

Work and Pensions Committee & Business, Innovation and Skills Committee

Oral evidence: The sale and acquisition of BHS, HC 54

Wednesday 15 Jun 2016

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Members present:

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

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

Questions 1740-2333

Witness

[I](#): Sir Philip Green, Chairman, Arcadia Group.

Examination of witness

Witness: Sir Philip Green.

Chair: Sir Philip, welcome. We have a large number of questions to ask, as you will know, based on our evidence. If the questions are not clear I will try to ensure that they are, or if you are going off the point I will try to bring you back, because there is a huge amount of evidence and questions to put to you. I will ask Michelle to open our questions.

Q1740 **Michelle Thomson:** Good morning. Thank you for attending our session. As Frank said, the focus today will be very detailed, but before we start I would like to get a sense of you, Sir Philip. You are recognised as a captain of industry. In your view, what is the one key value that has defined you as an individual during your long business career?

Sir Philip Green: I think it is not the right way—to mark your own essay. I don't think that is probably a good way for me to start. I started from walking the street in terms of learning the industry. When I first started retailing, I used to visit 12 cities or towns on a Saturday, starting at 6.30 in the morning. From 1974, I used to go to Asia once a month and learned how to make the garments. So I have been intimately involved in virtually every aspect of this business over 40, 45 years. I taught myself and never worked with anybody in the industry.

Hopefully over this period of time we are here, you won't hear all the bad stuff everybody wants to keep writing about. Hopefully I will give you a fair and balanced view. If I have done something wrong, I am happy to say, "Hands up—I've done something wrong." You can be your own judge. You know, I don't tell lies. I will tell you it exactly as it is; anything I tell you, I am going to show you or you can see. I've been across, I think, several thousand stores in this country. We are still employing 27,000 or 28,000 people currently. Pre-BHS, it was nearly 40,000 people.

Q1741 **Michelle Thomson:** So am I allowed to summarise, then? Would it be a fair assessment to describe your key points as honesty and hard work?

Sir Philip Green: Yes, I think so. I think that, in spite of everything that has occurred, I have been getting quite a lot of messages from BHS people, and if I may, just before we get started, I would like to say a few words, if that is okay with the Committee.

Contrary to everything that is getting written, I spent 15 years—nearly a third of my working career—with BHS. Probably the thing that got me into trouble was having too strong an emotional tie with both the people and the business. I think if you went to ask all the people I worked with—and they worked with me, as opposed to for me—at BHS, I think they would all testify that I was honest and hard working. Nothing is more sad than how this has ended. I hope during the morning you will hear that there is certainly no intent at all on my part for anything to be like this. It didn't need to be like this. I just want to apologise to all the BHS people



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who have been involved in this and are involved. I hope that by the end of the morning they will hear everything and we can find some sensible solutions to some of the issues.

Q1742 **Michelle Thomson:** Your apology is noted. What word is a key value, do you think, that the 11,000 employees and future pensioners would use to describe you?

Sir Philip Green: I'm sorry?

Michelle Thomson: I said, in terms of your key values of hard-working and honesty, what word to describe your key values would the 11,000 employees and future pensioners use, do you think?

Sir Philip Green: Respectfully, I have just said what I said. You can never make—I can't make everybody happy. There are obviously going to be some unhappy people. I accept that. As I said, by the end of the morning, when we have been through the things we have to go through, hopefully people will hear that that is not the intent and we can find some solutions.

Q1743 **Michelle Thomson:** Thank you for that. Moving forward, I wanted to ask some specific questions about the early days of you getting involved with BHS, firstly in terms of dividends. With hindsight, how do you view your dividend policy at BHS?

Sir Philip Green: If we were able to use hindsight, we wouldn't be here. I think lots of us would be doing different things in life if we used hindsight, but we can't.

Respectfully, if you look at how businesses were financed in those days—the early 2000s—the financing at BHS was extremely conservative. If you go and look at—I am sure we could go and find many transactions—where people used to borrow multiples of EBITDA and four, five, six, seven or eight times cash flow, or how businesses were financed by the venture capital people and private equity, that is how businesses were bought. If you actually look at this business, it did not have more than one times cash flow as debt, so actually it was very conservatively run. I have obviously got a chart of the numbers and we can go through the numbers. I think that you have got to look at the dividends in the context of the cash flow that the business was making and in the context of the profits it was making—

Q1744 **Michelle Thomson:** Did you regard your dividend policy as prudent, then?

Sir Philip Green: As I said, we did not exceed one times cash flow. If you go and ask any independent banker or anybody in the venture capital or buy-out business, they would have been saying, "Why are you being so conservative?" It was not an aggressive finance strategy.

Q1745 **Michelle Thomson:** Given that dividends paid over the period 2000 to 2014 were 19,738% of profit, compared with M&S at 84% of profit and Primark at 80% of profit—but of course the last dividend was paid in



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2004. I am simply using that as a marker.

Sir Philip Green: With respect, we can pick any numbers if you want to make them look disconnected. We have to pick the numbers in line, and respectfully, if we go to a public company that paid x in 2002, 2003 or 2004—you could not have a strategy knowing where you are going to be 11 years later. That is not realistic.

Q1746 **Michelle Thomson:** So given that between 2002 and 2004 dividends were roughly double the after-tax profit—they were in excess of profits—would you consider that prudent?

Sir Philip Green: The operating profit—or the EBITDA, as is normally looked at—in 00-01 was £80.6 million. In 01-02, it was £147.6 million. In 02-03, it was £151.5 million. In 03-04, it was £157.8 million. The cash generated from the business was £537 million over those years. Those are the audited numbers. You are giving me some sort of—we can move on from there, but in that period of time, there was £537 million generated.

Q1747 **Michelle Thomson:** It may well be that as we go through the people on the Committee today, we get more detail on the numbers. There is obviously a significant interest in this matter among people at home as well. My simple question to you is whether, with the benefit of hindsight, do you view the dividend policy, given the excessive dividends when you do comparatives against other companies, as prudent? Did you regard them as prudent then and do you regard them, looking back, as prudent now?

Sir Philip Green: As I said to you, I think the leverage used on this company was not excessive. The bank debt against the profitability I read you in year 1 was £111 million, in year 2 was £2.2 million and in year 3 was £9.9 million. In the third year, when the company made £157 million, it was £111 million. You can take that to any independent banker or organisation you like and look at those numbers; they are not excessive based on the bank debt versus the earnings.

Q1748 **Michelle Thomson:** Did you have any concerns that dividends were still being paid out at the rate they were when the pension scheme was moving into deficit?

Sir Philip Green: I am happy to tackle the pensions any time you like, but I think—

Michelle Thomson: I imagine it is a separate section. We are just looking at the overarching financial governance.

Sir Philip Green: Yes, but I don't think—if you want to have a separate pension conversation, we can. Let's stick to the numbers—let's go through the numbers and then I am more than happy to answer any questions you like on the pensions.

Q1749 **Michelle Thomson:** Okay, I think you have answered my question. Carrying on, in terms of property, your company bought a number of



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properties from BHS for £1.59 million, as a sale and leaseback to another company, called Carmen Properties. Who was the controlling party of Carmen Properties Ltd?

Sir Philip Green: I think you're using the wrong numbers.

Q1750 **Michelle Thomson:** It probably doesn't matter. Can we agree that a number of properties out of BHS were sold to Carmen Properties Ltd?

Sir Philip Green: What we can agree is that a number of properties were purchased on an external valuation by a company called Carmen, which was a family company, paid for in cash, and the cash was injected into the company, and then they were rentalised on a normal rental basis like any other property would have been. There were no special circumstances; it was a typical, normal sale and leaseback transaction.

Q1751 **Chair:** Who did the valuation, Sir Philip?

Sir Philip Green: Savills.

Q1752 **Chair:** And you say the money came back to BHS.

Sir Philip Green: 100% of the funds were paid to BHS—£106 million.

Q1753 **Michelle Thomson:** So what was the point of that?

