HOUSE OF COMMONS

Scottish Affairs Committee
Business, Innovation and Skills Committee

Oral evidence: The Impact of the closure of City Link on employment, HC 928

Wednesday 4 February 2015

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Witness:

- Hunter Kelly, City Link Administrator, Ernst & Young

Watch the meeting

Members present: Mr Ian Davidson (Chair), Mr Adrian Bailey, Mr William Bain, Katy Clark, Mike Crockart, Jim McGovern, Rebecca Harris, Ann McKechin, Mark Menzies, Graeme Morrice, Pamela Nash

Questions 421-576

Witness: Hunter Kelly, City Link Administrator, Ernst & Young, gave evidence.

Q421 Chair: Welcome to this meeting of the Scottish Affairs and BIS Select Committees. As you are probably aware, we have been looking at the collapse of City Link. Obviously we have a particular interest in hearing about your own role—the role of the administrators. Would you introduce yourself for the record and tell us where you fit into things?

Hunter Kelly: No problem. My name is Hunter Kelly. I am a partner at Ernst & Young. I am a chartered accountant and licensed insolvency practitioner, and I am the lead administrator on City Link Limited. We were appointed administrators at 7.00 pm on Wednesday 24 December, Christmas eve. In my responsibility as administrator, I am an officer of the court. I have a duty to the company and the general body of creditors to realise the assets and distribute them in the prescribed manner under the Insolvency Act. I also have a duty to investigate the conduct of the directors, particularly in the lead-up to the insolvency.

Q422 Chair: In your opinion, what led to the collapse of City Link?
Hunter Kelly: My involvement with City Link is relatively short; therefore, I cannot answer with a great deal of certainty on some of the things. A couple of things surprised me about how competitive the marketplace is. At certain points in the year the demand for parcel delivery services exceeds supply, yet there seems to be an almost cut-throat

approach to winning contracts. A number of the contracts that City Link was carrying out were loss-making at direct cost level. In addition, City Link had certain fixed costs. There were a number of property costs, and their IT infrastructure had a number of duplicate systems, which led to inefficiencies. It was a combination of those.

Q423 Chair: What involvement did your firm, or you personally, have with City Link before it went into administration?

Hunter Kelly: I was contacted by Better Capital on 19 November and asked to attend a meeting with them on 20 November. That was in their capacity as secured creditors. They wished to understand the option of what would happen in an insolvency of the company. That is perfectly normal. It would be a matter of normality with any secured creditor. It would happen pretty much on every occasion. Normally a secured creditor would be a bank. It would want to understand the detail of what would happen in insolvency and what they would get back if the company went into insolvency. It is usually to compare and contrast with alternate options.

Q424 Graeme Morrice: Why did the potential sale of City Link fall through after the company had gone into administration?

Hunter Kelly: The potential sale? Are you referring to the one that was in the press with regard to the consortium?

Graeme Morrice: Yes.

Hunter Kelly: The consortium first made contact with me on 27 December and I met with them on 30 December. When meeting with the consortium, I only met certain members of it; I do not know who the entirety of the consortium was. They made an offer. As administrator you have to judge the offers; you have to judge them in the best interests of the creditors, in terms of recovery of moneys that are due to all the creditors. With regard to their offer, I came to the conclusion that it wholly undervalued the assets that were there. Into the bargain they were not prepared to pay any money up front whatsoever. To give you an example, I sold the intellectual property in terms of the customer list and some cages for over £1 million. There are still other hard assets, in terms of cages and plant machinery, to sell. They were not prepared to offer any money whatsoever for it. With regard to the debtor book, which has book value of £33 million, they were only prepared to offer up to £17 million for it. That would be paid, effectively, on a drip, as and when they collected the moneys.

I was left with the choice where, if I sold the debtor book to them on that basis, and they collected the full £33 million, they would make a £16 million profit which would be at the expense of the creditors. Into the bargain, if they did not collect the debts well, I could end up with £5 million or £6 million for the creditors out of a £33 million debtor book. As a consequence, their offer was wholly unacceptable to me. I did try to get them to renegotiate the offer in a different way, where I retained the responsibility for collecting the debtor book, but they refused point blank to entertain any change in the terms.

Q425 Graeme Morrice: Obviously you have an obligation to maximise the funds available to pay the creditors. Is that your absolute priority, compared with trying to ensure that the company continues as an ongoing concern?

Hunter Kelly: Normally, you would be looking to save the business and turn the business around as a going concern. As well as preserving jobs, it usually means that you will realise more for the assets, because you will be able to protect the good will of the business and you will be able to realise more from the debtor book because of the continuity of business. In the normal course of events that would be the case. In this instance, it was going to be considerably less from the break-up option.

Q426 Graeme Morrice: You made a judgment call in relation to the offer from the consortium not being credible.

Hunter Kelly: Yes. That was built up through my years of experience and my responsibility as an officer of the court to deliver a return to the creditors.

Q427 Graeme Morrice: Why did you think the offer that was put forward was not credible? Presumably these are experienced business people. In putting together a consortium bid, they would presumably have done the sums.

Hunter Kelly: It was because of the time scales involved. I did not have any time to do due diligence on the consortium. We would probably enter into a discussion with them where we would normally like to understand a little bit more about the business plan, but when I met with them there were a number of areas of disquiet over and above the financial aspects. In relation to that disquiet, I asked on a number of occasions who the full members of the consortium were. It was not disclosed. I asked how they were going to fund it. I just got "From our resources. We are men of considerable wealth." With regard to the specifics of the parcel industry and City Link, they did not appear to have a great deal of knowledge. Indeed, they wanted to speak with one of the middle management team, which is not unusual, and I am led to believe from that middle management team member that they offered them the chief exec role after a 15-minute conversation.

Q428 Graeme Morrice: Really? Presumably there was also the issue of the timeline. We are talking about a very limited timeline, because City Link went into administration on Christmas eve and the first redundancies were announced on Hogmanay. Presumably this did not allow enough time for potential buyers to put a bid together.

Hunter Kelly: If they were true to their word in terms of having the finance and the expertise available, my revised approach, where they would pay something up front—a relatively modest amount—for the hard assets, and I would retain the debtor book and collect how much it would be, would have enabled a sale to go through very quickly. That would be the norm in an insolvency situation—because your point is absolutely right; you need to move through quickly to get the business on to a stable footing, out of insolvency—but for whatever reason, they did not wish to entertain that.

Q429 Graeme Morrice: Why do you think that was? Obviously you are very experienced in this area. Presumably you would have been quite surprised at what may appear to have been some incompetency in them pulling all that together.

Hunter Kelly: There is an element of speculation; you could probably take either of two routes. One is that they might have just wanted to acquire the business to asset-strip it, so that they would get hold of a £30 million debtor book, having paid effectively only 17 million for it. The alternative—perhaps this did come out to a degree in some of our conversations—is that it would take a considerable sum of money to turn the business around. This business was losing substantial sums of money—between £2 million and £4 million in any one month—and had been over a considerable period of time, so they would not have limitless amounts of capital. It may be that they had to retain that capital reserve in order to turn the business around.

Q430 Graeme Morrice: Apparently City Link had been having discussions with potential buyers before the company went into administration. Were you aware of those discussions?

Hunter Kelly: I am aware of those discussions now. The company retained KPMG to deal with other options, whether it be with regard to finding a buyer or raising additional finance. As you say, one of the aspects was to find other buyers. I know that they approached 17 parties, all of whom ultimately declined to make an offer for the business.

Q431 Chair: Can I clarify one point? They go into administration on 24 December and the first redundancies are on 31 December.

Hunter Kelly: Yes.

Q432 Chair: You had one bid there. Was that time scale enough to allow anybody else to come forward as a bidder?

Hunter Kelly: That time scale does happen in insolvencies, so it is possible. With regard to City Link, the issue in terms of the parties that approached us was that they had not appreciated the level of the losses. There was insufficient time for them to do due diligence on how they would have been able to turn the business around. Into the bargain, I have a duty to not make the position worse for the creditors. On the 26th, when business resumed following Christmas day, I made the decision that the company should no longer accept any further parcels. That was on the basis that the business was losing money. For every day it traded, and for every extra parcel, it was making the position worse. Within days, customers had been able to re-source their supplies or the deliveries of their parcels.

Q433 Chair: I am not sure if I understood you correctly. Did you say that there were expressions of interest other than the formal bid that came forward?

Hunter Kelly: Correct; yes.

Q434 Chair: So effectively was there enough time for people who were interested to decide whether or not they wanted to go forward? They would not necessarily have come to a formal bid, but they would have had enough time to consider it sufficiently to decide to walk away.

Hunter Kelly: In terms of the discussions I had, I must have had discussions with 30 to 40 parties who were interested in the business, primarily from the press and so on that was there. Those expressions of interest petered out fairly quickly once they realised the scale of the stress in the business, the level of previous losses and the limited time scale to do anything. The only one of any potential substance was the consortium bid.

Q435 Chair: I want to be quite clear about this. One of the criticisms of yourselves by some of the work force was that you shut it down too quickly and did not give enough time for people to come forward. You are saying that, yes, you did and those that came forward then walked away; and that is the norm anyway in these circumstances.

Hunter Kelly: When you get appointed as administrator you start with no money in the bank account. Therefore you have to be able to fund the ongoing trading. If the business is losing money, you have to find a way to fund those losses. If you could get an enhanced sale value, it would be a way of squaring that circle.

