising that the RMT would want to alert the staff employed at the earliest opportunity.

Jon Moulton: They simply jumped the gun. At the time they sent that out there was no administration, and there might not have been.

Q249 Ann McKechin: Why did your company inform the Government that it was going into—

Jon Moulton: I believe we actually informed them on 18 December that there was a possibility of this occurring. Having made that communication, we heard silence—nothing came back at all. We went back again on the 23rd to say that this was now a very likely thing to occur so that we could make sure BIS were as prepared as they reasonably could be. They were helpful and friendly, but that was the end of that.

Q250 Ann McKechin: You did have a communication with BIS on 23 December, because that is what they are telling me.

Jon Moulton: We did.

Q251 Ann McKechin: That was the day you told them you were going into administration on the 24th.

Jon Moulton: “Almost certainly going”: I think that would have been the form of words used.

Q252 Ann McKechin: But you did not change that information over the subsequent 48 hours.

Jon Moulton: No.

Q253 Ann McKechin: So they would be entitled to rely on that information.

Jon Moulton: Yes.

Q254 Ann McKechin: In effect, if RMT got hold of that information, because it would be going into the public record, it would not be unreasonable for them to tell their members.

Jon Moulton: I am not saying it was unreasonable. It is a shame they decided to put it out as an administration. It is a further shame that they then continued to harass Sky News. Sky News then harassed the administrator, who then produced an announcement on Christmas day, which absolutely nobody wanted to have happen.

Q255 Ann McKechin: Given the fact that 26 December is also a public holiday, were you intending to advise the staff of the company on 26 December?

Jon Moulton: We were doing so as a less evil thing to do.

Q256 Ann McKechin: I am sure they would be grateful for the charity with which you considered your announcement timetable, but it would appear they were to be informed—if they were in their houses on either 25 or 26 December, both days being public holidays—when no mail would be delivered to properties. Were you going to inform via e-mails to their

houses rather than trying to address them in their workplace, where they could be advised with immediate support?

Jon Moulton: I think there would have been a general public announcement, which, as you will have noticed, spreads very rapidly. I think most people would have got there. There were plans afoot—I do not know exactly what happened, because it was post our involvement—to inform them that there would be meetings of all the employees at all the sites to tell them what was going on and explain how the process worked.

Q257 Ann McKechin: It appears to be an utterly chaotic way to deal with it, given the facts that, as you said, you had your advisers in looking at restructuring the company in November, and they have a great deal of experience in this area; that you must have been aware this scenario was a possibility; and that you did not plan any sort of scheme to make sure that the employees were treated with as much decency as could be expected in such a difficult set of circumstances.

Jon Moulton: I do not think that is remotely fair. If you are intending to speak to the administrator in full time, you will discover that there were very extensive plans carefully laid out. All the contingencies were covered. They did not survive contact with Christmas day.

Q258 Ann McKechin: I do not really see the difference between Christmas day and Boxing day, because you had made no arrangements to advise employees where to attend and what information there was, and you had no contact with BIS. If you were aware that your company was likely to go into liquidation, why did you not contact the Insolvency Service in advance to warn them about the situation so that they could in turn—as they say is their normal practice—contact Jobcentre Plus, the Department for Work and Pensions, the Scottish Government and other devolved Administrations so that Government agencies could have in place advice and make preparation? There is a long-established routine for this.

Jon Moulton: I totally agree. My understanding is that Ernst & Young had discussions with the DWP ahead of the appointment. I do not know the content of those discussions; you should ask them. There were discussions. You will see that I went out of my way to make sure BIS were given a warning that this could happen so that we could do contingency planning. The hard fact is that we got nothing back.

Q259 Ann McKechin: I asked them when they first became aware officially of the administration and I was told by the Minister that it was on 23 December—so it was not exactly very much news, was it?

Jon Moulton: The reality is that I have here an e-mail dated the 19th which refers to a conversation the previous day with a member of BIS staff advising him that this was a serious possibility.

Q260 Ann McKechin: I think we would want to have sight of those e-mails of the 19th, because that would seem to be somewhat of divergence from the written answer that the Department of Business has provided.

Jon Moulton: I think you must ask them. I am afraid we have quite clear evidence. We went to great pains to make sure about this; we could see these issues arising. We did not want them, but we knew there was going to be terrible publicity and this was going to be very painful, if it had to be done. We lived in hope that we did not have to do it, until the 22nd, at which point we did. Then we had to make a decision on whether or not the company was pushed precipitately into administration that day or given a couple of days to get itself into better order.

Q261 Ann McKechin: The employees were working considerable numbers of hours of overtime, and you knew on the 22nd that you were going to put the company into administration. We have been told by employees that they got their standard pay up to the end of the month but received no payment for all the overtime they carried out during the month of December, so you allowed the employees of the company to work for a further 48 hours—at the minimum—knowing the company was going bust and knowing that the possibility of them gaining any of their overtime payment was in effect nil.

Jon Moulton: My understanding is that they will receive 100% of their overtime payment as a preferential creditor.

Q262 Ann McKechin: That is not the understanding given to us.

Jon Moulton: I genuinely think you will find that is correct.

Q263 Chair: That will certainly be very good news. Does that mean they would get their money ahead of you?

Jon Moulton: Yes.

Q264 Chair: Goodness me. Somebody on our staff is going to get a good bollocking when we get out of here, because that is not the information we have been given. If you are saying to me that everybody who worked for the company and undertook overtime is going to get their overtime payments, that will come as very welcome news to lots and lots of employees, because in all the meetings we have had with them they have been under the very clear impression that that would not be the case.

Jon Moulton: I have truly no idea why. Arrears of wages in the UK are a preferential creditor.

Q265 Chair: If there turns out to be any hiccup in that process, you would be willing to give part of your £20 million to make sure that all that overtime and so on is met.

Jon Moulton: First, it is not mine, which is a point I am afraid I must make to you; secondly, I do not think it is going to matter; and, thirdly, I would be inclined to do so.

Chair: Good. That is very helpful.

Q266 Pamela Nash: If it's not your money, that's quite an easy thing to say.

Jon Moulton: I am afraid that about 10% of it is.

Pamela Nash: So you could donate that.

Q267 Chair: You say that 20% of it is.

Jon Moulton: No, 10%.