Sir Philip Green: Again, in those days, these were not abnormal transactions. People used to sale and leaseback real estate in companies. Therefore, that's what was done. This is not something invented by me; these are the transactions that are done.

Q1754 **Michelle Thomson:** I do recall that. But why was it done? That is the question I am asking. You are suggesting that it was very common, but what I am asking is why it was done—for what purpose.

Sir Philip Green: With respect, this was 14 years ago. At the time, somebody suggested that it was a transaction we should be doing, and we did it.

Q1755 **Michelle Thomson:** But there must have been a reason. Are you saying that you cannot recall what that reason was?

Sir Philip Green: I don't know. I think, basically, the company was trading well and it seemed like a sensible transaction at the time. It so happens that since that transaction, through all our other businesses, we have actually not done any other sale and leaseback at all. We still own all the real estate we started with.

Q1756 **Michelle Thomson:** Carmen Properties Ltd is registered offshore. Am I correct in assuming that the Green empire, the wider family business, did not pay any tax on the £152 million in rent extracted?

Sir Philip Green: It doesn't quite work like that, and I don't think that's the way we should be going, okay? I think it's well known—

Q1757 **Chair:** How does it work, Sir Philip?



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Sir Philip Green: I think it's well known—I left here in 1998 because of a heart scare, right? And for personal reasons. When I left here in 1998 with my family, we did not own any businesses at all. We were basically business-free. I went to have some time out, okay? Then, when I came back here in 2000, my family—my children—remained out of the country. So the investments were made from overseas. They weren't assets I took offshore. These were businesses that were bought whilst not being resident here in the UK.

Q1758 **Chair:** Your wife and family—you were all offshore at one time while you regained your health.

Sir Philip Green: Yes.

Q1759 **Chair:** You came back, but your wife and family remained offshore.

Sir Philip Green: Yes, and my children remained in school overseas for the next 12 years.

Q1760 **Michelle Thomson:** That was not the only offshore property company. Mildenhall Holdings Ltd, also a Jersey-based company controlled by the wider Green family, was at another BHS office that this company was created offshore to manage the funding through.

Sir Philip Green: I don't have any note on Mildenhall.

Michelle Thomson: Do you want me to refresh your memory? Excuse me a minute—I have copious notes here.

Q1761 **Chair:** While Michelle is doing that, may I ask you, Sir Philip, why you chose Monaco, rather than other countries you could go to, when you were getting your health back?

Sir Philip Green: To be honest with you, I don't know. Somebody suggested it. I had actually never spent a day there previously. Somebody suggested it and we went there. I wanted to put my children in school somewhere, and I had two or three choices. We went there, had a look, met the people and decided to stay there.

Q1762 **Chair:** When did you find out that it had tax advantages to stay there?

Sir Philip Green: I think it is known. I don't think that's a secret.

Q1763 **Chair:** Are you saying you knew that when you went?

Sir Philip Green: I'm saying that when I went there, I didn't ever know—

Chair: No, I accept that—

Sir Philip Green: Let me answer you. When I went there—the lady used the words “with hindsight”—I had no idea that I was ever going to do any more business. I didn't go there with a plan to start coming back here and working like I worked. I didn't know how life would turn out.

Q1764 **Chair:** But when you started to make a huge amount of money, did you



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not feel that maybe that was not the best place for you, after realising that it was a tax-free zone?

Sir Philip Green: On what basis?

Q1765 **Chair:** On the basis that when you went there, whether it had tax advantages or not did not matter. You did not know what sort of life you were going to have. You came back to this country and became a very successful business person. Did it not occur to you that it wasn't a suitable base then?

Sir Philip Green: Why would it not be suitable?

Chair: In that you were making your money here and maybe you might be paying your taxes here.

Sir Philip Green: With respect, if you look at our corporate structure, there is a lot of stuff written—I do not want to talk about other companies, it is not my style—but it could have been much, much more aggressive than it actually was. Every single penny the companies have made in the United Kingdom they have paid tax on—they have not been routed through Ireland. The corporate structure has been very see-through and for every penny that was made here, all the tax got paid. If we were looking to set these companies up in a different way, we could have taken all the brands offshore, we could have charged rent—there could have been many different routes if we were actually looking for a route to set up the companies to be aggressive non-taxpayers, but if you look at how much tax the companies actually paid over the period of time, you will find it is pretty substantial.

Chair: We might come back to that a bit later, if we may, Sir Philip.

Q1766 **Michelle Thomson:** For your information, Mildenhall Holdings Ltd was registered in Jersey. It was incorporated on 16 February 2005 and dissolved on 13 November 2012. I quote from the accounts, "CS Green and her immediate family" are the ultimate controlling party. The reason I am asking that is that it made £2.8 million in rent on top of £152 million rent extracted through Carmen Properties. Obviously we can see, looking at the accounts, that you paid tax on your UK-based holdings, but in terms of the complexity of your corporate structure, how transparent would you consider the wider group to be—given the number of holdings in Jersey, Monaco and so on? Is that something that you regarded as common as well? Is it more complex than you have seen elsewhere?

Sir Philip Green: I don't think it is complex at all. Everybody knows that the company is owned offshore. Why is that complex? It is not being hidden.

Q1767 **Michelle Thomson:** Going back to the purpose then, my question is that it may well be entirely legitimate tax avoidance—

Sir Philip Green: I am sorry but I do not accept that at all. Some 30% or 40% of the FTSE is owned by non-UK corporations. If we go around the high street and other industries here, there are dozens and dozens



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and dozens of non-UK investors. Do you want to say every non-UK holder is a tax avoider? I'm sorry: there are people doing business in this country—which are written about regularly, so I am not going to name any names—who are competitors of ours, compete against us and do not pay taxes in the normal course of business.

Q1768 **Chair:** It is British Home Stores we are talking about, and the major player in this is your wife, Lady Green, isn't it? It is not as though it is some sort of foreign entity.

Sir Philip Green: There are a lot of other businesses owned here by people who do not live or reside in the UK. If you don't want non-UK investors, so be it. I'm sorry, but it is not what I designed or set up—that is the system.

Q1769 **Michelle Thomson:** I suppose, coming from that, my question is that in terms of the lack of transparency of the offshore vehicles, it makes the job of tracking funds very difficult. It made the job of tracking funds difficult for me and my supporting team, but it also makes it difficult for people such as the Pensions Regulator, when you do not have the transparency in where all the funding is going. Is that something you accept?

Sir Philip Green: No, I don't.

Q1770 **Michelle Thomson:** So are you prepared to make all the accounts available for the Pensions Regulator in order that they can do that?

Sir Philip Green: Make what accounts available?

Michelle Thomson: The ones that are currently lodged offshore, be it in Jersey—

Sir Philip Green: They are not my accounts—

Michelle Thomson: The Green family accounts.

Sir Philip Green: They are not my accounts. I don't have any control over them.

Q1771 **Michelle Thomson:** So when it says in the accounts "P Green and his immediate family are the ultimate controlling party", what does that refer to?

Sir Philip Green: I am not the shareholder or beneficiary. I do not have any shares.

Q1772 **Chair:** This is your wife then, Sir Philip?

Sir Philip Green: Yes.

Chair: She has the accounts, you don't?

Sir Philip Green: I have never had an overseas bank account.

Q1773 **Michelle Thomson:** I have a couple of last wee questions, because I am



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mindful of time. In terms of restructuring the group when you got around to doing that, back-office functions were moved into Arcadia. What was the purpose of doing that?

Sir Philip Green: Well, hopefully to find some economies of scale.

Q1774 **Michelle Thomson:** Okay. So that is a fairly common thing, in my understanding, but—looking at the P&L breakdown—prior to combining the back-office functions, the expenditure on that was £36.3 million. After it was pulled into Arcadia, it went up to £57.7 million, which was an increase of 58%. If it was designed to save money, what was that about? Can you recall?