In the instance of City Link, my considered opinion was that there was no prospect of being able to do that, bearing in mind that KPMG had carried out a previous sale process that amounted to nobody being interested in the business. With regard to the considerable losses that the business had been making, my view was that it would have been difficult, if not impossible, to find a buyer for the business as a going concern. In speculating on that, I was at risk of losing substantial sums of money for the creditors. That is why, of necessity, the time scale was short.

Q436 Mike Crockart: You mentioned considerable losses. In 2012, the loss was £27.5 million. In 2013, it was £14 million. In October 2014, the chief executive said that City Link would "complete [their] turnaround story and that this business and [their] customers have a bright future to look forward to together." Two months later it had gone into administration. Given the apparent improving circumstances of the company, do you think that it could have traded its way out of the troubles?

Hunter Kelly: It would have needed considerable sums of money in order to trade out of its troubles. Two months before—the period you are talking about—I think it would have been quite clear that considerable sums of money would have been required. It is one of the issues I need to investigate—what the directors were doing during that period with regard to wrongful trading.

Q437 Mike Crockart: What do you mean by "considerable sums would have been required"?

Hunter Kelly: I have six months from the date of my appointment to report to the Insolvency Service on the directors' conduct, so my inquiries on this are at an early stage, but on the basis of the information that I have, you are talking of sums of at least £15 million to £20 million, possibly more, in order to turn the business around. Even that would not have been guaranteed to turn it around. You look at some businesses, and you think you have a prospect of turning them around. Based on what I have seen here, I think it would have been very difficult to turn the business around, because it was losing customers—quite a considerable number of customers.

Q438 Mike Crockart: The £25 million that Jon Moulton talked about would have been about the right sort of sum needed to continue their trading.

Hunter Kelly: I cannot say with precision at all on that, but it has the feeling that it is in the right realms of where it would be.

Q439 Mark Menzies: It may be that you cannot answer some of these questions for commercial reasons. How much money do you anticipate realising from the sale of City Link assets?

Hunter Kelly: The big imponderable in that is how much is realised from the debtor book, subject to various claims; customers have been claiming about lack of delivery or damages to parcels and those sorts of things. We are working our way through it. The realisations fall into distinct buckets, if I can use that analogy. The first would be to pay the expenses of the administration. These will be quite considerable, because I have to pay the retained employees from those realisations. There is a property cost as well, for all the properties. We still have to pay rent for the occupied properties; we still have to pay electricity and these sorts of things. They will be considerable. The employee payroll for the post-appointment period will be in excess of £1 million. Similarly, rents will be in excess of £1 million. I need to pay that first.

The amounts that are left thereafter go first of all to the preferential creditors. They are for unpaid wages for employees, which includes overtime and unpaid holiday pay. My estimate of those claims is in the region of £1.2 million. A further sum then gets set aside for the prescribed part, which goes to the unsecured creditors. That is laid out in the Insolvency Act, and it is a percentage; it is probably about 20% but it is limited to £600,000. In this instance I would estimate that it will reach the full £600,000.

A further pot is for the secured creditors. The first call on the secured creditors will be £5 million to Target Express who are secured up to that amount, and the balance would fall to Better Capital. How much Better Capital get from that depends on the recoveries from the debtor book. At this stage, it is quite early days to know with any precision what that is likely to be.

Q440 Mark Menzies: Are there any fixed charges within that over any City Link assets? If so, what proportion of the total assets does it represent?

Hunter Kelly: In terms of fixed charges, the intellectual property that I sold with regard to customer lists and so on was covered by a fixed charge. It is a matter of public record that I realised £1,050,000 for that.

Q441 Mark Menzies: What proportion of the funds from the sale of City Link assets will go to Better Capital?

Hunter Kelly: As I explained with the various buckets, it depends on how much is realised from the debtor book. At the moment I cannot say how much would be available. You have seen the various deductions from expenses, preferential creditors, prescribed part and the £5 million to Target Express; therefore, the balance thereafter. There is a considerable sum of money before Better Capital actually receives a pound.

Q442 Mark Menzies: Dropping further down the list, do you think there is going to be any money left from the sale of City Link assets to pay subcontractors owed money for the work they have done?

Hunter Kelly: I believe they will receive a dividend from the prescribed part pot of £600,000. That will be shared among all the unsecured creditors. If there were total claims on that from unsecured creditors of £6 million, they would get 10 pence in the pound. If it was £60 million, they would get a penny in the pound.

Q443 Chair: When might that be paid?

Hunter Kelly: I need to realise all the assets. The main thing is agreeing the creditor claims. It is relatively easy to agree trade creditor claims, but you have various landlord claims, which will be for the unexpired period of the lease. It takes considerable time to evaluate that, and evaluate the dilapidations. It would be unusual for that dividend to be paid within six months, and it could well be 12 to 18 months.

Q444 Pamela Nash: Mr Menzies was asking about the money left for subcontractors. Is there any flexibility in the powers you have as an administrator to change the priority of that and make more money available to the subcontractors? As we know, to all intents and purposes, they were acting as employees.

Hunter Kelly: I have no flexibility at all. I am an officer of the court and I have to follow what is laid down in the Insolvency Act. If I were to vary from that, I would be in front of the court for breach of my duties and breach of legislation.

Q445 Pamela Nash: If Better Capital came to you and said, "Here's a couple of million to pay the subcontractors," that wouldn't be something in your power to grant.

Hunter Kelly: It would be in the power of Better Capital to grant that.

Q446 Chair: I did not quite understand that answer.

Hunter Kelly: The question was if Better Capital gave £2 million—a couple of million. That would be a gift from Better Capital. It would be a matter for Better Capital. It does not involve me.

Q447 Pamela Nash: Sorry, I should have made it clearer. I am saying this because we had this conversation last week in our evidence session with Mr Moulton. If there was other money available, would that have to be prioritised as laid out in the Act or do you have any flexibility to pay it somewhere else?

Hunter Kelly: If it were a gift—because that is in effect what it would be—it would be for the person making that gift to stipulate the terms and conditions around the making of that gift and who that gift should go to. In some ways, there is an analogy with a will.

Q448 Jim McGovern: Thanks for coming along, Mr Kelly. I want to ask a question about pension schemes. I fear that probably quite a number of the people who worked for City Link were regarded as self-employed and possibly would not be in an occupational pension scheme. For those who are members of the pension scheme, are their pension rights protected?

Hunter Kelly: What they had was a money purchase scheme rather than a final salary scheme. The deductions from their wages were paid over to that money purchase scheme and held separately from the company's assets. I cannot deal in that at all. They are held by the trustees of that pension scheme. That will then accumulate over years investments, and will create a pension of whatever amount it may be. When any business goes into insolvency it is akin to the shutters going down, so certain payments or deductions from the previous month would not have been paid across. There is a possibility that that can either rank as a preferential claim or be funded by the Redundancy Payments Service because it is a deduction from wages. My understanding is that it will be funded by the Redundancy Payments Service and therefore will then be paid across to the pension scheme, so there will be no "loss" to the pension scheme.

Q449 Jim McGovern: It is probably a matter of opinion, but do you know if the people who were regarded as self-employed—whether bogus or genuine self-employment—were invited to join the pension scheme?

Hunter Kelly: I would suspect not because they are not employees. There are certain taxation advantages to being self-employed. Also, they were paid at a greater rate than employees. Part of the reason for that would be to enable them to sort out their own pension arrangements—to be able to create a sort of parity, I would guess.

Q450 Chair: I want to be clear. On the question of the pensions, everything before the administration should have been paid over. The shutters then came down. Some money might have been caught and would go into the pots, as it were. However, the Government through one of their arms will make good that money that has been, in a sense, seized by yourselves. Is that correct?

Hunter Kelly: Not seized by myself.

Q451 Chair: You understand the point I am trying to convey, if that is the wrong wording.

Hunter Kelly: Yes. It is the amount outstanding to the pension scheme from deductions from employees, which may have been meant to be paid in the first week of January—I do not know precisely if it was the first week of January—but got caught because of the insolvency, and therefore would not have been paid. There are detailed calculations around what qualifies and what does not, but my understanding at the moment is that that will be paid by the Redundancy Payments Service and therefore paid across to the pension scheme. The amount that was caught by the insolvency, effectively, will be made good and the Redundancy Payments Service would stand as a creditor of the company.

Q452 Chair: There seemed to be uncertainty in your mind about whether or not the full amount would be paid across. Presumably this is not the first time this sort of thing has happened. Is the general position that the full amount that employees paid towards their pension, and that gets caught by the insolvency, ends up in their pension scheme?

Hunter Kelly: The doubt is because there are certain limitations. The redundancy payment scheme does not just pay the total gross amount; there are certain restrictions and limitations. I do not have the precise details to hand. My belief is that it will pay the full amount, but it is a belief at the moment. I can come back to you with a more precise answer.

Chair: That would be helpful. You can understand the point. It is not necessarily solely about this particular company. It is a general issue that we want to be clearer about. The second issue where I am not quite clear is what you were saying about the order in which salaries were being paid. We are going to come to that later on, but I put it up as a marker because we want to be clear about that as well.

Q453 Ann McKechin: I want to ask a couple of questions about incidents that occurred immediately before the company went into administration. We took evidence from a number of the self-employed contractors. They told us that they would have been due for payment for their work for December on the 19th of the month, which was the Friday before the Christmas holiday. They were then informed that their payments had been deferred. We took evidence from Jon Moulton last week. He told us that he provided a £2 million advance to City Link around 22 December to cover them for the period between the 22nd and the 24th. He said the understanding was that that money was to be used for payments owed to creditors.