Chair: I am sorry; I just could not hear you. Given that you can pay at least 10% of it, I am sure they will be reassured by that.

Q268 Mr Binley: You mentioned the word "wages". Is there a difference between wages and bonuses in the way you are talking?

Jon Moulton: No.

Q269 Mr Binley: None whatsoever?

Jon Moulton: I do not think so.

Q270 Chair: You mentioned harassment of Sky News. The terms "harassment" and "Sky News" often go together, but not necessarily in the sense that they are being harassed. Can you clarify for me what you meant by that?

Jon Moulton: My understanding, based on conversations with, among others, Sky News, is that the RMT were very anxious to push out their news of the administration, and they continued to do that. I received a phone call at home at about 11 in the morning on Christmas day asking me to confirm or deny, which I refused to do.

Q271 Chair: From whom?

Jon Moulton: From Sky News, again referring to the union. This continued. I understand that, having got nothing out of me, they then switched targets to the administrator, and some time in the afternoon the administrator released a statement—without any reference to me, I am afraid—so the first time I knew it had happened was when the phone was jammed.

Q272 Chair: Can I clarify the question of harassment? I am not sure whether or not you are suggesting Sky News were harassed into making it. The way you phrased it suggested that Sky News had been the harassee, if there is such a word, as distinct from the harasser, which is their normal position.

Jon Moulton: I was going to say that their natural position is definitely the latter.

Chair: Indeed.

Jon Moulton: But I think there may have been an element of the former. I was not present, so I cannot really swear to it.

Q273 Chair: So using the term “harassment” did not really add anything to the discussion at all.

Jon Moulton: Probably not.

Q274 Chair: I just wanted to clarify that. Can I pursue your use of the phrase “less evil”? Why do you use the term “evil”?

Jon Moulton: Because it is a very, very unpleasant thing to do.

Q275 Chair: Absolutely. Lots of things happen in life that are unpleasant, but evil suggests a degree of intent. Can you clarify why you used the term “evil”?

Jon Moulton: It’s funny how we are getting back to the word “intent”. I really did not have any feeling of intention about the word “evil”. I could have used “less painful” to much the same effect.

Q276 Chair: I wanted to be clear whether there was something in particular I had been missing.

Jon Moulton: We were in the horrible position that insolvency was inevitable on the 22nd, and the available choices were very thin. Immediate insolvency would have had catastrophic effects on the public because of the literally hundreds of thousands of parcels for Christmas that would have been left in the hands of unpaid contractors. That would have been catastrophic. We would also have been guilty of making people very unhappy in the run-up to Christmas.

The company spent about £2 million, which you might regard as potentially an asset of Better Capital, between the 22nd and the appointment of an administrator. That was something we went along with relatively happily, because of the really noxious consequences of what was going on. Despite the comments here, it also enabled the organisation of the administration to be done quite well. At one stage, we were faced with the probability that we would have to get a judge out on Boxing day to accomplish the administration, and we were anxious to avoid that.

Q277 Chair: Lest it be seen as harassment, presumably.

Jon Moulton: I have no experience of judges on Boxing day, but I fear they are not in the friendliest of moods.

Chair: Think yourself lucky.

Q278 Mr Bailey: I apologise for coming in late. I had another engagement which I could not miss. Chair, if I stray into questions that were asked before I came in, please forgive me.

Chair: Right; moving on.

Mr Bailey: Going back to what I did hear, Mr Moulton, you implied that in effect the state had been a net beneficiary by your decision to buy City Link in 2013. You must have done due diligence to check whether it was potentially a viable business. What made you think that, and what went wrong?

Jon Moulton: Basically, we thought it was run in a rather fat and happy manner with lots of overheads and poor processes. We thought we could improve those and see our way to a profit from doing so. We didn't get everything right. We got most things right in terms of the operations, but what we got very wrong was what was going to happen to the pricing environment. Prices in the market came under very serious pressure, and we were a weak player in a weak industry where lots of other people had very serious problems too.

Q279 Mr Bailey: Was your assessment based on outsourcing risk—basically, leasing?

Jon Moulton: On?

Q280 Mr Bailey: On leasing equipment and so on to operate it.

Jon Moulton: Most of the assets of the company were leased. Not all, but most.

Q281 Mr Bailey: You changed that model to do that.

Jon Moulton: No, we did not; we bought them already leased, I'm afraid.

Q282 Mr Bailey: You say you did due diligence and you thought there was fat. What could you eliminate from the model they had before that would enhance profitability?

Jon Moulton: It was mostly about reducing middle and senior management numbers, and improving IT systems and operating systems and depot locations.

Q283 Mr Bailey: Did you make many redundant when you took it over?

Jon Moulton: We took some redundancies quite early—not very many—and we took some more further on. There was definitely a need to take out some headcount. It is a very cost-sensitive business, with of course the vast majority of its cost in humans.

Q284 Mr Bailey: In terms of the employees' rights, remuneration, redundancy pay and so on, would it have been better off if you had never made that decision? Would it have been likely to go into administration before it did? I realise you would not have had that decision to make; it would have been Rentokil's.

Jon Moulton: No. We inherited exactly the same terms and conditions. Would people have been better off doing it earlier? They probably would be for the longer-serving members of the staff. Bear in mind that this is a staff that mostly isn't long service; about 80% of the staff had worked there for less than three years, so most do not accrue very much in the way of redundancy liability. Those who had long service, and there would be a few, would definitely have been better off getting redundancy out of Rentokil and an orderly closure than reaching the end of this administration process.

Q285 Mr Bailey: In total, the majority but short-term members of staff were probably no worse off in that process.

Jon Moulton: Yes.

Q286 Mr Bailey: The minority but long-term members of staff were considerably worse off by the decision you took.

Jon Moulton: Yes.

Q287 Mr Bailey: You have lost £20 million on it.

Jon Moulton: Yes.

Q288 Mr Bailey: Not a very bright initiative, was it?

Jon Moulton: I have absolutely no means of sitting here to claim there is anything very good about this. It was an effort to save a company that failed. Efforts to save companies in trouble come with risks. We expect failure; we try to minimise the amount of it.

Q289 Mr Bailey: Do you think it has damaged your business?

Jon Moulton: Of course it has damaged our business; it is a very clear £20 million hole and a very serious reputational hole.