Sir Philip Green: I'm happy if anybody wants to meet up with my team that run the back office; that's not my job. I think you will find that all of the businesses, all the different brands, run off a central charge. They are all charged as if the centre is a provider. I am more than happy—

Michelle Thomson: I understand how that works. Usually it is about—

Sir Philip Green: Let me just finish, if I may. You have asked a question; let me answer it. I am more than happy to provide the relevant people who do the back office to take you through whatever you want to look at of how the costs were charged. I think you will find there was no profit—which is where you are going—made by Arcadia in respect of any third-party charges made to BHS. Right? That's what my team have told me. I am more than happy, if you want that information made available to you, for you to see it. There is no problem. *[Interruption.]* Sorry? There is no problem with that.

Chair: We will ask you and follow up on that. Thank you.

Q1775 **Michelle Thomson:** Finishing off the point about looking for a sale—

Sir Philip Green: If I may, before you continue, with respect. Coming from outside looking in, unless you are inside the business yourself, the types of figures you are trying to look at without somebody internally taking you through would be very difficult for anybody outside to understand how those numbers come together. Because then we started to do other functions. But as I said, I am more than happy to provide my accounts team who will take you through it. There is no issue with it. What I am saying is that there is zero profit. So everybody wants to keep writing, thinking that we gained: we did not. I am told by my team that that service was provided below cost.

Q1776 **Chair:** We'll come back to you on that, Sir Philip.

Sir Philip Green: There's no problem. We are happy to provide it.

Chair: Thank you very much.

Q1777 **Michelle Thomson:** Just to finish off the point about looking for a sale. What was the point at which you started to think about selling BHS? When did that first occur?



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Sir Philip Green: I would say probably '14.

Chair: 2014?

Sir Philip Green: Yes.

Q1778 **Michelle Thomson:** So the talks you had reported with Asda and Debenhams in 2005, and with the Icelandic—

Sir Philip Green: Sorry?

Michelle Thomson: Asda and Debenhams, and the Icelandic retailer Baugur in 2007—the talks you had about the sale of BHS.

Sir Philip Green: I don't think Baugur were in business still then. From time to time, there could always be somebody who phones up and it could be a brief conversation. There was no thought process—there should have been, maybe, as it would have saved a lot of aggravation.

Q1779 **Michelle Thomson:** For the record, so that I am clear. Are you really saying that there was no serious attempt to sell BHS before 2014, and the talks that were held in 2005 were simply a speculative phone call?

Sir Philip Green: As I said, there was no serious proper dialogue had about making a disposal. Nobody turned up with anything that was serious. As I said, I wish they would have done, but we are here.

Q1780 **Jeremy Quin:** Sir Philip, good morning. There is just one point. Michelle was talking about—

Sir Philip Green: I apologise. If I may, Michelle, there is something we did not finish, which I asked about yesterday just to make sure we don't get lost. You are just focusing on the first four years of the business. Let's just spend five minutes, if we may, on the rest of the numbers. Otherwise, the story is very easy to get misrepresented, alright? Certain things have been said by other people here who have come to this Committee that actually do not fairly reflect what did happen.

Q1781 **Chair:** Is that what we have already said, Sir Philip? Because there will be lots of opportunities for you to correct the record.

Sir Philip Green: No, this will take three or four minutes, but it will fill in the total picture so it is represented what I believe is fairly. Okay? Things have been said that do not reflect what occurred.

In the following years, which has been reflected as saying we did not invest in the business, '04-'05, '05-'06, '06-'07, '07-'08, '08-'09, we invested £254 million of capital in the stores. The other day I think it was represented here that we didn't invest any money at all, but we did invest £254 million. Post '09—it has been widely written about—when the business came into Arcadia, Arcadia lent to BHS on an unsecured interest-free basis, which is highly unusual because most entrepreneurs would have strapped all the assets down and taken everything for their own, which we did not. We lent £256 million on an unsecured, interest-



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free basis over the next five years. In addition to that, we invested a further short £100 million in capital.

So that's before we get to, which I'm sure we will cover, the disposal. We put £250 million of capex, we lent £250 million and we invested a further £100 million in capex. So there is £600 million that we have got invested in the business, post the dividends, before we get to the disposal, where I think the other day you were battling to sort out the balance sheet that was sold. But if we waste the last two minutes on that—

Jeremy Quin: Don't worry about that, Sir Philip. I will come back to it.

Sir Philip Green: No, we can just finish this. This will take one minute. I'm just saying this so you've got all the numbers. We then left a balance sheet—I know you were struggling the other day to work out the numbers—

Q1782 **Jeremy Quin:** I think Mr Chappell was struggling.

Sir Philip Green: Well, okay. Anyway, between you. I can show you, anyway. There was £80 million-odd. There was £100 million of assets left in the company unencumbered when it was sold. So if we add all of that up, there is nearly £800 million in one form that went back into the business post '04. Just so we didn't get stuck at '04, we put all the money back, plus a lot more.

Chair: Okay. Jeremy, let's take some.

Q1783 **Jeremy Quin:** If I may come back to one point, Michelle was talking about cash extraction. It is all completely transparent and it is in Taveta Investments Ltd every year since 2009. Just to confirm, Taveta is still paying Lady Green for the acquisition of BHS, isn't it?

Sir Philip Green: Yes.

Q1784 **Jeremy Quin:** Twenty million a year is the payment. So there is £200 million paid with interest to the acquisition of BHS by Arcadia. That is the £20 million charge that goes out every year to Lady Green. So last year, Arcadia sold BHS for £1, but it still paid £20 million to Lady Green for its prior purchase. In the last accounts, there is £108 million still to pay. Just for the record, that is still the situation, is it?

Sir Philip Green: If you say so. I don't know.

Jeremy Quin: I'm sure you do.

Sir Philip Green: I don't.

Q1785 **Jeremy Quin:** Well, you signed off on the accounts, so I'm sure you do.

Sir Philip Green: I didn't sign anything off, okay?

Jeremy Quin: But you're a director of the company.

Sir Philip Green: I don't sign the accounts.



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Jeremy Quin: But you're a director of the company that okays the accounts. Thank you. That's all.

Q1786 **Amanda Solloway:** Like yourself, I was just reflecting. You were saying you've spent 15 years of your life doing retail. I have been nearly 40 years in retail, so it is a long time. I love retail, so I would like to get back to the retail side. When you first purchased BHS, what were your plans for it?

Sir Philip Green: The people I bought it from had lost interest or—I don't know—lost their way with the business. Actually, it is about 40 years; 15 was BHS, so I can keep up with you. Basically, I think all these things that I said earlier stemmed from the product side. I think the buying was poor; the sourcing was pretty poor; there wasn't really an owner-driver driving the business. I worked pretty long hours going through each of the areas of the whole business, department by department, to understand what was working and what wasn't working. I didn't know any of the people in the building; they were all new to me. I hadn't been in the building before. I think I'd been in there once before acquisition, so I didn't know any of the staff, so you have to start to get to know the people.

Coming back to something Michelle said, when you buy businesses from public companies or you buy public companies, the people have to trust you. Therefore when you get into these businesses, as a starting point you've got to get to know all of the people, because you've got to work with them.

Therefore, when you get into these businesses, as a starting point you've got to get to know all the people, because you are going to work with them. I think we've got a pretty good track record as a company. In our existing business, the average stay in our head office is 11 or 12 years.

Sir, do you mind not looking at me like that all the time? It's really disturbing. *[Interruption.]* Sorry? You just want to stare at me? It's just uncomfortable, that's all.

Richard Fuller: I wasn't quite just staring at you, but I don't wish to make you uncomfortable.

Sir Philip Green: Sorry?

Richard Fuller: I don't wish to make you uncomfortable.

Sir Philip Green: No, but I'm just saying. It isn't somebody else; it's just uncomfortable, sort of staring at me.

Q1787 **Amanda Solloway:** So, to get back to retailing, I am intrigued about what the plans were in order to rebrand. Did you have an idea? You were talking about maybe relaunching it again. Did you have any plans in terms of how to take it to even greater profit?

Sir Philip Green: I don't think it's about—when starting out on the track with these things, I've never sat down and worked a profit track. It's,



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“What have we got to do to make it work?”, and if we make it work, we make money. I don’t think I’ve ever sat down with any of the businesses that I’ve ever looked at—I’ve looked at what happens if it goes wrong, as opposed to what happens if it goes right.