Were you aware of that £2 million payment? Are you able to confirm that, to your knowledge, that £2 million was paid to the company at that time? Can you provide us with any information as to whether those funds, or any funds, were then paid to contractors, particularly those who were due to receive their normal monthly payment on 19 December?

Hunter Kelly: Obviously, as administrator, the previous hearings of this Committee with regard to City Link have been of great interest to me.

Ann McKechin: I imagine they were.

Chair: I am glad to hear it.

Hunter Kelly: Therefore when I heard about this non-payment on the 19th I was very concerned about it because it cuts to my duties about the directors' conduct. I have investigated—not fully, I have to say—but I have made initial investigations. Can I be absolutely categoric today? No, I cannot, but it is my belief at the moment, based on the information I have, that there was no holding back of the payment on the 19th. Normally the payment to subcontractors would have been paid by the company on the 17th, which would be the Wednesday, for receipt into subcontractors' bank accounts on the 19th. Looking at the company's records, that payment on the 17th went out. What I cannot say is who received it and whether there were individual subcontractors who did not, for whatever reason. I have also asked my staff about any specific queries by subcontractors who were not part of that payment run, and should have been. We do not have any records of anybody making that comment to us. I would be very interested if you could provide me with the names of those creditors, so that I can follow up on that and find out why they did not receive that payment.

The first thing is that there was a general payment, and a normal payment run to subcontractors did go out on the Wednesday for the 19th. If that omitted certain subcontractors, it is a matter of great interest to me. The following week on 22 December, when it became clear that the company could not avoid insolvency following Better Capital's decision that it could not support the turnaround plan, there were payments to suppliers during the course of the 22nd, the 23rd and the 24th. If the company had gone immediately into insolvency on the 22nd, those payments would not have been made. The total amount that was paid to suppliers during that three-day period was £3.4 million. There was also a payment that went out on Wednesday 24 December, which went to subcontractors. That was the directors' estimate of the supplies that they had taken during the period of that week compared with if the company had gone into administration immediately on Monday 22 December. That broadly worked out to a third of what it would be in a normal week. I need to investigate precisely how they arrived at the estimate. It would be impractical to come up with a precise answer on the amount that had been taken.

Q454 Ann McKechin: Presumably this issue about payments—who was paid, what rate they were paid at and the moneys received during that week—will be part of your report to the Insolvency Service, in terms of the liquidity of the company over that week or 10-day period prior to administration.

Hunter Kelly: Absolutely; yes.

Q455 Mr Bain: The Enterprise Act 2002, passed by this Parliament, sets out a hierarchy of objectives in statute for company administration: first, rescuing the company as a going concern; secondly, achieving a better result for creditors; and, thirdly, realising property to pay one or more secured creditors. Which of these did you believe you could achieve when you were appointed as administrator, and does that still remain the case?

Hunter Kelly: The third option that you mentioned is still very much the case. It is also the one that I knew at the time, with absolute certainty, could be achieved. I did not believe the first—the rescue of the company as a going concern—to be achievable. With regard to the second one—the middle one—I could not say with certainty, but it touches on the previous discussion we had about the prospect of being able to sell the business as a going concern as opposed to rescuing the company. I thought that was remote, but it could have been a possibility. If I had been able to reach terms with the consortium, that may well have been the case. As we sit here now, it is just the third purpose, which is distribution to secured creditors.

Q456 Mr Bain: Did you have discussions with the Department for Business, Innovation and Skills about whether the first one—trying to rescue the company as a going concern—could be achieved? If there were discussions, was any help offered by BIS to help secure that?

Hunter Kelly: No; I did not have any discussions with BIS about the rescue of the company. It would not be the norm in an insolvency situation to do that.

Q457 Mr Bain: What advantage was there to City Link creditors from the company going into administration rather than directly into liquidation?

Hunter Kelly: With regard to the benefit, it was retention of employees, because in liquidation the employment contracts automatically terminate. There are various other contracts that will automatically terminate. That has ramifications for the ability to retain those employees and carry out services. There is also risk with regard to various claims that could be made against the debtor book. Administration was deemed the most appropriate method. There are also delays in placing a company into liquidation which are not there with an administration. That hiatus period could have caused the dissipation of assets.

Q458 Chair: What is dissipation of assets a euphemism for?

Hunter Kelly: There is a defined period to place a company into liquidation, but during that period everybody knows that the company is going into liquidation. Therefore, you will have creditors who will start, effectively, to take the law into their own hands. Also during that period there is no protection for the company. The likes of landlords could repossess the properties with all the assets that are within them. You would have creditors who will purport to have retention of title. It would be an impossible situation for the directors to control and maintain what was laid out in the Insolvency Act and the distinct order of priority in which creditors should be paid. That is what I mean by dissipation of assets.

Q459 Chair: What do you mean exactly by take the law into their own hands?

Hunter Kelly: In other situations, we have found that creditors who are owed money just take the company's assets and sell them to get some money back for themselves.

Q460 Chair: They steal them. Is that basically what you are saying?

Hunter Kelly: It has happened in other situations, yes.

Q461 Mr Bain: Do you know what proportion of the total assets of City Link will end up going to Ernst & Young in fees and expenses?

Hunter Kelly: I do not know at this stage. My fees are regulated by the Insolvency Act. I would need to seek approval from the secured creditors and the preferential creditors on my fees.

Q462 Chair: It is basically a standard rate.

Hunter Kelly: No, it is not a standard rate. It is quite complicated. If you are sitting your insolvency exams, it is a whole chapter in itself. You agree the basis of your fees, which can be on an agreed charge-out basis depending on the seniority and the skill required for the various tasks that are being undertaken; it can be on a percentage of the assets that are realised; or it can be a combination of those. You agree the basis of it. You then have to seek the approval of the quantum of it from the relevant creditors. The relevant creditors in this instance are the secured creditors, being Target Express and Better Capital. Technically Lloyds Banking Group is a secured creditor as well, but I do not believe they are owed any money. Then there are the preferential creditors. You agree that further down the line. Obviously if they do not think I have done a good job they will dispute those fees.

Q463 Mike Crockart: I want to explore the timeline of the decline of options for City Link. We can start at the end of September. You speak accountese. If you have read the transcript of the discussion with Jon Moulton you will recognise that we discussed with him his letter to the company for the statutory account. He has now given us a copy of it. He said: "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." His contention was that that was accountese for "There's not a chance in hell that we are going to put that money in." Is that an effective and correct translation for that?

Hunter Kelly: I could not comment on that, to be honest. My specialism is restructuring, turnaround and insolvency. Within the firm, we also have specialists in auditing. That letter of support and what it means with regard to whether you qualify the audit opinion is down to the specialism of audit. Therefore I could not comment on what was in the minds of the auditors with regard to whether they relied to any extent on that letter. What I do know is that they qualified the audit report with a material uncertainty as compared with a fundamental uncertainty.

Q464 Mike Crockart: Now we are talking accountese. What is the difference between the two?

Hunter Kelly: I do not know whether that letter had any bearing on how they decided to sign. Obviously part of my investigations will be to understand how the auditors arrived at their opinion, and whether that was right.

Q465 Mike Crockart: A fundamental uncertainty is a lot worse than a material uncertainty.

Hunter Kelly: That is my understanding, yes.

Q466 Mike Crockart: We definitely need a translator for this inquiry. You have already said that your first involvement was on 21 November when you met for the first time.

Hunter Kelly: On 19 November I was contacted by phone, to ask if I could attend a meeting with Better Capital and also if I could confirm that I had no conflicts with regard to City Link. I met with Better Capital on the 20th to have an understanding of what they wanted me to do as secured creditor.

Q467 Mike Crockart: You said it is not that unusual for potential administrators to be involved in discussions at that stage of a company's demise.

Hunter Kelly: I would turn it round and say that it is highly usual.

Q468 Mike Crockart: After that, from 20 November up to 24 December, when administration actually happened, what was your involvement? You mentioned KPMG. Were other things going on that you were not involved in, or were you involved in the attempts to save, or potentially restructure, the company?

Hunter Kelly: Obviously the detail of what I did for Better Capital in terms of that is covered by client confidentiality, and I would not want to breach that. The generality was investigation of the one option, which was what would happen on an insolvency of City Link. With regard to the other work, I was aware that other work streams were being carried out by KPMG, and also by the directors themselves, but I was not privy to the detail of that at the time.

I now have an understanding, following my appointment. I want to understand what did happen, because it goes right to the point of the directors' conduct. I am aware from that that the investigations KPMG were carrying out were, on behalf of the company, to evaluate a whole series of options, which encompassed the sale of the business. They considered a company voluntary arrangement and they also considered whether it might be sensible to acquire another business to create more critical mass for the business and make the turnaround easier. They considered refinancing, and there was also a restructuring proposal that the directors were working on, where they sought finance from Better Capital. There were a number of other options, but they were a variation on a theme.

Q469 Mike Crockart: You talked about CVA. Can you go into a little bit more detail about what that is, please?

Hunter Kelly: A company voluntary arrangement is something, again under the Insolvency Act, where you can approach your creditors and effectively reach an agreement to compromise. Instead of paying all the creditors 100 pence in the pound of what they are owed, you might reach agreement to pay them 50 pence but deferred over a period of time, which allows the company to trade out of its difficulties, which I think you mentioned earlier.

Q470 Mike Crockart: It is just to get some breathing space, effectively.

Hunter Kelly: Yes.

Q471 Mike Crockart: Was part of the options that were looked at also about restructuring the company? We have had some evidence of other company names being registered with the potential of maybe hiving off the business to business delivery.