Q290 Chair: Can I come back to what City Link was telling its suppliers at the time you were contemplating closure? I presume you have seen a copy of the letter sent to suppliers. Shall I read it to you?

Jon Moulton: Please read it. I have no idea which one you are talking about.

Q291 Chair: “City Link is aware of unfounded rumours being circulated by a number of our competitors stating that the business will cease trading on 24th December. These rumours are untrue. Those responsible for the rumours will be pursued through our legal processes, wherever they are identified, as the rumours have potentially damaging impacts on our service should suppliers withdraw their support. City Link have recently invested”—a certain amount—“in new Hand-Held terminals as we look to the future and to improve our service to customers. This is the single, clearest signal of our business situation and planned longevity.

Executive board access is available, by prior appointment where any key suppliers still feel uncomfortable and no supplier should withdraw any current commitments without accessing this feedback first.”

Jon Moulton: What is the date of that letter?

Q292 Chair: It is undated. It was given to us, and we were told that it was out in December. This is dishonest, is it not?

Jon Moulton: It would have been definitely dishonest on 22 December; before that it would not have been dishonest, though it could have been misleading. I do not know its date and I don’t know its circulation. Who signed it?

Q293 Chair: Dave Smith, managing director of City Link.

Jon Moulton: I am sorry; I know not of the circumstances. Clearly, there would be a point at which it would be an impossible letter to write. If he had written that at the beginning of December, he might have been a bit on the aggressive side, but he is no worse than that.

Q294 Chair: Clarify for me the difference between “dishonest” and “misleading”.

Jon Moulton: One is a clear yes/no and the other is, “It might be yes and it might be no and we’ll let you work it out for yourself.”

Q295 Chair: Which is which?

Jon Moulton: I think misleading is the second.

Q296 Chair: These rumours are untrue seems pretty unequivocal to me.

Jon Moulton: I do not know the date, but—

Chair: I understand that. I hadn’t finished my—

Jon Moulton: If it was done on 1 December, it would have required extraordinary powers of foresight to know that it was going bust on 24 December.

Q297 Chair: Let me finish my point, if I could. It says, “These rumours are untrue” and suggests legal action would be taken. At some point Dave Smith knew this was incorrect.

Jon Moulton: Yes.

Q298 Chair: As far as I am aware, no subsequent letter was sent, telling people, “I’m countermanding my previous letter. The situation has now changed.” Therefore, if anybody who received this letter had not been told that the situation had changed, they would assume that the information was still valid. *[Interruption.]* Unfortunately, nodding does not get

recorded in *Hansard*, so I will just mention that you nodded at that point. In those circumstances, on the 22nd, 23rd, 24th, and indeed the 25th, every one of your suppliers, which presumably includes small contractors, were being told that the rumour of trading closing on the 24th was untrue.

Jon Moulton: I think you must address this issue with Mr Smith. I don't know. I truly have no idea where this letter was circulated or whether it was signed by him—I just don't know. Certainly, if you had written such a letter and dated it the 22nd, it would definitely be untrue. If he had written it on 1 December, did he have a duty to send out something to contradict it on the 22nd? It is an argument. I am not sure it is a very strong one, but it is certainly an argument.

Q299 Chair: It's not a very strong one. If I tell you something is true and subsequently become aware that what I told you is not true, surely I have a responsibility to tell you that you have been misled and that the situation has changed.

Jon Moulton: At the highest level of behaviour, I am sure that is right, but I am confident that in most daily life you do not do such things.

Q300 Chair: The highest level of behaviour? I am not suggesting that Dave Smith is an archbishop, or anything similar. However, we are talking about people he is dealing with who are spending substantial amounts of their own money to provide a service to the company, and Dave Smith at some stage must have known they would not be repaid. Surely, that gets us pretty close to the higher level of misbehaviour.

Jon Moulton: There is a very short period, from the 22nd to the 24th, when funding was provided to enable things to be done so the directors did not get themselves into a worse position. That was done by us. If you investigate this in detail with Mr Smith, I think you will discover there was no damage done by not making an announcement on the 22nd.

Chair: Fine. We will come to that in a second.

Q301 Katy Clark: You said earlier that wages would be given priority. The question I asked you right at the beginning was about the transfer from direct employment to agency staff and subcontractors. Presumably, those who were subcontracting and those who had self-employed status would not be given priority in any way.

Jon Moulton: Yes.

Q302 Katy Clark: And that is the majority of the work force. Is that correct?

Jon Moulton: I do not think it is the majority.

Q303 Katy Clark: What is the percentage?

Jon Moulton: We think the totality is about 2,400 at the date, 1,000 of which were contractors.

Q304 Katy Clark: There has been a lot of coverage in the media about the fact that many of those people are owed thousands of pounds, tens of thousands of pounds, and the Committee has taken evidence in relation to that.

Jon Moulton: For the avoidance of doubt, I have spoken to several such and had correspondence with many such.

Q305 Katy Clark: You are aware of the fact that many people are in an incredibly difficult situation.

Jon Moulton: Yes, totally aware.

Q306 Katy Clark: You also said very clearly earlier in your evidence that Christmas is a particularly busy period. The evidence we have had is that an awful lot of pressure was put both on employees and on agency staff and subcontractors to take on more and more work during that period. Subcontractors were even taking on extra staff and vehicles over the Christmas period, but you continued to deny there was a problem. Do you think it was right to do that?

Jon Moulton: First, let us go through the alternatives. The management were not at all in a pleasant position at that stage. If you do not meet your service levels—

Q307 Katy Clark: Could you answer the question?

Jon Moulton: I am doing so, but perhaps you will bear with me a moment. The management were in a particularly difficult situation. If they had not employed enough staff to deal with the demand from customers, they were dooming the business because poor service at Christmas is the end of the business. When did it move into one of the Insolvency Act definitions of reckless trading, insolvent trading or whatever? The answer is that that could not be before 22 December.

Q308 Katy Clark: Why couldn't it be? Because that would put you in a difficult position?

Jon Moulton: No, because that was the factual basis. Up to that point—

Q309 Katy Clark: But we are asking you for the evidence of that. That is what the Committee needs to know.

Jon Moulton: You are welcome to my evidence. We had a withdrawn final interested party and a final decision by Better Capital, which came, coincidentally, on that day.