Amanda Solloway: Right.

Sir Philip Green: And this looked like it needed a lot of work doing. As I said, I have experience of going to Asia, so was able to reopen the supply chain and sort the supply chain out. Really, over the first quarter, I looked at virtually every piece of product across every department in the business, started to familiarise myself, go to all the product meetings and start from the ground up, working the business.

Q1788 **Amanda Solloway:** So as an example, you mentioned the £800 million investment that you made over the, I guess it was, 12 years?

Sir Philip Green: Eleven years.

Amanda Solloway: Yes, 11 or 12 years. Also, I suppose counter to that, there were ways of streamlining, which we have talked about. How did that investment translate into the business? What kind of things were you doing?

Sir Philip Green: As I said, in ’04-05, we spent £37 million on capex, looking to improve the stores. In the following year we spent £84 million. As I said, it’s a long way back, but obviously we thought we had some things. We opened stores, we were increasing staff numbers—we didn’t reduce staff numbers. Now, obviously the discount was becoming more powerful online—it was very early days, when it was just starting, and maybe we were or weren’t quickly into that. All of these things have eaten into the mainstream market place, as I am sure, if you are a retail lady, you will know.

Q1789 **Amanda Solloway:** That is why I am so fascinated by it. That accounts for, say, 100,000. What kind of things were you investing in with the other 600,000 or 700,000? I used to go to BHS, and I am just trying to—

Sir Philip Green: Obviously, with all these businesses you are investing to improve, for better or for worse. In 2002, when we acquired Arcadia, which basically took our total UK portfolio to about 2,300 to 2,400 stores, there was quite a lot more to do. Basically, my time got split. Where all my time prior was only in BHS, after that my time got split—maybe too big a bandwidth—because all the business needed a similar piece of work doing. There was a lot to do.

Q1790 **Amanda Solloway:** I think we heard earlier that you were quite hands on, in terms of a vision. What you are saying is that probably, with the involvement in Arcadia, that took more of your time.

Sir Philip Green: Just that my time got split—not an excuse, just a fact. It’s not easy to find great people to run these businesses. It’s not easy to find world championship chief executives or people to operate the business. We tested a few people along the way, but there was a very



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loyal staff base and everybody was trying hard. As I said, there was a long stay of people staying in the jobs. Maybe the business didn't change; it got caught in that real mainstream.

Q1791 **Amanda Solloway:** I guess it is that unique selling point that I am thinking of, but at what point did it become clear to you that it wasn't going to be the success that you had hoped at the start?

Sir Philip Green: I think after the discussion in '09, when it came into Arcadia and we started to inject in some of the Arcadia brands to trade inside the space, it looked like possibly that could be a changing format for the business and help bring more people through the doors. We had successfully done that in other department stores, where we took space in other people's department stores with our brands, and possibly that could be a start of something fresh. In a much later stage, we introduced food. The business always had food user. The way the food market was developing—I had had many conversations with different supermarkets, to see if maybe we could take one of the food retailers in, but they were all running off with their own expansion.

Q1792 **Amanda Solloway:** The sites, is it fair to say, were often secondary sites?

Sir Philip Green: I think—using your colleague Michelle's words "with hindsight"—unfortunately the underlying portfolio, even before we bought it, had some very poor property deals done over the years. It had leases signed that were 40 to 50 years and were too expensive. In the early days, we made them work. If I can just gallop forward to what happened, which we will come to, when they did the CVA, I think 45 landlords agreed to take a 75% drop in rent, and voted for it. That will give you some idea. Those 40 to 45 stores were representing £30 million or £40 million of loss. That block just started to erode the business. It was just too expensive—wrong location, too expensive.

Q1793 **Chair:** Sir Philip, Michelle made a point earlier on about the first moves made to you to sell. From what you have just told Amanda about your difficulty with moving BHS into new territory after 2005, that would have been a good time to sell, wouldn't it, in retrospect?

Sir Philip Green: Well, if we are allowed to use hindsight, 2002 would have been a good time to sell it.

Chair: We might come back to that, and the timing of that, a bit later, Sir Philip.

Q1794 **Amanda Solloway:** Just following on from that, so that I am really clear, following the acquisition of Arcadia, I think we have heard that some services were paid for. Just explain to me how BHS was linked to Arcadia.

Sir Philip Green: To be honest with you, so we don't have any accidents, I am more than happy for whoever wants to go and see it to see the relationship between the back office—I don't want to discuss it, because it is not my forte. I don't have that detail here to be able to explain line by line. I would much rather get my back-office team or my



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finance team to sit with you, and they will happily go through it with whoever wants to. You can see all the numbers line by line. There is no problem. But I can't get into that, because I might give you some wrong information and I don't want to.

Q1795 **Amanda Solloway:** I think it was just a flavour of whether the two were interlinked or not.

Sir Philip Green: The answer is that it was a service provider. Outside of taking space in the stores, which it paid for, it was a service provider. Like I said, I am happy to provide you with any detail you want in relation to those services and how they were judged.

Q1796 **Amanda Solloway:** That would be things like human resources, finance—

Sir Philip Green: Everything. It ran the finance, it ran back office, it ran IT, it ran online, everything—all the back office. Like a third-party provider.

Q1797 **Amanda Solloway:** In your mind, was it no longer a viable retail operation? Is that what made you decide to—

Sir Philip Green: I think it was a combination. Probably we had let it run too long. We had put a lot of money into it already and felt that our efforts in terms of—we're operating a business with 27,000 people across 30 countries, and the 27,000 people are purely UK, right? We've got shops across 30 countries. Across the group, there are probably 3,000 stores. It's a big day job. I think it was just decided that we had invested enough money and we would try and find a solution.

Chair: Let's move on from there. Thank you. Richard.

Q1798 **Richard Fuller:** Sir Philip, I think it is another parliamentary colleague who is known for his death stare, so I am sorry if that unnerved you, but I learned in my previous career in business, and also in politics, that if you are doing something important, you should look someone straight in the eye.

Sir Philip Green: Now we're talking; we can look at each other.

Q1799 **Richard Fuller:** Thank you for that.

Why do we have companies? What is the goal and the aim of having companies?

Sir Philip Green: You tell me.

Richard Fuller: I asked you the question. You are a businessman.

Sir Philip Green: I don't really understand the question, sorry.

Richard Fuller: What is the purpose of having a company?

Sir Philip Green: To run a business.



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Q1800 **Richard Fuller:** Is it to make money? Is it to employ people? Is it to do something creative? What, in your view, is the purpose?

Sir Philip Green: I think it is a combination of many things. I don't think it is any one thing.

Q1801 **Richard Fuller:** Okay. Can I go to numbers? Perhaps we can get some comfort on that. I am using the numbers—I think I got them correct—that you talked about for the period from 2000 to 2004. You said £537 million in cash was generated over that period.

Sir Philip Green: That is the EBITDA number I have.

Q1802 **Richard Fuller:** I think you quoted the EBITDA, and then you said cash.

Sir Philip Green: EBITDA is normally cash.

Q1803 **Richard Fuller:** Is it correct that, over that period, £414 million was paid out in dividends?

Sir Philip Green: I have £423 million.

Richard Fuller: I have £423 million actually, I think.

Sir Philip Green: That was just a trick question, then.

Richard Fuller: Well, I tricked myself.

Sir Philip Green: To see if I was paying attention.

Q1804 **Richard Fuller:** Over that period, £102 million of debt was repaid, and then you re-levered the business.

Sir Philip Green: As I said, over the period of the four years, the business started with £111 million of debt. In '01-02, it had £2.2 million. In '02-03, it had £10 million in the bank. In '03-04, it had £111 million of debt.

Q1805 **Richard Fuller:** So you were paying off debt, essentially, weren't you, over that period?