Hunter Kelly: Yes. There was a company formed in early December. That company did not trade at all. My understanding from what the directors have told me so far—I need to make sure I am absolutely certain and in agreement with that—was that it was formed to assist with the restructuring proposal that the directors were putting together and putting to Better Capital. My understanding is that it was going to hold the restructured leases. They were approaching a number of the landlords to say, "We cannot afford this rent, so please could we have a reduced rent?" In some instances, they were saying, "We cannot afford the rent, full stop, and we wish to exit the lease and reach terms on that." With regard to some of the restructuring of the leases, they were proposing to offer to the landlord that they would be held in a separate company, to avoid tarnish, I suppose, with the existing City Link company. What it achieves is a moot point, to be honest.

Q472 Mike Crockart: We have evidence that the Insolvency Service were informed on about 9 December that a logistics firm was at risk. It is fairly clear that it was City Link, given what then transpired. How does that fit with the time scales?

Hunter Kelly: There is a protocol in place. I can tell you exactly who I spoke to at the Insolvency Service about that. It was on 9 December. It was a member of my staff. It is under a protocol that we have where you envisage that there are going to be more than 300 redundancies. There is an agreed protocol between the insolvency practitioners and the Insolvency Service. It also includes the redundancy payments office and the Jobcentre Plus people. It is to give advance notice that there could be an insolvency involving substantial numbers of people, so that people can get geared up and get their minds around the number of leaflets and forms that are needed. In the event that insolvency does happen, things can then be dealt with swiftly and promptly so that there is no unnecessary delay, particularly for the employees.

Q473 Mike Crockart: How often does that notification happen and administration not go ahead? What is the percentage chance?

Hunter Kelly: I would not know the answer to that.

Q474 Mike Crockart: But more likely than not?

Chair: Is it 100% or almost nil? Give us a feel for it.

Hunter Kelly: It is almost situation specific. I am sorry to be a wee bit evasive about it, but I would need to know the entire population of it. The number of assignments that I may work on in a year might total about 50. Maybe about three of that number would go into formal insolvency. Under the protocol where I would notify the various departments that I have mentioned, City Link would be the only one this year. Last year, there were two, I think. No, sorry—one.

Q475 Mike Crockart: Forgive me, are you basically saying that if you inform the Insolvency Service it is more than likely it is going to end up in administration?

Hunter Kelly: It would be a possibility. I cannot say more than likely. Again, it becomes situation dependent. I do not think there is a formula to it, or a rule of thumb.

Q476 Mike Crockart: You can understand why we are questioning you in this way. Exactly as you said, we are trying to figure out whether this company was really in a fit state to continue trading. It seems like a major step to have informed the Insolvency Service, "Well, you'd better start preparing for 300 redundancies" if it was not literally on its last legs.

Hunter Kelly: The protocol is in place if it is a possibility, whether that is a 1% chance or a 99.9% chance. The protocol is there for good reason, and it works, to be honest; it has been a good development, so that things move smoothly in terms of making payments. It has worked in the case of City Link. I think the Redundancy Payments Service have done an excellent job in making the payments across to the employees. That works.

With regard to your specific point about whether it is likely or not, at that point in time the company is quite clearly in the control of the directors. It is for them to look at the alternative options and whether they can work. Sometimes those options work and it avoids insolvency, but sometimes they don't. What is of concern to me is the directors' conduct. I want to understand how realistic a possibility it was to avoid insolvency at that point in time, because it is quite clear that insolvency was a possibility.

Q477 Mike Crockart: But it is not unusual for that protocol to be followed, and it takes two weeks to get to the point where it then enters administration.

Hunter Kelly: Again, I am afraid it is situation specific.

Q478 Mike Crockart: We have covered the other question I was going to ask. How confident were you that by 31 December there were no viable options left that would have allowed trading to continue? Are you absolutely confident that by that stage your concern was to maximise the value of the assets?

Hunter Kelly: Absolutely, yes. By the 22nd, it was absolutely clear.

Q479 Ann McKechin: The Business Department confirmed that the Insolvency Service were intimated by e-mail on 9 December, as you say following that protocol.

Hunter Kelly: Yes.

Q480 Ann McKechin: They said they had asked for the identity of the company but that information was declined to them. In their written response to my question, they seemed to put great emphasis on the fact that any information received by the Insolvency Service is treated in the utmost confidence given the sensitivity, and given, as you said, that it is very often at a stage when people are trying to negotiate to find a new buyer for the company under commercial confidentiality. Can you confirm why in that case your protocol would not include disclosing the identity of the company to the Insolvency Service?

Hunter Kelly: Our policy is not to disclose that. It is confidential information and therefore we don't. I cannot speak for every other firm but I would be surprised if it were different.

Q481 Ann McKechin: That is an industry norm.

Hunter Kelly: I believe it to be an industry norm. It is certainly the norm for our firm.

Q482 Chair: Can I clarify? Basically, you do not tell the Insolvency Service because you do not trust them to keep it secret.

Hunter Kelly: It is all to do with the purpose. The purpose is for people to be geared up to deal with the employee claims and the processing of those. You just need time scales of when it is likely to happen and the potential number of employees affected.

Q483 Chair: And locations, presumably.

Hunter Kelly: Yes.

Q484 Chair: There is a difference if they are all in Glasgow or all in Coventry or all in Belfast.

Hunter Kelly: No; it would be explained to them nationwide.

Q485 Chair: Is there anything that we should take out of the lack of willingness by yourselves to name the company to the Insolvency Service? The Insolvency Service have certainly given us the impression that that would have been good practice.

Hunter Kelly: The normal standard is not to disclose that, as far as I am concerned. It goes back to the purpose. What difference would giving the name make to the protocol? The protocol is about making sure that they can deal with employee claims at the point of insolvency. It is not to achieve any other purpose.

Q486 Jim McGovern: Mr Kelly, the Committee has heard evidence that, for at least a month before the actual administration, employees knew that the firm was in trouble. Could you tell us why the employees were not informed more timeously?

Hunter Kelly: Employment law is a very complicated area, but one of the areas is about consultation if there are likely to be redundancies, and one of the things I will need to look at is the directors' conduct with regard to that. I am only speculating, but one of the instances that might have been going through the directors' minds was that they were probably hopeful they might be able to turn the business around, and that one of the other options would come to pass. Therefore, making sure there was less knowledge about their financial distress out in the market would assist them with their turnaround and the other options. The more it became public knowledge, the more there was a danger of a self-fulfilling prophecy occurring.

Chair: The bell is ringing for a vote, but we're having such fun that we'll carry on when we come back from the vote. We'll be as quick as we can.

Sitting suspended for a Division in the House.

On resuming—

Q487 Chair: Mr Kelly, you told us there were no conflicts of interest in relation to City Link and so on. Can I clarify whether or not you did other business with Jon Moulton, Better Capital or anything else with which he was involved? Do you have other links there which it would be helpful to us to know about?

Hunter Kelly: Personally, this is the first assignment I have carried out for Better Capital. With regard to the firm of Ernst & Young more widely, I do not know whether they have carried out work for Better Capital in other areas, such as tax or audit, but firms get quite detailed conflict situations to make sure you follow through in terms of whether other assignments could potentially conflict with taking the insolvency appointment. That was all clarified and cleared within my firm's protocols and procedures, and there was nothing flagged to have a debate about.

Chair: I am sorry. I started too quickly. We do not have a quorum for either Committee. Our quorum has now arrived. Because we have members from two Committees we have to have a quorum.

Jim McGovern: I am the saviour.

Chair: You are the saviour.

Ann McKechin: You can allow Ian to speak; I still cannot.

Q488 Chair: Something that has often been said of you, Jim, I am sure. Before I let Jim back in again, Mr Kelly, you said you could not tell us about your discussions with the company because of client confidentiality. I presume that in those circumstances you are then acting as an officer of the court, or do you become an officer of the court only when you are appointed as an administrator?

Hunter Kelly: The bits about client confidentiality were with regard to the assignment to the secured creditor Better Capital. I did not have any instructions with the company prior to being appointed administrator. As administrator, I am an officer of the court and I can tell you freely what that is, unless there is anything that I feel would be prejudicial to the conduct of the administration.

Q489 Chair: Can I clarify the question of responsibilities? At one stage you are hired and paid by Better Capital to advise them about what is in their best interests in dealing with this company, and then you get appointed as the impartial administrator closing things down in a situation where as a secured creditor they have first go at the money. Do you see how it could appear? How can you be partial one week and impartial the next?

Hunter Kelly: There is a detailed code of ethics with regard to being able to accept an insolvency appointment, and to deal with the conflict situations you mention. The detailed code of ethics recognises and allows for the situation where you can be advising the secured creditor and can then go on to take the insolvency appointment, but at each step along the way you have to keep questioning yourself as to whether there is a conflict with regard to your previous work. Within my own firm, before acceptance of the appointment, I have to report to a committee to explain the circumstances, for them to make sure they are comfortable that we have not created a conflict. In general, as I mentioned earlier, in the vast majority of cases the secured creditor would appoint an investigating accountant. If an insolvency appointment were to follow, in the vast majority of cases that would be the investigating accountant. To go back to the generality of advice here, the advice I was providing was with regard to only one option. I was not comparing and contrasting options.

Q490 Chair: The recent banking crisis and other things would lead us to believe that we should have less than total faith in professional ethics. Can you understand why it looks to me as if this is the equivalent of a game where in the first half you are playing for one of the teams and in the second half you are the referee?