Q310 Katy Clark: To what extent during that whole period were you taking into account the human cost to individuals? How did that factor into your thinking?

Jon Moulton: Quite considerably, but if we are not going to fund it—don't forget that all we are talking about is timing—do we get people to suffer earlier or later? Were the creditors as a group disadvantaged by that process? Were they being correctly dealt with? There is a whole mass of law on the subject, which was followed.

Q311 Katy Clark: When were you going to tell them? You claim that your position, although it does not seem to relate to a lot of the evidence we have seen, is that you did not want to tell them on 25 December; it was a later date. When were you going to tell them?

Jon Moulton: My preference was that the staff would become aware on Boxing day, as the least worse solution. That was as good as it got. It was horrible, but it was as good as it got.

Q312 Pamela Nash: I'd like to pick up a few points that my colleagues have brought forward. Katy Clark was just talking about the additional staff that subcontractors took on. In your answer to Mr Bailey, you said that the average time employees were with the company was about three years.

Jon Moulton: It was less than that; 80-something per cent of the staff have less than three years' service.

Q313 Pamela Nash: I take it that does not include what are now referred to as subcontractors.

Jon Moulton: It does not include contractors. I have no idea about that.

Q314 Pamela Nash: I have not seen the figures for that, I admit, but from my experience of constituents who worked in your central depot in my constituency, all those I met had worked there for more than 10 years, some for 18 or 20 years.

Jon Moulton: Are these people employed by a corporate subcontractor or individual subcontractors?

Q315 Pamela Nash: Individual subcontractors, or small companies with maybe two or three people who did subcontracted work. The impact on them is huge. I made the point earlier about the difference for them in losing unemployment eligibility. It is huge for them, because they worked there for such a long period of time.

Jon Moulton: I acknowledge the point totally. Clearly, self-employed people do not get the protections of employed people.

Q316 Pamela Nash: I did not realise quite how early the Christmas rush starts for a courier firm. They told me when we met them that it started for them in October. That is a long period of time, which would obviously build up a lot of extra hours for the staff. You said that your understanding was that overtime wages would be paid to employees. Does that also cover the subcontractors?

Jon Moulton: No, it does not. If the subcontractors are employed by a small company, which is the case in quite a few cases, it is the small company's job to pay them, not City Link's. That is the way of the world. If they are individuals—

Q317 Pamela Nash: If a small company is entirely dependent on a contract with City Link, because it was stipulated by City Link that they could only work for them, how are they supposed to pay that money?

Jon Moulton: I know this sounds terribly hard, but I think they should have found themselves a better customer.

Q318 Pamela Nash: I agree. They should have found themselves a better customer. One of the companies had just three employees; they've lost £36,000 as a direct result of taking on additional staff and vans, as Katy alluded to.

Jon Moulton: I think the individual in question has written to me.

Q319 Pamela Nash: There will be others as well. To be clear, they will not be compensated for the money they have lost.

Jon Moulton: They will get back a very small portion of their money, but it will be a very small portion.

Q320 Pamela Nash: Do you have any idea how much that will be?

Jon Moulton: I am afraid I do not, but it will not be much.

Q321 Pamela Nash: Ann McKechin asked questions about dates and the most appropriate time to tell people they were likely to lose their jobs. What arrangements were not put in place that would have been put in place had this information not been put out on Christmas eve and Christmas day—if you had been allowed to wait?

Jon Moulton: The moment you tell staff that the company is going bust, given the nature of the trade, the company is dead the same day. You will have some degree of loss of parcels, which will of course mean that your service levels go to hell and you've had it—the same day, pretty well. Some of the people may take it upon themselves to grab some of the parcels. That has happened in one or two areas.

Q322 Pamela Nash: I do not mean weeks in advance. To be clear, was it your intent to put out the information on the 26th or 27th?

Jon Moulton: The 26th.

Q323 Pamela Nash: You said it did not allow you to put in place the support from the administrators and other organisations.

Jon Moulton: I honestly think that the normal level of support for an administration was put in place, and that the employees were dealt with in the normal way for an administration. I certainly have no evidence to the contrary, and I have heard from several sources that that happened. There are a lot of sites, so it is certainly possible there were exceptions.

Q324 Pamela Nash: I have only been an MP for five years this year and, sadly, I have dealt with other situations of unemployment in my constituency. The support given to employees of City Link this time is nowhere near the support received in other cases of redundancy.

Jon Moulton: Who from?

Q325 Pamela Nash: From Government sources having a bit of notice, even from the administrators. In January, when we were meeting with the people affected, some of them still had not received their PACE pack of written information, even though we had been told otherwise.

Jon Moulton: That should not happen, and I think you must discuss that issue with the administrator when he comes. That is totally his job. We did try very hard to make sure that BIS had enough time to respond, for the fairly limited way they needed to respond.

Q326 Pamela Nash: Are you aware of the company directly contacting any organisation other than the UK Government? Obviously, the Scottish Government also had responsibilities.

Jon Moulton: I am not aware of this, bearing in mind that up to this morning I thought I was coming just to the Scottish Committee. We had a very good look to see what Scottish angles there were. There was no contact with the Scottish Government and, as far as I can see, there are no unique aspects of this that relate to Scotland. We even had a quick look at the insolvency provisions to see if there was anything there, and there really is not.

Q327 Pamela Nash: The Scottish Government administer PACE for Scottish businesses. My colleagues will correct me if I am wrong, but in my experience they normally are, and have been, contacted by small and large companies.

Jon Moulton: My understanding is that E&Y did have contact with DWP, and I assume they would have chained it through, because the company operated right through Great Britain.

Q328 Pamela Nash: That is something we will need to look into further. Ann McKechin also mentioned the rumours. We were at the same meeting. We heard from staff that they had heard rumours from colleagues in other courier companies of a very specific date—that City Link was going to close on Christmas day. In your answer, Mr Moulton, you spoke about how that may have been the case from the 22nd, a couple of days before. To be clear, they told us that they had heard these rumours weeks before—the middle to the end of November. It was very specific. Do you have any idea where they would have got that information?