Sir Philip Green: Well, as I said—

Richard Fuller: Let me see if I've got it right. I know you've got it right; let's see if I've got it right: £537 million of cash was generated by the business, and £414 million was taken out in dividends—

Sir Philip Green: £423 million.

Q1806 **Richard Fuller:** £423 million. £102 million of debt was repaid, leaving £21 million net of cash generated—or probably less than that now.

Sir Philip Green: Actually—sorry—it has on my sheet here that dividends were declared at £423 million, but there was £380 million paid.

Q1807 **Richard Fuller:** So £537 million of cash in, £380 million of dividends out, and how much debt was repaid?



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Sir Philip Green: Over what period?

Q1808 **Richard Fuller:** Over that period: 2000 to 2004.

Sir Philip Green: Sorry?

Richard Fuller: You re-levered the business subsequently. My point is—

Sir Philip Green: I gave you the four years. £111 million, £2.2 million debt, £10 million in the bank, £111 million deficit.

Q1809 **Richard Fuller:** I just want it correctly, because the impression that may have been conveyed was that this was a very cash-generative business, and there was enough to leave cash in the business, but the truth of it is that most of that cash was taken out of the business, wasn't it?

Sir Philip Green: No, that is not correct, because we spent £70 million of capex. We paid £80 million in corporation tax.

Q1810 **Richard Fuller:** How much money was left to re-invest in the business, after corporation tax? Was it £70 million?

Sir Philip Green: I am saying that there was £70 million of capex. There was £80 million of corporation tax paid, and everything else that it costs to run the business.

Q1811 **Richard Fuller:** And £380 million in dividends.

Sir Philip Green: Yes.

Q1812 **Mr Wright:** Sir Philip, can I just ask: why the difference between £380 million, actual dividends, and the £423 million?

Sir Philip Green: That is the number I have on my sheet.

Q1813 **Richard Fuller:** Maybe Iain will want to come back to that. Can we now move to the period that Amanda was talking about, which is the later period?

Sir Philip Green: Sorry, if I may, Mr Wright, if any of the numbers need re-clarifying, that is not a problem. I am just saying that I am reading you the numbers they gave me. These are the numbers it says here for dividends declared and dividends paid. That is what I have on my sheet.

Q1814 **Chair:** Who is "they", when you say, "These are the numbers they gave me"?

Sir Philip Green: My finance team.

Chair: Thank you.

Sir Philip Green: Regardless of how we end, I think you should come and visit our building. We have 1,500 or 1,600 people working in central London. We have 27,000 people. It is a very, very, very, well-run machine that produces very accurate—and you are more than welcome, if you want to come and visit and see. This is not made up. There are a lot of people doing this every day.



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Q1815 **Chair:** Sir Philip, we will happily do that. It is just that every witness we have had up to now has presented the image to us that you are the guy who calls the shots. I am pleased to hear about the team—

Sir Philip Green: You can't run 3,000 stores with one person. Let me just say this to you—and please, you can write this down. I have never made or moved one penny from any bank account of our company, and I wouldn't even know where to phone to actually get any money out of our bank. I don't sign for money. I don't deal with it. There is a process in the company on a day-to-day basis where there are a lot of people who have accountability and responsibility and are allowed to act. While we are sitting here during this session in the next four hours, there will probably be people in our building writing anything between £50 million and £100 million of purchase orders that they do not need sign-off on. That is their job—that is the day job.

In these big businesses, you actually have to allow people the freedom to operate, and that is what happens in our business. We have a competent finance team. Each of the businesses has its own finance director, its own managing director and its own HR director, and they are run as independent businesses that have to produce proper data, otherwise we could not survive.

Q1816 **Chair:** This is obviously the problem that Mr Chappell came up against, isn't it, Sir Philip?

Sir Philip Green: What's that?

Chair: You were saying that you wouldn't know how to take money out of the company. He actually wanted to do it all the time and was told that he shouldn't. He seemed to try to destroy your system immediately, and got into trouble for doing so.

Sir Philip Green: That's a different conversation.

Chair: It is indeed.

Q1817 **Richard Fuller:** On the second bit of the questions that my colleague Amanda was asking, you talked about £254 million of capital invested over the period 2005 to 2009, £256 million lent unsecured and interest-free, and another £100 million of capex. It didn't seem to do any good, did it?

Sir Philip Green: Unfortunately no, but—

Q1818 **Richard Fuller:** You are supposed to be the supremo of retail. Why were you not able to make any difference?

Sir Philip Green: If it was easy, everybody would be doing it.

Q1819 **Chair:** That is why you had the title, Sir Philip. You did know and people trusted you to know. You were called the king of retail. You were only the king because the others didn't know how to do it.



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Sir Philip Green: As I said, if you look at retail business across the high street—Amanda here said she has been in the retail business a long time—you get good years and bad years. The market has changed. The online market in 2002, 2003 and 2004 virtually didn't exist; today, it is billions of pounds.

Q1820 **Richard Fuller:** But other companies managed to modify and change their business models, even those that were more exposed to online retail than your own business.

Sir Philip Green: Okay. Without wishing to be rude, maybe in your next career you should try retail.

Q1821 **Richard Fuller:** I don't think I'd be very good at it, to be honest, but then I know that. On Arcadia Group, you mentioned, again in answer to my colleague Amanda, your time being split. On the Business Select Committee last week, we had Mike Ashley, who used the metaphor or analogy—I am not sure which it is; I apologise—that he started off in an inflatable dinghy and it suddenly became an oil tanker and perhaps it was too big for him. Is that what happened with you?

Sir Philip Green: I think basically there are two different pieces, without making any excuses. Structurally, as I said, BHS was in the wrong shape in terms of the types of leases and the types of stores. Some of the space was just too big. They are very, very expensive to modernise. You're talking 40,000 or 50,000 feet, so if you really want to go to town, it could be £3 million, £4 million or £5 million a building. The economics in this marketplace of doing that were not right. If it would have been possible, and if you had said to me, "What would have been your term?"—you'd have wanted to downsize this a few years ago.

Q1822 **Craig Mackinlay:** Picking up what Michelle started with about the early days, when you first took over BHS, you said that the funding structure that it had was fairly conservative compared with other businesses. We then discussed the sale of a number of the properties to Carmen—this offshore entity that was owned by your family. That was a big transaction. You say you have got a big team behind you who do all the nuts and bolts, but whose idea was that transaction? Was that your idea or did it come from one of your professional advisers, which a company of this size might have had?

Sir Philip Green: I honestly don't remember. I don't know.

Q1823 **Craig Mackinlay:** It is a big transaction.

Sir Philip Green: I don't remember. In those days the banks were fairly active in this type of—this wasn't an abnormal trade.

Q1824 **Craig Mackinlay:** Would it have been that one of your bankers or one of your advisers would have gone, "Sir Philip, you really should be doing this. What do you think?"



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Sir Philip Green: The answer is that it could have been. I don't know. I don't want to pass it to somebody else. I don't remember—it was too long ago.

Q1825 **Craig Mackinlay:** Obviously that transaction—when the properties were sold—would have created a profit in the BHS accounts and that profit would have been distributable, so some of that profit probably formed part of the dividends that you received thereafter. Would that be a fair assessment?

Sir Philip Green: I don't think that is the case. I think the actual profit, from a number I saw somewhere—it was a small number. I think the profit for BHS itself, from the historical base, was £10 million or £11 million.

Q1826 **Craig Mackinlay:** Thereafter, of course, the rent paid by BHS would have gone to Carmen offshore. That is just how it would have worked.

Sir Philip Green: It would have gone to the landlord.

Q1827 **Chair:** When we are looking at the profits generated and taken out, Sir Philip, our audit trail seems to suggest that your wife, quite a legitimate owner, is offshore. Does she share those accounts with you at all?

Sir Philip Green: Which accounts?

Q1828 **Chair:** The accounts for her company, into which quite a lot of these profits were paid. Do you ever look at them?

Sir Philip Green: No.

Chair: You don't. All right, thank you. Let's move to the pensions.

Q1829 **Ms Buck:** We are going to ask you a number of fairly specific questions about the pension fund. I would like to concentrate on the earlier years in particular. How would you describe the course of the BHS pension fund under your stewardship?