Hunter Kelly: I can understand that, but I do not see where the conflict arises.

Q491 Chair: Have you ever been in a situation where the referee was appointed in the second half from one of the teams? There was an Old Firm game at the weekend. Can you imagine what the reaction would have been if one of the players who had been playing in the first half was appointed referee for the second half?

Hunter Kelly: I guess it depends on how he referees the second half of the game.

Chair: Quite. Jim, you want to follow up a point you raised earlier.

Q492 Jim McGovern: The Committee heard evidence that there was a plan to inform staff of the impending redundancy situation, but it was overcome by events. Are you in a position to tell us what those events were, and why the staff were not informed until Christmas day?

Hunter Kelly: With regard to the period prior to 22 December, before the break you asked whether the employees had been notified. I do not know the detail of what was in the directors' minds, but I have to investigate their conduct and come to a conclusion as to whether they should have been notifying and consulting the employees. The key thing here is not about notification; it is about consultation if under employment law redundancies are contemplated. I have questioned the directors about it to an extent. Their response was that at that point, given the restructuring plan, they were not contemplating redundancies from the reduced business, so it depends on the scale of how the business was going to be reduced and, therefore, the number of people who would be affected by it. That is their response. I have not interrogated that response further at this point, so I am not able to deal with that.

Q493 Jim McGovern: When they say there was a plan to inform employees but that plan was overtaken by events, have you any idea what that means?

Hunter Kelly: I have no idea what it means. I have not seen any plans, so I am now quite interested to understand where that plan is and who holds it.

Q494 Pamela Nash: We covered the overall timeline earlier. In relation particularly to staff and when and how they got information, repeatedly in the evidence we have heard already, particularly from my constituents employed at one of the depots affected by this, there had been specific rumours from mid-November that City Link was to close on Christmas day. From your experience so far in dealing with City Link and Better Capital, have you any idea where that very specific information might have come from?

Hunter Kelly: I do not have the detail yet of where that specific information would be. I have been contacted by a number of creditors and suppliers to City Link about that specific point, and I am carrying out my investigations to understand precisely the foundation of that, and to understand it. I go back to Mr McGovern's point about a plan. If a plan exists, I have not seen it. I need to find out if it exists and, if it does, what it contains.

Q495 Jim McGovern: Jon Moulton gave evidence to the Committee that there was a plan to inform staff.

Hunter Kelly: Maybe it was a slightly different thing. There might be some element of confusion with regard to when we were appointed. I had a plan as administrator as to how to notify and advise employees of the insolvency. Apologies, I misunderstood you. I thought you were talking about the period prior to the administration and consultation which was raised earlier.

Q496 Pamela Nash: Could you share with us what that plan was?

Hunter Kelly: On the 22nd, when it became quite clear that the company could not avoid insolvency, the company asked me to help place the company into administration. Looking at the circumstances, if the company could be placed into administration on Boxing day that would represent the best recovery for the creditors. Obviously, there is a balance to be had in that, because it meant trading on for a number of days, and the directors sought the additional finance needed to make sure that the creditors were in no worse a position for trading on for a couple of days. The plan I had in place was that, when the company returned from the holiday on Christmas day, employees would be notified of the insolvency on Boxing day with a phased approach. Obviously, the press had a keen interest in whether there had been announcements to the press. We would have been able to disseminate information. The normal basis on which the company disseminated information would be via senior management and down into their respective teams. Members of my staff attended every single site the company had, bar one, which was the Isle of Wight, and that was to do with ferry restrictions, and made contact with all the employees and notified them of events.

Q497 Pamela Nash: How was that going to be possible on Christmas day and Boxing day when the workplaces were closed?

Hunter Kelly: They are always in operation. It was going to be on a phased basis over the Friday, Boxing day. The company was working on Boxing day; not all the staff, but certain places at certain locations would be operating, mainly the hubs. The depots were open on Saturday. We had a plan in place to visit all of the depots that were open and advise the employees who attended. There were hubs open on the Sunday, but they should already have been contacted and dealt with. On the Monday it was business as usual, and we had a plan to visit people in all the locations to advise them of it. It was a phased approach to fit with circumstances where only certain employees would be in. If, say, there were 10 at one of the depots, we would address them on Boxing day, and if another 10 came in on the Saturday we would address them on Saturday, and so on.

Q498 Pamela Nash: In just five years' experience of being an MP I have unfortunately had a few situations like this in my constituency, although maybe not on such a large scale. Great care is always taken to have all the employees find out together, not to have a staged approach. Was that just a fudge, for want of a better word, because it was happening over the festive period and the holidays?

Hunter Kelly: You are quite right that the situation was less than ideal, and therefore you have to do what you can practically in the circumstances. I agree with you wholeheartedly about making sure we can contact employees immediately. I took great care over that and

I personally addressed the employees at the Coventry hub and depot. Normally, you might have only one location, which makes life a lot easier. Normally, it would not be over a holiday period, where people are on holiday and coming back in a phased approach. You can normally address all the work force in one go; or, if they are on shifts, you would address one shift, and when the next one came in you would be able to address that and deal with it in a much more co-ordinated way. It is about practicalities. The difficulties with City Link were: first, the time of year; secondly, the number of locations; and, thirdly, the normal methods of communication. It is not a business where everybody has an e-mail account, or where everybody has a contact phone number or company mobile phone and you could make contact with them through that—not by text, I hasten to add; that is not something I would do. The situation was less than ideal, and what you have to do is make the best of it and approach it in the best way. That was deemed the best way to do it in the circumstances.

Q499 Jim McGovern: Would it be via newspapers?

Hunter Kelly: No, not via newspapers as such; it would be direct contact, where possible.

Q500 Pamela Nash: Who took the final decision on that method? Obviously, events preceded it, but who would have taken the decision on that plan? Would that be yourself?

Hunter Kelly: It would be myself in conjunction with my staff, but I had overriding responsibility for that. You look at the company's systems of communication and you normally follow them—their method of doing that. That is usually the most efficient way of doing it, because there is already a laid-out approach to disseminating information in the company. The difficulty was that a lot of the company staff were on the road all the time, so there were specific practical difficulties. You just have to make the best of what you can in the circumstances.

Q501 Pamela Nash: Did you have any control over that before you became the administrator officially at seven o'clock on Christmas eve?

Hunter Kelly: No. The first time I make contact with employees, creditors or anything like that is when I am appointed, unless the directors give me authority prior to that.

Q502 Pamela Nash: Were those conversations taking place? Were there any conversations taking place with City Link prior to your becoming administrator on how to inform staff?

Hunter Kelly: With regard to informing staff, on the 22nd I was asked by the company to take steps to place the company in administration, so during that period I was working up a plan as to how I would communicate with staff once appointed.

Q503 Pamela Nash: I appreciate it was a difficult situation and there was not an ideal time over that period, but, looking back, do you think it was handled as best it could be? I put it to you that, when the news came on the 22nd that the company was clearly insolvent, was it not seen as inevitable that this was going to happen? You have outlined the problems in trying to communicate with staff, so it was going to break on the news at some point before all the staff had been contacted. Could there not have been a better alternative, so the news was given to staff before that happened?

Hunter Kelly: As ever, you look back to see if there is anything you can do to improve on it. The situation was less than ideal, but looking at the company systems and procedures—their ability to contact individuals who were spread across the country, their resources and that sort of thing—I cannot see a way that it could be improved. Obviously, it is a matter of regret that the press got hold of the story on Christmas day and decided to publish it. To go back to your earlier point about when you are appointed in an insolvency, normally, it would be at midday on a normal working day and, therefore, you can address the work force because they are in front of you. With regard to this appointment, because it took place at 7.00 pm on Christmas eve the work force had gone home, and I took the personal decision not to make any announcements—normally, you would announce that you had been appointed—in the hope that we would get through to Boxing day when I could invoke the original plan. Obviously, the circumstances where it reached the news on Christmas day took matters out of my hands to a certain extent.

Q504 Chair: Can I clarify one point that maybe you covered earlier but I did not pick up? You were appointed at 7.00 pm on the 24th.

Hunter Kelly: That is right.

Q505 Chair: I presume you did not just happen to be passing. Presumably it was arranged that you would go in. You mentioned that on the 22nd you were working up a plan. Can you clarify those dates? You were formally appointed on the 24th. When did you know that you were going to be appointed on the 24th at 7.00 pm?

Hunter Kelly: The original plan had been to be appointed on Boxing day, for the reason that the number of parcels in the system would be significantly reduced at that point. There might be about 30,000 parcels compared with the normal 300,000 parcels. They would be concentrated in one location, which would make the cost of administration significantly less. The potential claims against the debtor book would be significantly less, so originally it had been Boxing day. That would have been the plan.

That got taken out of our hands because of the level of rumours. A letter from the RMT union went out on the morning of 24 December stating quite clearly that the company had already gone into administration when it had not. As a consequence of that, the rumours became too great to hold the business together, and I took the decision that it was better to place the company into administration earlier, to provide the moratorium and protection against creditor action. To go back to what I said earlier about actions by creditors, landlords could enter premises, change the locks and stop us having access to the parcels and the company's assets. I felt that was too great a risk, and steps were taken to place the company into administration at 7.00 pm on the 24th.

Q506 Chair: That is interesting and helpful, but none of it answers the question I asked. Presumably, you were not just walking past on the 24th and just happened to get appointed. When was it decided that you were going to be the administrator and that a decision was going to be made originally for Boxing day?

Hunter Kelly: On the 22nd the decision was made that I would be the administrator because that was when the company asked me to take steps to place the company into administration. That was on the 22nd.