Jon Moulton: This definitely comes under the heading of a plausible theory. The company was clearly not doing well. There were issues, and clearly it had been a loss-making company for an extraordinarily long time. There had been previous sets of rumours. It must have been lunch-time on the 22nd before I knew it was going to be the 24th, so there was no—we hadn't very clearly got our minds wrapped round doing it on the 26th.

Q329 Pamela Nash: As a plausible theory, do you expect there is reasonable suspicion about this because the Christmas rush is the busiest time? Another plausible theory would be that people might think the company was trading, no matter what the results, up until Christmas to get as much income in that period of time.

Jon Moulton: I wish it did. The reality is that this industry is such a bad industry that the busiest month is the worst month. The whole industry has to lay on temporary staff and contractors, who cost a fortune and do not do very well, and the rates are the same right the way through the year.

Q330 Pamela Nash: But City Link are not paying for the extra staff laid on, so it has not come at any cost to City Link.

Jon Moulton: The actual loss in the month was about £3 million in profit, and I think a little worse in cash. It was of no benefit to us to run on, and no benefit to the management to run on. The only “good thing”—you have to put a terrible lot of inverted commas around it—is that a Christmas insolvency did at least mean there were not a lot of parcels that would not be delivered. We could have had one hell of a lot of very upset people without their Christmas presents.

Q331 Pamela Nash: The last rumour I would like to ask about that came up is related to what you have just said, and I understand that it is at odds with some of the other information we have heard. Some large customers, including Mothercare and John Lewis—I stress this is anecdotal, but it has come from multiple sources—made very rapid arrangements to change the courier they were using for their deliveries. There is a Christmas rush but there is also a Boxing day sale rush, and increasingly people do online shopping even on Christmas night and Boxing day. They had other arrangements in place very quickly, so some felt that they might have been tipped off in advance in some way that this was about to happen.

Jon Moulton: Again, I will speak, if I may, a little guardedly, but the reality is that John Lewis was much the largest customer. It was a loss-making contract. For us to maintain their deliveries during December, one of the things that was done was to go to them and say, “We’re not going to carry on delivering your stuff unless you pay a little more and a little quicker.” To that extent—

Q332 Pamela Nash: When did that happen?

Jon Moulton: That happened, give or take, at the end of November.

Q333 Pamela Nash: Do you have any information about the Mothercare contract?

Jon Moulton: I have no knowledge of anything about Mothercare. That may just be a rumour, I think. But it may be fact. I am not necessarily that close, but I do know about the John Lewis situation.

Q334 Chair: Could I follow up a couple of the points you made? On one of them, I think we owe you an apology. I was not aware that you did not know we were contemplating this being a joint meeting. My understanding from the staff—I have just checked it—was that they felt they would be able to tell you this morning once it was formally decided by BIS that it would be a joint meeting, but before that it was only speculation. We in the Scottish Affairs Committee had agreed to invite BIS. They had to jump through hoops before it became formally agreed. You are right. We should have told you from the very beginning, so I apologise for that.

Jon Moulton: Thank you for the apology, but, honestly, it is not really a significant issue against the background to this.

Q335 Chair: No, I did not think it was a significant issue either, but you raised it, so I thought I would respond appropriately.

I confess I was slightly shocked that when you were speaking about the contractors you said they should have found themselves a better customer. Is that only referring to City Link or is it Better Capital in general, because if that is the way you treat people and that is your attitude, I can understand why nobody would want to work for you or with you, unless they could not find an alternative? To be fair to many of these contractors, they could not find an alternative; otherwise, they would not have been working for you.

Jon Moulton: The reality is that anybody who takes on a job with a 100% customer is taking a very obvious risk. These guys may not have had reasonable alternatives; in fact, I assume that in the vast majority of cases they did not, but, if they could, they should definitely diversify their business so that they can survive a change in customer. Markets change. Customers change. People run out of money.

Q336 Chair: Who else do you think would have hired a delivery contractor whose vans were painted in City Link livery to deliver their parcels?

Jon Moulton: Again, I'm afraid this lacks numbers, but it is information from the administrator. A lot of people have been able to re-source jobs very quickly, because the number of parcels going round the UK has not gone down. Some of the other firms have picked it up quite quickly. Yes, it will have involved repainting the vans—no question—and that is a serious amount of money.

Q337 Chair: But that is not the point I was making—about what happened subsequently. It would be very difficult for anybody to try to spread the load by having more than one contract if the only van they had was a City Link van.

Jon Moulton: I agree. For a businessman who has one van and one customer, this is very difficult indeed. For a small company, the argument starts to move a bit the other way.

Q338 Chair: We are told that many of the small companies who had contracts with you were told that they could only deliver your parcels in your liveried vans. Therefore, the vans they had were exclusively for you and were not available to take on other contracts, by your own specification. Therefore, it is a bit harsh, isn't it, to say that they should have gone to work for somebody else?

Jon Moulton: I am not trying to say they should have gone to work for somebody else; I am saying that, where they could, diversifying is a good idea. The sole drivers clearly had no real choice other than to move completely to another source of business. Some of them would have had that option.

Q339 Chair: Can I pick up another point you made? It is a valid point, but I am not sure it has been thought through entirely. You were saying that you wanted to keep it going until Christmas eve in order to make sure parcels were delivered. I can understand that, and I think it reflects to your credit. Had you been saying, however, that these parcels should all be delivered by people who were salaried and employed and who would get, as you understand it, fully paid after the administration, that would be one thing. If, on the other hand, you are saying that these parcels should be delivered by self-employed contractors who are not going to be paid, effectively you are taking a decision out of the goodness of your heart to get Christmas presents out, but somebody else is paying for it.

Jon Moulton: That was why I mentioned earlier that we had put in £2 million between the 22nd and Christmas eve.

Q340 Chair: To do what?

Jon Moulton: To pay down creditors who otherwise would be disadvantaged by continuing to trade.

Q341 Chair: Let me get this clear. Are you saying that all the contractors who undertook work for you in December are going to receive their full payments?

Jon Moulton: No, I am not.

Q342 Chair: In that case, they are disadvantaged.

Jon Moulton: No. The issue really is whether they should have been paid for the work they did on the 23rd and 24th. Cash was put in sufficient to cover that. Whether every contractor ended up being paid for that I do not know; that is in the hands of the administrator, but that was the intention.