Sir Philip Green: There are three different pieces. Going back to your colleague's thing of hindsight, the reality is that, if the world were perfect, they should have spoken to us about dealing with this on day one, or even our auditors should have spoken to us about dealing with it on day one, and we wouldn't be here, but we didn't.

Q1830 **Ms Buck:** When was day one?

Sir Philip Green: When we bought it. At that time it could have been dealt with. Rightly or wrongly—I don't know how it works in other companies—the trustees are very, very independent from the company. I would say that the lady you met here, Margaret Downes—if I met her three times in 10 years that would have been a lot. Three or four times is all I ever saw her. We never had any meetings with her. You are looking puzzled, but those are the facts.

Q1831 **Jeremy Quin:** I just recall hearing her say that she did meet you and you produced helpful ideas.



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Sir Philip Green: No. I saw her in 2008/09 when the market and world changed, just to try to understand what sort of investments, where they were and what sort of safety, but I was not involved ever from day one. Whether it is just our company, I think that probably the disconnect and the total self-contained pension team—trustees and all the people who looked after the pension were totally self-contained from us. They didn't meet us, they didn't discuss their strategy with us and we were not involved in any way, shape or form in what they did.

Q1832 **Chair:** On day one—if we are talking about day one—it was in surplus.

Sir Philip Green: Day one was a long time ago. Sorry, Jeremy, you are looking a bit puzzled.

Q1833 **Jeremy Quin:** No, Sir Philip, I am sure your recollection is correct. I just seem to recall—maybe my recollection is at fault—Margaret Downes saying that you sort of helped with their investment strategy. I was puzzled about that at the time.

Sir Philip Green: No. I had one—maybe two—discussions with her. I was never involved at all, ever, in what they did and where they invested. I was not a part. I was never a beneficiary, didn't get involved—maybe I should have done. Maybe the disconnect is another reason we're here, right? She's a lovely lady, but what I would like you to look at some time—we should send it to you, because I don't have it with me today—is that there were very, very substantial fees paid to advisers. I think that in the early days I recall seeing a figure on a sheet of about £650,000 paid to pension advisers, and by 2005-06 that was north of £1.5 million. It's a sheet that maybe you could have a look at, but I have not got it here. I'm not blaming her, but there were very substantial moneys paid to third-party advisers, which grew. I remember that at one point it grew to over £2 million a year to whoever they were paying. It was nothing to do with us—nothing recommended from us at all.

Q1834 **Mr Wright:** That was a waste of money, wasn't it?

Sir Philip Green: Your words. All I'm saying is that sadly nobody ever came to us and said that we should be doing that. I am happy to take both ways, but I'm saying that there wasn't the right dialogue and there wasn't the right communication. If there was, we wouldn't be here.

Q1835 **Chair:** Who do you think is responsible for the deficit, then?

Sir Philip Green: I think that's a sort of—

Q1836 **Chair:** You aren't trying to blame Margaret, are you?

Sir Philip Green: I didn't say that, did I?

Chair: No, sure.

Sir Philip Green: I think I may have taken particular—what I am saying is that there was a combination of poor communication on both sides. She had a lot of advisers. None of them ever came to see us and said, "Here's a way you could do this. We could do a buy-out, we could do



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something.” That never came to the table. I am happy to say that we should maybe have had that, but it didn’t happen. I’m not blaming anybody, I’m just saying that conversations or communications that maybe should have happened did not happen.

Q1837 **Ms Buck:** Just for the record, you believe that you met the trustees three times over the course of that period.

Sir Philip Green: Let’s put it this way: what I would rather say to you—because somebody will come back and say it was five—is that there were very, very, very, very few conversations or discussions with any of the trustees.

Q1838 **Ms Buck:** That is speaking for you an individual, but are you also speaking for your chief operating officer and for you as a company?

Sir Philip Green: I don’t believe that any of our operating—I don’t think they were—

Q1839 **Ms Buck:** When Paul Coackley was writing—this is a little bit later—in response to letters from Margaret Downes in 2006, he said, “The company keeps the pension arrangements under frequent review”. What does that mean?

Sir Philip Green: He was the finance director. Whatever conversations he was having, I was not involved in. I’m not blaming him, but I wasn’t involved in them.

Q1840 **Ms Buck:** No, I’m just trying to understand the distinction between you as an individual in the company, and the chief operating officers, who were presumably acting on your behalf within the company.

Sir Philip Green: I think that everybody has this sort of impression, so let me try one more time. You can’t run businesses of this size doing everything yourself. You have other people doing their job. I can’t tell you every single conversation I had with everybody. I’m just happy to look you in the eye and say to you that I was not actively involved in pension conversations. Maybe if I had been, we all wouldn’t be sitting here, but I wasn’t, and however and whatever we are here. We could spend all week if you like, but we can’t trade backwards. We can trade forwards.

Q1841 **Ms Buck:** We can’t, but we also do need to understand what happened at the time.

Sir Philip Green: Okay, and I am just saying to you on a personal level—

Q1842 **Ms Buck:** You were explaining what happened to the pension fund under your stewardship. You would say that poor two-way communication was one thing.

Sir Philip Green: I would say so, yes.

Q1843 **Ms Buck:** And there were others. Were there others?



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Sir Philip Green: No.

Q1844 **Ms Buck:** Okay, so poor two-way communication. Do you recall what the pension fund situation was when you took over, at the beginning, in 2000? I understand that there was a £43 million surplus in 2000. Do you recall what the state of the pension fund was in 2006, after the years in which, as we already heard, there were very substantial dividends taken from the company?

Sir Philip Green: I don't think that's very fair. I think, with due respect, as I've just told you we put back £750 million. Everybody wants to ignore that. You go and find anybody else—please find somebody who lends £250 million, doesn't seize all the assets, and lends it interest-free. It doesn't happen. Having got it wrong, we tried to get it right by reinvesting. That didn't work. Okay? We didn't run away. What I would like to do, if I may, so we can maybe fast forward a little, I have two letters with me, or three letters—

Q1845 **Ms Buck:** Do you mind if we return to that? It would be helpful—

Sir Philip Green: I'm going to talk to you about the pension.

Q1846 **Ms Buck:** I just want to talk through the sequence of events that happened in the early years. To be clear, you are not disputing that we went from a £43 million surplus to a £7 million deficit.

Sir Philip Green: Ma'am, can I just say to you that I was not in charge at any point of the pension fund. I was not a trustee, I was never in the room. With respect, why did Margaret Downes not come to see us when it was £43 million surplus and say, "Let's sell it to an insurance company"?—she had all these advisers—and then we wouldn't be here. She didn't.

Q1847 **Michelle Thomson:** Are you not ultimately accountable? You may not be responsible on a day to day basis, but surely you are ultimately accountable for overseeing all of the businesses that you are the head of, and that included the pensions fund.

Sir Philip Green: Where is this conversation taking us?

Q1848 **Michelle Thomson:** I am just trying to point out the difference between accountability and responsibility. Responsibility is the day-to-day detail, but who ultimately is accountable?

Sir Philip Green: I think we are sort of jumping—like the Olympics, they've just put the bar up and now you want to jump 12 feet. Do you want to go to the pension issue? I am happy to debate it. *[Interruption.]* Mr Field—I am saying I am happy at whatever point you want to come to it, but I think it is unfair or unreasonable to attack me without letting me be able to respond. I have letters and I am happy to debate the pension. I am not running away; I am sitting here. You tell me I'm accountable. Let's come to debate the pension issue—

Q1849 **Michelle Thomson:** Well, if you're not, who is?



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Sir Philip Green: I'm sorry—Mr Field, am I able to respond?

Q1850 **Chair:** You are; Karen has a question. It is just slightly surprising for me and maybe others, Sir Philip, that everybody who has come has said you are this great figure—a Napoleon figure—and I am slightly shocked in that you are telling us you are not this figure—all these people got it wrong. You didn't really make all the big decisions. This terrible pension deficit stole up on you, and while you should have noticed it, you didn't. We are just acclimatising ourselves to the different image of you.