Q507 Chair: Effectively, all bar the announcement, the decision to put the company into administration was taken on the 22nd, when you were formally approached. Presumably, somebody must have made the decision that you were going to be formally approached before you were formally approached.

Hunter Kelly: To take a step back, on Friday 19 December the company directors presented to Better Capital their complete restructuring plan. Better Capital looked at that over the course of the weekend to weigh up the pros and cons of it. Their decision, which they told the directors about—I think it was between 8.30 am and 9 am on Monday the 22nd—was that they felt unable to support the restructuring plan and declined to put in any more money, in terms of investment in the restructuring plan. The directors concluded there and then that they could not avoid insolvency, and asked me to take steps to place the company into administration.

Having looked at the situation, I felt that in the interests of the creditors, if it was at all possible to get to Boxing day before placing the company into administration, it would result in a better return and recovery to the creditors. The reason I say that is that in the lead-up to Christmas a significant number of parcels were being dealt with. A number of those parcels on the morning of the 22nd were in the hands of third-party hauliers and were effectively scattered across the country. Therefore, if we went into immediate insolvency, those hauliers would automatically drive the parcels into their own yards and exercise liens over them. They would not be delivered and it would be utter chaos.

The problem with getting from the 22nd to Boxing day was funding, because the company were continuing to incur credit from their suppliers. That was when they sought additional funding. The company had funds, but they were subject to a drawdown requirement from Better Capital. I think earlier it was mentioned that Mr Moulton mentioned a figure of £2 million. The directors sought additional funding to make payment to those creditors; I made reference to the £3.4 million paid to suppliers during those three days, to enable it to get to Boxing day.

Q508 Chair: Some of my colleagues want to ask specific points on that, but I want to be clear. Is it reasonable for me as a normal person, not involved in these sorts of things, to conclude that the decision to shut was made at about eight or nine o'clock on Monday the 22nd?

Hunter Kelly: The decision then was that the business could not avoid insolvency. On your point about my just passing, I was there. The directors had asked me to do that; I had made the comment that I felt it was better for creditors if we could somehow manage to get to the 24th.

Q509 Chair: I understand that. I just want to be clear that effectively this was, as it were, a dead company, or a company going into administration, by nine o'clock in the morning of Monday the 22nd.

Hunter Kelly: Correct. It could not avoid insolvency at that point in time.

Q510 Chair: Fine. I just wanted to be clear about that. It was after that that you were involved, among other things, in working up the communications plan about how you were going to contact the staff.

Hunter Kelly: That is right.

Chair: Unfortunately, *Hansard* does not record nodding. People have to say things, but you did say something in the end.

Q511 Jim McGovern: Did you have any communications with the UK Government or Scottish Government?

Hunter Kelly: As we talked about earlier, there was communication on 9 December with regard to a potential insolvency, and that was to do with the employees. The next time I was contacted by Government was via a civil servant—I believe it was a civil servant; somebody from the Department for Business, Innovation and Skills contacted me on Tuesday the 30th with regard to, at that time, press speculation about the consortium's interest in the business. He advised that he wished to brief Dr Cable on the situation, and asked if I could explain the circumstances with regard to the consortium's interest.

Q512 Jim McGovern: We have been told that you refused to pass details about the employees to the Scottish Government, so that they could contact them about the PACE scheme. Is that true?

Hunter Kelly: I cannot disclose the names to them; otherwise, I would be in breach of the Data Protection Act.

Q513 Jim McGovern: Let's make this clear: you cannot disclose the names of employees who are going to be made redundant, because of the Data Protection Act.

Hunter Kelly: Yes.

Jim McGovern: I think we should check that.

Q514 Chair: How are the Government systems meant to know which employees are being made redundant if you do not tell them?

Hunter Kelly: As to how it works, that is part of the reason for the protocol. We had the PACE leaflets for Scotland, ReAct II for Wales and Jobcentre Plus for England. We had the relevant leaflets. When somebody is unfortunately made redundant, with all the various claim forms they are sent, as well as official notification of redundancy, those leaflets are put into the same envelopes and distributed to them. The employee gets it from there; it is posted out and dealt with by the administrator.

Q515 Jim McGovern: How can PACE help people if you as the administrators refuse to release details of the people who are losing their jobs?

Hunter Kelly: The people have the leaflets within the letter. It advises them about redundancy, their rights and so on, and what they can do. It has the PACE leaflet for them to make contact. In addition, we hold job fairs. In the specific instance of City Link, there was also a Facebook page set up to help employees. In terms of who makes that contact, they have the contact; they have leaflets that clearly set out where they can communicate with PACE to gain the necessary assistance.

Jim McGovern: I think that is worthy of further exploration. I find it hard to believe.

Q516 Ann McKechin: In answer to another written question, the Department for Business advised that it was intimated to them on the 23rd that the company was going into administration on the 24th, but from what you are saying your plan originally was to put it into administration on the 26th.

Hunter Kelly: The original plan for the company was for the 26th, yes.

Q517 Ann McKechin: They confirmed that they were aware of the company's identity the day before Christmas eve. What you are saying is that there was no communication between the Insolvency Service and BIS, with you as the administrator, from that period up until the 30th when you received a call from Dr Cable's private office, presumably.

Hunter Kelly: I do not know whether it was his private office or not; it was an individual wishing to brief Dr Cable.

Q518 Ann McKechin: But that was the first official contact.

Hunter Kelly: With regard to myself, yes. Looking at the previous work of the Committee, the contact on the 23rd may well have been with Better Capital and Mr Moulton. That is my understanding.

Q519 Ann McKechin: Normally, PACE and similar bodies, and Jobcentre Plus, would arrange to meet workers at their place of work to provide them with advice and assistance rather than hand them a leaflet. When we spoke to employees in Glasgow, none of them appeared to have had the said leaflet from PACE. All they had handed to them was a badly photocopied claim form, and they received no other information. We asked them specifically whether they had received that and they said they had not.

Hunter Kelly: I honestly do not understand that. I know that the envelopes were sent out to all the employees made redundant on the 31st, and that all of the envelopes contained the various leaflets. I know that in some instances we had difficulty with the company systems, which did not have the right addresses for the individuals.

Q520 Chair: There seems to be a clear contradiction. When we met staff, they were telling us that they had not had this, and they were, quite naturally, aggrieved. The RMT union said they wanted to get PACE involved earlier, but you would not release the information, nor—I think they told us—were you willing to send stuff out to them.

Hunter Kelly: I do not recognise that at all, quite categorically. I talked about the protocol. It is very important that employees are treated properly and fairly. Insolvency is not something that we have to deal with on a day-to-day basis, because we don't have insolvencies every day, but, unfortunately, for me it is a relatively regular occurrence. There is a protocol that we follow to make sure employees get those leaflets. We have a system and procedures in place to make sure they did, and every employee made redundant on the 31st received in their envelope details of their redundancy, the various claim forms and also the relevant leaflet, whether that be PACE, ReAct or Jobcentre Plus. They were sent out. I know that in some instances the company's records were wrong and they were posted to the wrong address.

Chair: We have a conflict of evidence, so we will go off and have a look at that.

Q521 Mike Crockart: On the flow of information between the company and BIS, we have been told that the Department was notified on 23 December by City Link's owners of their intention to place City Link in administration on 24 December. That cannot be right given the evidence you have given.

Hunter Kelly: The situation was evolving, but my recollection is that date of the 24th was confirmed only on the 24th because of the level of rumours around. The view was that it was better to seek the protection of the moratorium earlier.

Q522 Mike Crockart: That is quite different from what BIS told us they thought the situation was.

Hunter Kelly: I did not contact BIS. It would be a matter for whoever contacted BIS to explain it.

Q523 Mike Crockart: It was contacted by City Link's owners, so presumably that is Better Capital.

Hunter Kelly: Or maybe the other shareholders.

Q524 Mike Crockart: Is there any reason why Better Capital would have thought on 23 December that City Link was going into administration on the 24th?

Hunter Kelly: During that period there had been various discussions about whether or not it was possible to get to the 26th. Maybe they took the view that it was getting more and more difficult and it was more likely to be the 24th, but, as far as I am aware, my recollection of events is that it was not formally decided until the 24th.

Q525 Mike Crockart: It is the City Link directors who make the decision, is it not, not the owners?

Hunter Kelly: Yes, that is right, although to be fair in this instance it was done with a lot of consultation between the parties, and ultimately the appointment was made by the secured creditor.

Q526 Pamela Nash: On the delays that we came across when speaking to our constituents and people giving evidence to the Committee, you said that envelopes and information packs were sent out. What was your time scale? Was there a deadline by which they had to go out?

Hunter Kelly: On the 31st.

Q527 Pamela Nash: They were sent out on the 31st. Okay. It's good to be clear. We met people on 12 January who still had not received their pack. You say that should not have been the case.

Hunter Kelly: Could you provide me with details of those individuals? Genuinely, in terms of individuals, this is news to me. To go back to my earlier point about payments and the processing from the redundancy payments office, the information flow required in order for it to make those payments was going on, and certainly on 12 January it was in full flow.

Q528 Pamela Nash: In terms of data protection and our responsibilities for confidentiality, we need to be careful what we pass to you, but I am sure we can let those people know that you would be interested to speak to them about the delays they faced. I was not clear about your earlier answers on subcontractors—although I would not view them as that; I think that in the case of most of the people we met who were working with City Link it was bogus self-employment. What was your responsibility to give them information?