Q343 Chair: Let me be absolutely clear. It is your view and understanding that anybody who is a contractor who did work for you after some point on the 22nd when the decision was taken will get the money for that. They might not get the money for the previous period, but they will get the money for that period.

Jon Moulton: I am going to give you a precise answer, because it is the only one I can give you. Funds were provided to enable that to happen.

Q344 Chair: Was an instruction provided that that was what it was for? If you give somebody money in the hope they do something, that is one thing. Was it said, “Here’s this chunk of money. This is what is to be used for”?

Jon Moulton: It is to make sure that the creditors—we literally wanted £2 million to go to the creditors, as closely as we could, to match that. How closely it matched it I do not know.

Q345 Chair: Sorry, we are having some communication difficulties. I understand the point about wanting to see that money go to creditors. Was it specifically tied to the work they were doing on Christmas eve and the 23rd?

Jon Moulton: No, it could not be, because if you think about it for a second, the practicalities—

Q346 Chair: I understand that, but the point I was specifically making to you was that when you were deciding—or you collectively, working on the basis that (a) you are here and (b) you are the big boss, as it were; but if that is not the case you can clarify it—that the Christmas presents should be delivered, you were deciding effectively that somebody else was going to have to pay for that.

Jon Moulton: That would be a view you could take, but we went to great pains to make sure it was not.

Q347 Chair: Clarify for me what pains you took, and can you give us it in writing? You have failed to convince me, I must confess. Can you give us some evidence in writing subsequent to this meeting that that money was zoned, directed or specified as being for that purpose for the 23rd or 24th?

Jon Moulton: We can send you very good details of how that was put together. There are practical issues, so there will be examples where it would not have been done.

Chair: I understand that.

Q348 Ann McKechin: Mr Moulton, when we took evidence in Scotland, one contractor said to me that they were due to be paid on Friday 19 December, which would have been the payment for the three weeks of December. The payment to those subcontractors and freelancers was deferred by City Link on the 19th. When we spoke to them in January, they had not received any payment for the period up to the normal payment date on 19 December, far less for the subsequent work they carried out between 19 December and 24 December. Was the £2 million that you provided on 22 December to cover the deferred payments that should have been made on the 19th, or was it to make payment for the period from 19 to 24 December when the company stopped working?

Jon Moulton: I genuinely doubt if the recipient would care where the money was applied as long as they got it. The intent was that £2 million was released to be paid to the creditors to try to offset that effect. Remember, it is the job of the directors to make sure it is done properly.

Q349 Ann McKechin: Absolutely right, but—

Jon Moulton: The directors were very careful about doing it and they got clear advice on it.

Q350 Ann McKechin: The point is that the payment up to 19 December was a past payment.

Jon Moulton: Yes.

Q351 Ann McKechin: The payment on the 22nd, in the way you have inferred, was for future work from that date to the 24th, or was it to cover both situations?

Jon Moulton: It would be not to cover both situations because there would not be enough money to cover both situations.

Q352 Chair: Is it reasonable to expect that, if on the 24th somebody thought they were not going to get paid to work that day, they would say, “I will not work this day,” or words to that effect, and would not have delivered any parcels?

Jon Moulton: I think some would definitely not have delivered some parcels.

Q353 Mike Crockart: Effectively, the £2 million you are talking about was put in to compensate people who would lose out because City Link was trading while insolvent for those two days.

Jon Moulton: That would be a form of words you could use. It would not be scrupulously accurate, but, yes, the thrust of that is there.

Q354 Mike Crockart: They would not be words you would want to use because it would be illegal, would it not?

Jon Moulton: There are some precise legal terms. Clearly, if—

Q355 Mike Crockart: Trading while insolvent is the precise legal term, but that is effectively what you were doing.

Jon Moulton: That was why the money went in to make sure no such accusation could be run. There is no way the company could lose £2 million of cash in two days.

Q356 Mike Crockart: Potentially, if the £2 million made it to the people who were disadvantaged while you were trading while insolvent, that would be arguable, but you do not know what happened to that money.

Jon Moulton: I cannot tell you, because it was clearly rather—

Q357 Mike Crockart: It is entirely possible that it ended up in the general assets of the company.

Jon Moulton: It is entirely possible, but not. It was spent; I know that much.

Q358 Mike Crockart: You know it was spent.

Jon Moulton: Yes.

Q359 Mike Crockart: How do you know it was spent?

Jon Moulton: Because I have asked.

Q360 Mike Crockart: But you do not know what it was spent on.

Jon Moulton: I obviously do not have a list of who got it or where it went, but it was something which the directors were very keen on putting in place. It is quite common.

I am sorry; this is the real practical world of insolvency. When a company realises it is insolvent, it cannot stop trading the same minute. That would be against the interests of the creditors as a body and against the interests of the employees. The courts have interpreted a few days as quite a normal situation. Clearly, you can be very abusive in that period or you can be very careful. The law is quite clear. These guys were taking advice from one of the best law firms there is, and they were making sure they were on the right side of it.

Q361 Mike Crockart: You'll forgive me if I do not take very much comfort from that, given the circumstances. The bottom line is that the company is effectively worth £2 million more in liquidation than it would have been previously.

Jon Moulton: Not if it falls into the—if it's a reduction—

Q362 Mike Crockart: Because you injected £2 million into the company.

Jon Moulton: If we had punted £2 million in cash and left it sitting there, that would definitely be the case, but if £2 million went out—

Q363 Mike Crockart: By your own admission, you do not know what it was spent on, so presumably the £2 million would have been spent anyway.

Jon Moulton: There are only two places money can go out of the company: unsecured creditors and secured creditors. It did not go to the secured creditors, of that I am certain;

because we did not get it, so it went to the unsecured creditors as a body. It has gone out in that direction.

Q364 Mike Crockart: You think so because you do not know where it went.

Jon Moulton: I do not know which creditors got it and the amounts they got, but as a body they got it.

Q365 Mike Crockart: The end result was that this £2 million was spent rather than another £2 million, so the company ended up being worth £2 million more in liquidation than it would have otherwise been.

Jon Moulton: Not at all, because don't forget that an unsecured creditor who is not paid is unfortunately worthless.

Q366 Chair: I am not sure that would be a great consolation to them.

Jon Moulton: No.

Q367 Mr Reid: We heard earlier that a self-employed business was due to be paid on 19 December and was not paid. Can you give an explanation as to why that payment was not made?