Sir Philip Green: Fine, but what I also want to make sure what we leave here with—instead of me keep reading on a daily basis all this nonsense that everybody keeps writing—is that I have not run away. I haven't tried to run away, and hopefully I will satisfy you that all this press I'm reading every day is just really outrageous and pretty rude. If we get to the facts, they won't have anything to write about any more.

Chair: Karen, the question is with you.

Q1851 **Ms Buck:** To go back, we agreed that the pension fund went from a £43 million surplus to a £7 million deficit. At the point that that deficit was emerging—this was, as we have heard, around the same time that you were taking the dividends, and indeed there was an employer contribution holiday in the time of that pension fund—the trustees were making representations to BHS to support the scheme. That is in Margaret Downes's letter in late 2005. Do you recall what the response was?

Sir Philip Green: No, I don't recall at all. I was not involved in that. I don't know.

Q1852 **Ms Buck:** You were not involved.

Sir Philip Green: No.

Q1853 **Ms Buck:** Do you know whether you/BHS rejected requests for securities and proposed reductions in support of the contributions during the time that that deficit was growing in the second part of the decade?

Sir Philip Green: No.

Q1854 **Ms Buck:** So you had no knowledge of what was happening to the deficit or to the pension fund.

Sir Philip Green: I'm afraid to say no, other than when we got to the debate in whenever it was and we got to the 23-year conversation in 2012. At that point there was a conversation. I am happy to apologise. I should have been involved earlier, but I wasn't. Right? When I look at the numbers, which I have in front of me, it was very easily resolvable much earlier. Anyway, for whatever reason, it wasn't resolved. The only time I did get involved was in 2012 when we had this conversation around the £10 million a year, which you will be familiar with.

Q1855 **Ms Buck:** We will come on to that in a second. When the first recovery—



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Sir Philip Green: I wasn't involved in it. I can't answer you because I wasn't involved in it. You can ask me as many questions as you like, but this was not on my table to deal with. I'm sorry.

Q1856 **Ms Buck:** So there is no question that you can answer about any aspect of the pension fund between 2000 and 2012?

Sir Philip Green: I would say virtually no.

Q1857 **Mr Wright:** When do things get on to your table, Sir Philip?

Sir Philip Green: When people bring them to me; I either need to know or ask a question about something, or strategic things we are doing. In the business, as I said, there is a lot of freedom to operate, contrary to what everybody thinks. There is a lot of freedom to operate on a day-to-day basis, and therefore, rightly or wrongly—I'm not running away, but rightly or wrongly—this was not on my table.

Q1858 **Mr Wright:** I read somewhere—tell me if it is correct; I quite admired it, actually—that when you took over BHS, you were looking at contracts, and you ordered a new contract for coathangers to save the business £400,000. It was that level of detail you were getting involved in. Is that true?

Sir Philip Green: Yes. When you take over a business, you look at basic, fundamental things—what I call pretty basic. I wouldn't do that physically, but it may have come up, where you phone up three other guys or something, or it may have been two years in, when Arcadia came, and comparing what they were paying and what BHS was paying, as you would.

Q1859 **Chair:** Somebody did this with coathangers, but nobody drew your attention to the importance of the growing deficit in the pension fund?

Sir Philip Green: Unfortunately, Mr Field, no they didn't.

Q1860 **Mr Wright:** In your opening remarks, you said that you have been intimately involved with every aspect of your businesses over 40 years. How does that reconcile with you saying, "No one came to me about a looming pension deficit"?

Sir Philip Green: What I think is easier is this: I don't want to blame anybody else. It's my fault. The answer is: it wasn't dealt with; we're here, and we have to find a solution. It's not my style to blame anybody else.

Q1861 **Ms Buck:** I am still a little bit unclear about the extent to which you were involved in the discussions, because—

Sir Philip Green: I have just explained to you that I had no involvement and I can't answer you.

Q1862 **Ms Buck:** There was a meeting of the board of directors of Taveta on 28 January 2010 that you were present at.



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Sir Philip Green: Let's see how good you are: can you remember what you were doing on 26 January 2010 at 11 o'clock in the morning?

Ms Buck: No, I don't, but possibly—

Chair: She wasn't running BHS then.

Sir Philip Green: You are asking me questions that are impossible to answer; I'm sorry.

Q1863 **Ms Buck:** Possibly if I was intending to give evidence to a Committee on the history of the business and the pension fund, I might have sought to refresh my memory about what knowledge I had.

Sir Philip Green: Let me respond to that, if I may. We supposedly have provided so far to the pension—Mr Field, I think it is important you pick this bit up. Your lady here is suggesting I should know about a board meeting in 20—whenever it was. We have so far provided 70,000 documents to the regulator. I don't know who's reading them all or if they do read them and the sorts of things they are asking are pretty bizarre. Meanwhile, nobody has had a conversation about any questions to do with all the documentation that has been provided. You can ask me all day; I can't answer you.

Q1864 **Ms Buck:** I am just going to try a little bit more. The Taveta Investments board minutes in 2010 show that the 2009 valuation recovery plan began at 20 years and eventually turned into a 12.5-year plan. Were you aware of that?

Sir Philip Green: In what year?

Ms Buck: This was in 2010, when the Taveta board minutes show negotiations around the 2009 pension recovery plan. Were you aware of those negotiations?

Sir Philip Green: Well, I must have been aware, but I was not involved.

Q1865 **Ms Buck:** Even though you were present at the board meeting.

Sir Philip Green: Honestly, with respect, you are asking me about a board meeting in isolation of thousands of meetings. I don't know; that is the answer. It says I was there; I was there. It's impossible for you to say to me—if you asked me about a specific board meeting a year ago, I'm not going to remember what got said unless somebody brings me the notes. It might refresh my memory, but I can't remember seven years ago. Sorry.

Q1866 **Ms Buck:** Do you feel that, as the sponsoring employer, you should, in retrospect, have been more aware of and involved in the deficit recovery plans during those years?

Sir Philip Green: Listen: what I want to try to avoid this morning—I'm a big boy—is to blame anybody else. Okay? If I wanted to park the blame I could spend the next 20 minutes blaming a lot of other people. We look at all the information on these sheets of paper. There are a lot of other



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people who have got some questions to answer. I am here and happy to be accountable. I am here to represent our companies. I am not a liar; I am not going to represent to you things that I can't tell you about. What I can tell you, I want to be able to tell you. I am happy, as soon as you like Mr Field, to discuss the pension. With respect, you are pressing me for things I can't answer you on.

Q1867 **Ms Buck:** I am just probing the point.

Sir Philip Green: You can probe them all you like. I am not hiding; I can't answer you. Right?

Q1868 **Jeremy Quin:** The core point on the pension is how much is going in. I can't believe you are indifferent as to whether or not £10 million was going out of the business or £30 million was going out of the business to support the pension fund. You can't have been indifferent to it; you must have had a view.

Sir Philip Green: Sir, when I am looking at these figures now—

Q1869 **Jeremy Quin:** I am not talking about now but at the time.

Sir Philip Green: I am trying to respond to you. I am looking at the sheet of paper in front of me. Okay? Like I said, I am not looking to blame anybody else; I'm here. I haven't brought 20 people with me to share the blame, have I? I am looking here at pension contributions made in 2001, 2002, 2003, 2004, 2005. That's why I don't want to get into the debate, because it would be unfair. Somebody, whether it was the trustees or whoever, was asleep at the wheel. Because look at the contributions that the company was being asked for. In the early days we had one auditor.

I said it is unfair and not where I want to go, but I can show you the sheets that I am looking at and recite to you the numbers. The pension contribution in '01-'02 was £2 million, in '02-'03 was £2.8 million, in '03-'04 was £5.6 million, and so on. If somebody had come to us from the trustees and said, "We want £10 million," I think it would have been a five-minute debate. It did not happen. For whatever reason, it did not happen.