Hunter Kelly: They are a trade creditor or trade supplier. We notify them of the insolvency, and how they can make claims against the company and whether they may have certain rights. A normal trade supplier, not a subcontractor, might have retention of title claims. We advise them to get in contact with us if they wish to make those sorts of claims, so they would get that shortly after the company went into administration.

Q529 Pamela Nash: Is that the case with all contractors, including those who might be a single person who is self-employed?

Hunter Kelly: Yes; trade suppliers are one class.

Q530 Pamela Nash: I was interested in Mr Moulton's written evidence following his appearance last week. He said that most of the people who transferred from employed to contractor status would have been eligible for full redundancy pay before the administration, yet they are treated as normal contractors in the event of administration. Is that correct?

Hunter Kelly: If they are subcontractors, I cannot see how they would be entitled to redundancy in any circumstance.

Q531 Pamela Nash: I think there is legislation to protect those who, for all intents and purposes, work under the same conditions as those who are employed. However, I am certainly not an expert on this, and that is why I am asking you. You said that the Data Protection Act prevented you from sharing information. Was that the situation before the Data Protection Act came in, or has this had to happen in reaction to that? Has it always been the case that administrators would provide this information to those finding themselves unemployed?

Hunter Kelly: The Data Protection Act goes back a number of years. Prior to that, it would be the norm for us to notify the employees. We would work with the various Jobcentres, as it would be then, with regard to them coming on site and being able to consult with employees as appropriate to the circumstances.

Q532 Pamela Nash: Do you think that is the best way going forward? Do you think that works? I only ask because it has been said to us a few times in this inquiry that there was a presumption they would be contacted either by the UK or Scottish Governments, or Departments thereof.

Hunter Kelly: The norm seems to work, in terms of the leaflets getting distributed by the administrators—to go back to the protocol point about advance warning, having leaflets and sending them out. In normal circumstances, maybe where it was a trading administration and the business carried on trading, there would be an ability to organise job fairs and get Jobcentre to appear on site at an appropriate point.

Q533 Pamela Nash: Later in January, information events were set up in Scotland. Did that happen across the UK?

Hunter Kelly: No, it did not happen universally across the UK. I believe PACE asked us to redistribute the leaflets on the 7th, which we did.

Q534 Pamela Nash: Why were you asked to redistribute?

Hunter Kelly: They asked us to send them out again, so we did.

Q535 Pamela Nash: Is that normal?

Hunter Kelly: No, it is not normal.

Q536 Pamela Nash: Did they give any reason for that?

Hunter Kelly: They dealt with one of my colleagues. I do not know the reason for it. They also asked on the 12th—

Q537 Pamela Nash: I think it is a fair assumption that they might have asked you to do that because not all the people who should have got those leaflets got them. Is that something you could clarify?

Hunter Kelly: All I can say is that I have inquired of the staff whether all the leaflets went out on the 31st. Were they put into every single envelope? Did they put in the appropriate leaflets for the appropriate employees? They clarified absolutely categorically that they did. I do not know why some employees did not get those leaflets. PACE asked us to redistribute on the 7th. I was not privy to the request to do that, but we did it and sent them out, so you need to ask PACE about the reason or the rationale, or I can ask my colleague if we were given a reason.

Pamela Nash: I think that would be helpful.

Q538 Ann McKechin: Could you confirm that as of today all the employees' back pay, including their redundancy pay, has been paid to them? Is that correct?

Hunter Kelly: I believe that the process is ongoing with the redundancy payments office. I believe that payments have been made to in excess of 2,000 individuals, bearing in mind that the only back pay was the unpaid overtime. I believe that for those who were retained by the company that was paid by the company during January. With regard to those who have made claims to the redundancy payments office, I believe the vast majority have received their money.

Q539 Ann McKechin: Would you anticipate that all of them will be paid by, say, the end of this month?

Hunter Kelly: I believe so.

Q540 Ann McKechin: We have talked about the difference between self-contractors and agency workers. There is clearly a rapidly changing environment in many businesses in which you are involved in administration. It is not the case that all people are permanent employees and employees with contracts. A very different set of circumstances applies in companies of this kind, where people are employed or subcontracted on a different basis but are fundamentally doing the same work. In your professional opinion, do you think that the current legal framework provides those people, particularly those who are self-contractors, with adequate protection, given the fact that they are, as you have pointed out, on very low incomes?

Hunter Kelly: I am not sure I pointed out that they were on low incomes.

Q541 Ann McKechin: You pointed to the margins these companies were working with, and obviously that is reflected in remuneration.

Hunter Kelly: I do not feel qualified to answer that. Legislation allows people to use subcontractors, and in certain industries it is the norm; in fact, certain companies could not exist, because of the vagaries of trading. A lot of businesses are seasonal. Therefore, if a business employed permanent staff for 12 months to deal with a one-month peak it would quickly go out of business. I would have thought they have a role to play in society.

Q542 Ann McKechin: I appreciate that you might not want to comment on this, but you have talked about the difficult balance you had, and the fact that this was a distribution company with many parcels, and you wanted to protect the rights of the creditors. In effect, the company kept operating for several days to try to achieve a decrease in the number of parcels. On the other hand, the self-employed contractors and the small guys on a low income continued to work for City Link, continuing, in effect, to incur debt, which was owed by the company. Realistically, their rate of return will be tiny. I hope you respect the fact that people are concerned that the wait seems to be more about the convenience of the company's larger customers and suppliers rather than the very small contractors who had been encouraged, if not driven, by the firm to become self-employed rather than be permanent employees with the protections of redundancy and employment contracts that the other staff had.

Hunter Kelly: I mentioned earlier that in the period up to Christmas eve there was a special payment made by the directors to subcontractors, agency workers and other suppliers to cover them for the period when they would be incurring further credit and providing further services, so they would be in no worse a position than they would have been if the company had gone into administration on the 22nd.

Q543 Ann McKechin: I do not know that that was necessarily the impression given to us when we spoke to people who are now five figures out.

Hunter Kelly: I have every sympathy with their position, because they have undoubtedly lost money. The norm was that they were paid two weeks in arrears, so they have two weeks of arrears of wages, and for an individual—

Q544 Ann McKechin: At a time when they were working at the maximum.

Hunter Kelly: For an individual subcontractor without the protection of being employed by another business, that would be a significant sum of money.

Q545 Ann McKechin: And their vulnerability.

Hunter Kelly: It would be a significant sum of money to them.

Q546 Chair: Can I pick up a couple of points for clarification? When you were invited to come in and see Better Capital and give them advice about what the options were, presumably one of the options considered was pulling the plug and insolvency. Is that correct?

Hunter Kelly: I did not advise them on options; I advised them only on one option, which was with regard to insolvency.

Q547 Chair: In those circumstances, anybody who was told beyond that that insolvency was not being considered was being misled, surely.

Hunter Kelly: That would be a reasonable assumption.

Q548 Chair: Is that a yes?

Hunter Kelly: This goes back to my duty to investigate the directors' conduct. Quite clearly, if I have been asked to have a look at insolvency as an option, it must be an option that is being considered.

Q549 Chair: That is a yes. When people working for City Link, either directly or as subcontractors, were told that there was no prospect of closure and that it was ongoing, effectively they were being lied to at that stage.

Hunter Kelly: What I need to understand is what was in the minds of the directors and what gave them confidence that they would be able to rescue the company and it would not enter in insolvency. This is about wrongful trading, and there are two aspects I need to consider. One is reporting to the Insolvency Service about the conduct of the directors, which may or may not lead to disqualification proceedings. The other is with regard to wrongful trading, which would open up an action against the directors personally for recompense for the loss to creditors because of that. I need to assess that. One of the key points is at what point did they cross the line? When did the ability to save the business move from a realistic prospect to wishful thinking? It is early in terms of my investigation.

Q550 Chair: I understand that, but the point I am making is a slightly different one. You will have seen from our discussion with Mr Moulton that we referred to hearing that a notice was made available. I think it was pinned to a board; it was distributed to some suppliers. People were told that legal action was being contemplated, or would be taken, against people who were saying the business might close. That was nakedly dishonest, wasn't it? Clearly, whether or not the business would close was being discussed.

Hunter Kelly: Absolutely, and it is a matter of great interest to me. I mentioned earlier that I had been contacted by a number of suppliers with regard to their having received that notice, wishing me to conduct investigations as to why it was issued and whether or not it was issued correctly. In terms of the investigation so far, I believe that notice was disseminated by David Smith, the chief executive, on 21 November to key members of his staff for dissemination to suppliers or other employees within their team as they thought reasonable and right. What gave Mr Smith the confidence to make that statement, which as you say is relatively categoric, about the situation is part of my investigations. I have a keen interest to understand why he felt capable of making that statement.

Q551 Chair: To turn to the question of your decision making beyond the time you were appointed, I understand the logic of what you did. You decided it was better to try to keep things going in order to make sure that some of the parcels or properties were not seized. I understand that and I can see the logic of it. However, it also seems to me that that is transferring assets, effectively, away from the unsecured creditors to the secured creditors. The people whose interests are served by keeping the thing going, to maximise the return to creditors as a whole—the creditors' bucket, so to speak—are those who are going to get their money out first. Had we had a situation where, as you indicated, some of the assets were liberated and so on, that would have been effectively in the interests of the creditors who were doing the liberating. They would have had some of their losses addressed, whereas by carrying on you are deceiving everybody, essentially, about the prospects for the business, but those who lost out were the unsecured creditors rather than the secured creditors. Is that a reasonable assessment of the situation?