Jon Moulton: I am afraid I cannot; that was in the hands of the company and the directors.

Q368 Mr Reid: Would the company's processes normally make these payments automatically? Would a director have to intervene to stop that payment being made?

Jon Moulton: I have no idea; I am simply not involved in the affairs of the company at that level. I would imagine that it was a conscious decision of a senior member of the staff not to make the payment.

Q369 Mr Reid: A senior member of staff took a conscious decision not to make the payment. Who benefits from that payment not being made?

Jon Moulton: It would leave cash in the business for other purposes. If on the 19th, by way of example, a senior member believed that the company was trying to keep going into the new year, it may very well be that somebody was hoarding cash to make more essential payments to get through the next payroll, or something along those lines, but I am speculating.

Q370 Mr Reid: That is speculation, but that money was not paid. Who now benefits from that money as a result of the decision not to pay it?

Jon Moulton: Unpaid creditors, whether they were deferred on that day or other days. Essentially, the trade-off is between secured and unsecured creditors.

Q371 Mr Reid: The secured creditor benefits and the unsecured creditor loses.

Jon Moulton: Yes.

Q372 Mr Reid: Am I right in saying that you are the biggest secured creditor?

Jon Moulton: We are the biggest secured creditor.

Q373 Mr Reid: You benefited from that decision.

Jon Moulton: We would have benefited from that decision.

Q374 Mr Reid: Is that moral?

Jon Moulton: Is it moral? It depends on what framework you put it in. It is undoubtedly the letter of the law.

Q375 Mr Reid: Is it legal?

Jon Moulton: It is, if it is done properly.

Q376 Mr Reid: Let me get this right. A director takes a decision not to pay a small self-employed contractor knowing that the beneficiary will be you.

Jon Moulton: No. If he knew that, he would definitely be doing wrong; that would be beyond any argument, because he would be preferring one creditor over another.

Q377 Mr Reid: What possible reason could he have had?

Jon Moulton: I can only speculate that he was hoarding cash for other purposes.

Q378 Mr Reid: But was it credible at that point, on the 19th, that the business could survive?

Jon Moulton: It was. On the 19th, we had a presentation on the downsizing plan for the company, which lasted several hours. That was being quite seriously considered. We were in discussions on the 19th with a potential acquirer for some or all of the business, and I was moderately optimistic that might have led somewhere, but it did not. On the 22nd we had decided against funding the restructuring, and that buyer had gone away.

Q379 Mr Reid: You are saying that the director taking a conscious decision not to pay suppliers was somehow going to help to save the business.

Jon Moulton: Yes, it would, if it was maintaining liquidity; it would give the company a longer period to operate. It is not unusual in business that creditors are not paid on the due date.

Q380 Mr Reid: But, at the end of the day, you are the beneficiary of that decision.

Jon Moulton: At the end of the day, we would be the beneficiary of that decision. We certainly did not encourage or initiate that decision.

Q381 Chair: Given that you were the beneficiary of that decision, do you think there is any chance that Better Capital might want to put that money back in to meet the costs?

Jon Moulton: This is where you move into a really huge area of policy.

Q382 Chair: Absolutely.

Jon Moulton: Do you want banks to repay unsecured creditors in bankruptcies?

Q383 Chair: With respect, banks are not here; we are speaking to you.

Jon Moulton: We were the secured lender; in most situations it is a bank. It is exactly the same position. The difference here is that, if we had had a bank in, the company would have failed much earlier.

Q384 Chair: Is that a no?

Jon Moulton: I do not think we are going to do anything beyond that which is proper and legal. In terms of moving into something which is over and above our legal obligations, I do not see how I can justify that to the shareholders or directors of the company. We will do everything proper, and we certainly have.

Q385 Chair: By “proper”, you mean “legal”. It comes back to the question of tax avoidance and evasion. You are not breaking the law; you are doing the minimum you can.

Jon Moulton: We do not have limited liability companies by accident in the UK; we have limited liability companies so that people will invest in companies. If you take away limited liability from a shareholder or a provider of a loan—there is a whole structure; loans are put into a company, secured and put on a register at Companies House. Anybody who deals with a company knows they are dealing with a secured creditor. Those are the rules by which we operate the economy.

Q386 Chair: Of course. Have you any idea how this looks?

Jon Moulton: Yes. It looks bad.

Q387 Chair: Bad for you, bad for Better Capital and bad for the whole system. You have a situation where somebody on the 19th took a decision not to pay struggling small businessmen, entrepreneurs and the like, in order that big bloated capitalists, like what you is, can keep their money.

Jon Moulton: No, I think that is an unfair accusation. You have truly no evidence to support that.

Q388 Chair: To be fair, you are not bloated, I accept that. But you can understand why this looks bad, can't you?

Jon Moulton: Look, the fact that the company has failed, and that there are unemployed people and small contractors have taken a loss is clearly unpleasant by any standard.

Q389 Mr Reid: Would the decision not to pay contractors on the 19th have been taken at board level?

Jon Moulton: I have no idea.

Q390 Mr Reid: Who are the directors of the company?

Jon Moulton: I assume, at the payment level, that would be David Smith, the chief executive of the relevant company.

Q391 Mr Reid: You assume that he would have taken that decision.

Jon Moulton: I really do not know. It is not unusual for companies to pay their creditors a few days late, even a few months late. We certainly had some examples even in City Link of companies that had not paid them. What the rationale was and what happened on that day I have no idea.

Q392 Chair: This was exceptional. You seem to have had a good record in paying, and there was a standard payment expected by everybody. This was exceptional. It was not as if you were niggardly payers and so on, and you always dragged it out. That is why this was seen to be so unusual.

Jon Moulton: I honestly simply have no idea.

Q393 Mr Reid: You think it would have been Mr Smith. Is Mr Smith the chief executive?

Jon Moulton: Yes.

Q394 Mr Reid: Is there any relationship between yourself and Mr Smith?

Jon Moulton: None to my knowledge, no, other than that he worked in a company that we used to be large shareholders in.

Q395 Mr Reid: You are speculating that Mr Smith took this decision.

Jon Moulton: I really am being very careful to say that I have no idea who took the decision.

Q396 Mr Reid: You think it might have been Mr Smith and you think that the reason the decision was taken was to maintain liquidity. Is that correct?

Jon Moulton: Yes.

Q397 Mr Reid: You are very experienced in business; I am not.

Jon Moulton: Can I give you some other possibilities which could have been around? I do not know. It may be that they were awaiting a large payment from, say, Amazon and it had not arrived. It may be as simple as that.

Q398 Mr Reid: But whoever took the decision, is it reasonable to assume that the person who took that decision was aware there was a strong possibility that the company would be going into administration in a few days?

Jon Moulton: I do not think it would be. At that date the directors were operating under the assumption that there was a reasonable prospect that they would get sorted out either by sale or by refinancing.

Q399 Mr Reid: Can you define “reasonable”?

Jon Moulton: Not accurately.

Q400 Mr Reid: Greater than 50% likelihood? Less than 50%?

Jon Moulton: The court cases are full of phrases like “light at the end of the tunnel”.

Q401 Mr Reid: Do you think there was a greater than 50% possibility?

Jon Moulton: I would have said myself that I would have been somewhere in that general direction on the 19th. By mid-morning on the 22nd, it was zero.

Q402 Mike Crockart: Do you have any knowledge as to where the big clients—Amazon, John Lewis and Mothercare—have gone?

Jon Moulton: No, I do not.

Q403 Mike Crockart: As far as you are aware, they have not gone en masse to another company.

Jon Moulton: No, but bear in mind that some of them—for example, Amazon—have their own distribution systems as well. They make a relatively unattractive customer because they only use you for overflow and marginal business.

Mike Crockart: Sure. Sorry, my train of thought has been disturbed for a moment.

Q404 Mr Binley: I would like to make a very quick statement, ask a question of detail and then end. There is no way that any senior manager of a company could not have known you were trading illegally on the 19th when the £2 million was put in. No way in heaven or earth. And you know that, sir.

Jon Moulton: Am I obliged to take what is an assertion of illegality on my part?

Q405 Mr Binley: You know that, sir, and I know it. You made the statement that they had 2 million quid; that you do not know where it went, and that you were trading legally. There is no way, sir. That is my judgment, and you can use it how you wish.

The question now is about Mr David Smith, who in the last year of his employment had an increase in terms and conditions of almost 50%, from £3,680 to £6,460 last year, above the year before. A straightforward massive increase. Was that to keep him, or was that to pay him off?

Jon Moulton: I have no idea how it would be to pay him off, because that increase took place rather a long time before the company became doomed on any definition.

Q406 Mr Binley: I think this company was doomed when you took it over, but that is another matter. That is my judgment, not yours.

Jon Moulton: I sincerely wish I had your business judgment.

Q407 Mr Binley: There you go. Perhaps it would be better if you had. Let me finish off with a general question. Up until this point, you have had an excellent record in business. I admire that. I think that record has stood for 30 years. You have now taken a massive punt on City Link, which involves your reputation. That massive punt failed abysmally. Are you now sorry you made it, and do you think it massively harmed the reputation you had built up over 30 years?

Jon Moulton: The last two questions are quite easy: yes and yes.

Mr Binley: Thank you. That will help for the record.

Chair: There is merit in brevity.

Q408 Katy Clark: I have a follow-up question on the points Alan was making. Your accounts show that Better Capital received management and administration fees of £337,000 in the last year reported, but also that a number of the payments made were to other companies Better Capital owns. Spicers got £190,000—

Jon Moulton: Spicers, possibly?

Q409 Katy Clark: Yes, sorry. Spicers, Everest and so on. To your knowledge, were any payments withheld to other companies Better Capital owned?

Jon Moulton: Yes. I cannot tell you the magnitude of them accurately. I have heard a moan about this.

Q410 Katy Clark: You could write to us about that.

Jon Moulton: Yes.

Q411 Mike Crockart: My train of thought has reached the station. We have established that we do not know where the major customers of City Link have gone. Is it in the public domain as to who were the companies you were in negotiation with who might potentially take over City Link?

Jon Moulton: It is not in the public domain.

Q412 Mike Crockart: Okay, and I take it you are not prepared to share that with us.

Jon Moulton: Not without their consent.

Q413 Mike Crockart: It was not DX Group.

Jon Moulton: I could not possibly answer that question without starting to answer it.

Q414 Mike Crockart: Okay. You can't blame me for trying. Of course, DX Group is the company that has bought significant assets.

Jon Moulton: It has bought quite a few of the assets out of the administration, yes.

Q415 Mike Crockart: It is a very young company; it has only been operating for about a year.

Jon Moulton: I think the underlying business is much older. It has been through corporate change in the last year. It was an over-leveraged buy-out that went public.

Q416 Mike Crockart: To your knowledge, is Better Capital an investor in DX Group?

Jon Moulton: To my certain knowledge, we are not.

Q417 Mike Crockart: It is headed by a former City Link managing director.

Jon Moulton: Yes, and so is half the industry. The company has had rather a lot of former managing directors.

Q418 Mike Crockart: You must admit it all feels rather cosy.

Jon Moulton: “Cosy” is not a word I would attach to any part of the day’s proceedings.

Q419 Mike Crockart: I am not talking about today’s proceedings, but the circumstances around the way companies dissolve and other companies rise phoenix-like.

Jon Moulton: It is certainly not the only industry where that happens.

Mike Crockart: That is not necessarily a good thing, is it?

Mr Binley: No.

Q420 Chair: As I indicated to you before we came in, we always like to ask our visitors whether or not there are any answers they have prepared to questions we have not asked, or anything they feel has not been adequately covered by the discussions we have had that they want to leave with us. Are there any other observations you want to make?

Jon Moulton: You have covered all the questions I anticipated and a few more, so I have nothing to add in the way of statements. I have done quite a bit of homework on it. I would in fairness have done rather more financial preparation if I had thought I was going to get the whizz-kids from the BIS side—rather than the excellent people from Scotland.

Chair: A very good recovery, if I may say so. We have found this very helpful and interesting. Even though there has been a bit of levity at times in the proceedings, we are conscious that there are some very serious issues here that involve substantial blows, both financial and emotional, to many of the people we represent. That was why we felt it worthwhile to pursue these matters. Thank you very much for coming along. You have been very frank on a number of occasions. We have not always agreed, but we are grateful for your presence.