Hunter Kelly: The Insolvency Act sets out quite clearly minimising the loss to the general body of creditors, and therefore doing something that achieves a better return to the creditors as a general body, as opposed to individuals. There is a clear division in the distribution order where creditors are paid.

Q552 Chair: The creditors are not a general body if one creditor or a small number of creditors have first go at the money and the rest have to take what is left. If the system is one where the interest is in maximising the pool, and one group gets first access to that pool, they are being served better than in a system that might result in less overall going into the pool but being shared out in a different way.

Hunter Kelly: The duty is to maximise the overall pool for distribution.

Q553 Chair: You told me that before, but that is not the question I am asking you. The way in which you are obliged to exercise your duties, and the way you interpret it here, had the effect of transferring assets away from the mass of creditors in order that they could benefit the secured creditors.

Hunter Kelly: But the situation you are outlining would mean that people could circumvent the Insolvency Act and come up with a different order of priority from the one laid out by Parliament.

Q554 Chair: That is a yes, basically. I am not disputing that what you did was in line with the legislation; I am trying to clarify the effects of it.

Hunter Kelly: It depends, because it is situation specific, but it could end up that, as a result of an earlier insolvency, there is no recovery from the various assets, so the preferential creditors could lose out. As I mentioned earlier, the preferential creditors have priority. It could also deplete the amount available for the prescribed part. Therefore, the unsecured creditors as a general body could lose out, but one specific supplier, because he happened to have a lorryload of parcels, could benefit at the expense of every other creditor. Therefore, you are creating a different priority from the one in the Insolvency Act. My own view is that what you have laid out would lead to an element of chaos; it is a bit of a lottery as to whether you have a parcel or a lien and it is just your luck if the timing works for you, and others would lose out. Personally, I prefer the way Parliament has legislated.

Q555 Chair: I understand that position. I just wanted to clarify what the effect was. Can I again come back to the question of who is getting their money? I want to be absolutely clear about this. As I understand the position, you told us that everyone who was a direct employee, and is on wages and so on, should be getting everything they were due from somebody. Some of it may come from the company, but most of it will come from the Insolvency Service, except possibly those who were getting paid above a certain level, because there is a limit to it.

Hunter Kelly: That is right.

Q556 Chair: Overtime and all the rest of it should be paid. Is that correct?

Hunter Kelly: My understanding is that they will get their wages paid. You are absolutely right about limits. There are separate claims for lieu of notice and redundancy. There are limits on that from the redundancy payments office. The ordinary worker on the factory floor or the shop floor will get his claim paid in full by the Redundancy Payments Service, whereas those at a higher management level will be earning more than the limit set by the Redundancy Payments Service, and they would have an unsecured claim for the balance.

Q557 Chair: Given that there is a limit to how much somebody gets, can I clarify whether or not that is paid, as it were, on an annual, weekly or daily basis? We were told that some people were working 20 hours on Christmas eve. I want to be clear about whether or not they will get all of that money, or whether if the weekly rate is divided into a daily rate they will only get a certain amount of it.

Hunter Kelly: The information I have is that they will be paid their overtime in full.

Q558 Chair: Therefore, the salaried employees—the normal hourly or weekly paid employees—will get everything back.

Hunter Kelly: What do you mean by everything? Some people might not get the full amount for their redundancy and lieu of notice because it is above the limits.

Q559 Chair: We will check what the level might be.

Hunter Kelly: My understanding is that the individuals you are talking about, who are working overtime and delivering parcels—the hourly paid—will be paid their overtime in full.

Q560 Jim McGovern: What about payment in lieu of annual leave?

Hunter Kelly: Payment in terms of lack of notice—payment in lieu of notice—and payment in terms of redundancy is the bit we are talking about where there are limits, so higher-paid employees, usually management, may not get that in full.

Q561 Jim McGovern: I am asking you about annual leave.

Hunter Kelly: Holiday pay is paid in full; it is a preferential creditor. Sorry, I misunderstood you when you said "in lieu". Holiday pay will be paid in full, either through an advance through the redundancy payments office or the fact that it is a preferential claim. My belief is that preferential creditors will be paid in full in this instance.

Q562 Chair: Can I clarify a couple of points about the contractors? We were told by the Insolvency Service at an informal meeting that, if somebody who was what we consider bogus self-employed wanted to be treated as if they were employed, they would end up having to take their case to a tribunal to get themselves assessed as being directly employed. Is that your understanding of the position?

Hunter Kelly: That is my understanding, yes.

Q563 Chair: In the event that the tribunal decreed they were employed directly, effectively they would fall back into the category you have just discussed and get everything paid.

Hunter Kelly: I believe that might be the case. It is not something I have come across in my experience, but that might well be the case.

Q564 Chair: Would their action be taken, as it were, against you? Would it be you they would take to the tribunal, or City Link?

Hunter Kelly: It would be the individual who would do that.

Q565 Chair: As I understand it, when you take a case to a tribunal, in a sense you are taking it against somebody.

Hunter Kelly: The individual would take it against City Link in administration.

Q566 Chair: But you as City Link.

Hunter Kelly: No. City Link still exists. City Link is a corporate entity that still exists. I am the administrator appointed to administer the affairs of City Link.

Q567 Chair: City Link would not have a separate identity able to take decisions on money. The decision on whether or not to fight that case would be yours.

Hunter Kelly: That would be a matter for myself, because the executive authority of City Link vests in myself. In those circumstances I would need to look at what is in the interests of the general body of creditors. If somebody, whether a subcontractor or anybody else, decides to make a claim against City Link, the procedure is exactly the same. I would evaluate whether it was a valid claim. I would take legal advice on the situation to understand the facts surrounding it. If I felt that the individual bringing the action would likely win, I would accept it; if you felt it was a false claim and was to the detriment of the creditors, you would fight it.

Q568 Chair: Surely, any claim, even if it is a valid one, would be to the detriment of the creditors, because you would end up paying out money that would otherwise go to them.

Hunter Kelly: But if it is a valid claim they are a creditor and therefore should be accepted as one. I do not have the ability to say, "Yes or no, you have a claim or you have not"—the hand of God type of approach; I follow the legislation. I am an officer of the court and am duty-bound to do so.

Q569 Chair: We have not dealt with this before, and it is pretty clear that most of the work force have not dealt with something like this before. We are trying to establish what the procedure is in circumstances where there is a whole chunk of people who seem to us to be bogus self-employed. Would you accept a test case, or would everybody have to take you to a tribunal?

Hunter Kelly: I believe that the way the tribunal works is that each individual has to bring an action. They can bring a class action. It is an area that has interest for me. If they are employees, there is a whole issue of undeclared taxes, and therefore the company has under-remitted its tax. I have started to make some investigation into this area, but it is early in getting the information and understanding where it is. I know the company took legal advice, so it is of interest to me whether they followed that legal advice and what it was previously. I also understand that two years ago HMRC took an interest and believed that they were valid subcontractors, but again I need to see the paperwork around that to understand it. Life has a habit of moving on, and circumstances change.

Q570 Chair: I want to be clear that the decision as to whether to fight or concede these cases is yours.

Hunter Kelly: Yes.

Q571 Chair: One of the issues raised with us is the position of genuine contractors. Your understanding is that all the money they were due to receive on the 19th should by now have been paid. If it has not been received, that is a hiccup in the system and it was not the intention.

Hunter Kelly: The money due to be received by the subcontractors on the 19th left the company's bank account on the 17th. It should have happened. It should have applied to all subcontractors providing services for the prior two weeks. It should have been paid to them. They should have received it. If there is a difference in the system, I want to know whether it was deliberate because there was a dispute as to the amount. Was it accidental or was it deliberate?

Q572 Chair: From our point of view, having been approached by contractors, we will be able to say to them, following this meeting, that your clear understanding is that everybody who should have got that money on the 19th got it.

Hunter Kelly: And if they haven't, I would be really interested to hear from them, because I want to investigate the surrounding circumstances. It comes down to the particular circumstances that enable you to investigate and understand one of the three reasons that apply.

Q573 Chair: From the 22nd when you were appointed, my understanding is that in your view the additional money that came from the directors should have met all the costs of contractors from that date.

Hunter Kelly: Yes.

Q574 Chair: The only time for which contractors are, as it were, out of pocket is the period going backwards from the 22nd to the period that was no longer covered by the payment on the 19th.

Hunter Kelly: That is correct, yes.

Q575 Chair: As you will appreciate, some of these people have quite substantial financial difficulties. What you are telling us is certainly not the impression they have conveyed to us, but maybe events have now caught up a bit and things are a bit clearer for them.

That covers all the points we had. As I indicated to you informally before we came in, we always end these meetings by asking you whether or not you have any answers prepared to questions we have not asked, or any issues you think we should have covered that we have not touched on.

Hunter Kelly: It has been quite a wide-ranging discussion.

Q576 Chair: It has been very enjoyable for all of us.

Hunter Kelly: It is the first time that some of the detail of insolvency legislation has been called enjoyable. We have covered everything I can think of. It has been a wide-ranging debate. I feel I may not have answered Ms Nash satisfactorily about the PACE leaflets. I will come back to you with regard to that. I believe they were all sent, and I genuinely do not understand why there is a difference of view. I have a couple of things I need to come back to with regard to pension scheme payments, to clarify the precise position, and also to understand the redundancy plan, and I will do so.

Chair: To be fair, we do not expect you to fill all the envelopes yourself. Therefore, if there is a hiccup in the system, we do not necessarily blame you directly for that. Could I thank you for coming along? I think this has been a very helpful and constructive session.