Q1870 **Ms Buck:** The minutes of the trustees show that the trustees were regularly making representations to BHS to increase the contributions. Presumably, that letter was received; in fact, we know that letter was received because your chief operating officer replied to it.

Sir Philip Green: Ma'am, they were paying—I haven't got the sheets—£650,000 to £1.5 million. Nobody of those people who were their representatives or advisers ever came to see me and said, "Will you make that from £3 million to £5 million or £5 million to £8 million?" It would have taken 10 minutes.

Q1871 **Chair:** But on your other point, Sir Philip, Iain's Committee is very anxious to look at the fees people earn.



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Sir Philip Green: Fine. We can give you the sheet. What I am saying is that we can't trade back. When you look at this, obviously the whole issue is beyond sad and ridiculously stupid. Whether we were to have a debate and ask the auditors or ask whoever—I don't want to go there—because I think—

Q1872 **Chair:** Sir Philip, we understand that. We might want to because we are very critical of them taking their fees and not actually giving some different advice.

Sir Philip Green: Sir, I am hopefully showing to you that I am not trying to blame. It would be very, very, very easy to blame it on somebody else. Respectfully, all of this stuff got signed off by auditors. Everybody keeps coming to the dividends. They were signed off with distributable reserves. I am saying that whatever had to be the compliance—I am annoyed myself. Trust me, I want to go and have a look and understand some of this trustee stuff more in detail. I know this is very late in the day.

We are here and hopefully we will leave here with some goodwill to try to get where we need to get. I am just saying that there have been some bad mistakes made in these early days. I don't think the representatives who represent the trustees can have no responsibility, or the auditor, but I am happy to take the blame. We are here. I am not running away and passing it to somebody else.

Chair: We are not going to look at this moment, Sir Philip, at the fees of the advisers. We are going to look at that, though. My grandmother used to say that there is a whole group of people in this world who get money for old rope. There seem to have been quite a few people in this whole activity who drew very substantial fees and whose advice did not look that good, either then or now.

Q1873 **Ms Buck:** Just a last question, Sir Philip. The 2012 recovery plan was, as you know, a 23-year plan—an excessively long recovery plan for pensions. As I understand it, you were refusing to shift from a contribution of £10 million a year. What was that contribution based on?

Sir Philip Green: At the time, the company was not making any money. It was getting loans, and until we got the company to a better recovery position, it looked like, basically, of the funds the company was borrowing, £10 million was a number that wasn't affordable but was the minimum number that would be paid. From some research I was provided with yesterday—I don't know whether it is accurate—in 2009 the Post Office succeeded in presenting a 38-year recovery plan.

Q1874 **Ms Buck:** But 23 years, as we have heard, is excessive. It may not be the only one that has ever happened.

Sir Philip Green: I just said to you that I was presented with that yesterday. Mr Wright is just checking whether or not it is accurate.

Chair: The Post Office had taxpayers behind it.



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Q1875 Ms Buck: Was the £10 million contribution calculated to reflect the pension deficit, or was it driven entirely by what you felt was affordable?

Sir Philip Green: I don't think it is about what I felt. I think it was decided at the time that, based on the funds that BHS had to borrow, £10 million a year of that would be used to start to pay the contribution. As we know—again, I am not trying to take you off track—the whole basis of the pension fund calculation and valuation methodology is much dependent on gilts and whatever else is going on. If you look at gilt yields this morning, with the whole world upside down, in the past week, or the past 72 or 96 hours, gilt yields have materially changed again due to the uncertainty of what is going on. With respect, if they move half a point—

Ms Buck: It is a valid point, but a different point.

Sir Philip Green: No—if they move half a point, certainly that could be a £100 million or £150 million difference in the right way. The fluctuations are huge, and the methodology currently used to make the calculation—

Q1876 Ms Buck: I am just interested in the contribution that BHS would make. Did the trustees ask for more than £10 million?

Sir Philip Green: I don't know. You must have been a mind-reader in your previous life. Were you?

Ms Buck: I might have been.

Q1877 Chair: She is in this life. She is a very successful politician in how she holds her seat.

Sir Philip Green: That's good. I wasn't being rude; I was saying you have such a wonderful memory of what happened on 11 January eight years ago. It's good. Perhaps you should come and work for us. You wouldn't have missed this.

Q1878 Ms Buck: If I was an employer responsible for a pension fund appearing before a Select Committee to answer questions on that fund, I might have refreshed my memory on the topic.

Sir Philip Green: Respectfully, I think that's a little bit unreasonable. I cannot read thousands and thousands of bits of paper. You're focused on a specific thing and you're looking at a board minute. I have enough papers on my desk already and I want to try to get back to work after this. I've been out of work for four weeks.

Q1879 Ms Buck: My last question, Sir Philip: was the size of the contribution in any way driven by the fact that, according to the trustee minutes, "the private company status of BHS Ltd meant these payments were effectively being met by Sir Philip and his family"?

Sir Philip Green: No. I think there was a conversation with the operating board, based on how the company was performing. It was deemed that, at that moment in time, based on the losses and the funding, that £10 million a year—hoping the business would improve—would be the starting point.



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Q1880 **Ms Buck:** And that £10 million was coming from where?

Sir Philip Green: It was coming from a loan.

Q1881 **Richard Graham:** Sir Philip Green, good morning.

Sir Philip Green: Good morning.

Richard Graham: You have said that you have, really, no responsibility for the pension scheme and so on.

Sir Philip Green: With respect, I have said quite the opposite to that.

Q1882 **Richard Graham:** Could you clarify what you think the responsibilities of the scheme's sponsor are towards the pension scheme?

Sir Philip Green: I'm not following the question. Sorry.

Q1883 **Richard Graham:** Okay. You controlled BHS. BHS was the sponsor for the BHS pension scheme. What do you believe the responsibilities of the sponsor towards the scheme are?

Sir Philip Green: Am I missing something?

Q1884 **Richard Graham:** Probably. I will ask it again. You took control of BHS. BHS had a pension scheme, which you, as the controller of the company, inherited. What do you think the responsibilities of the corporate—the scheme sponsor—towards the pension scheme were?

Sir Philip Green: To make the contributions.

Q1885 **Richard Graham:** To make sure the pension scheme kept going and that the pensions of the members of the scheme were paid—would that be a reasonable summary of the responsibilities?

Sir Philip Green: I think that is what we took on when we started.

Q1886 **Richard Graham:** Right. So you accepted, when you bought BHS, the responsibility of the scheme sponsor for the pension scheme. Correct?

Sir Philip Green: Yes.

Q1887 **Richard Graham:** You said earlier that it is incredibly important when you buy a company that the people there have to trust you. What was the average salary, roughly, during your time, of an employee at BHS?

Sir Philip Green: The payroll for '01-'02, '02-'03 and '03-'04 was £101 million to £103 million. There were 13,600 people, so you can calculate that out. Then from there, the payroll rose to £110 million, £119 million, £122 million, £128 million, and the number of people employed went up to 14,500 or 15,000.

Q1888 **Richard Graham:** Your maths is famously good—no doubt much better than mine. Is an average salary of about £17,000 roughly the figure?

Sir Philip Green: If you say so.

Q1889 **Richard Graham:** Well, I'm asking you.



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Sir Philip Green: I just gave you the payroll number, and I gave you the number of people.

Q1890 Richard Graham: Let's say it was around there. Traditionally in a defined-benefit pension scheme, the basic deal is that the employee contributes about 5% of salary and the employer contributes about 10%. On an accrual rate of a sixtieth, after 30 years' service, a person who had been working at BHS for all their working life would have been able to retire with an occupational pension from the BHS pension scheme of half their salary. If the average salary was around £17,000, they could expect in retirement to have a pension of about £8,500. That was broadly the responsibility that you inherited. Is that correct?

Sir Philip Green: If you say so.

Q1891 Richard Graham: As Karen mentioned earlier, when you inherited the pension scheme, both of the two schemes—the smaller one for the management and the much larger one for around 25,000 employees in 2000—were in surplus. That is to say that there was an additional amount in the pension scheme in the assets over and above the liabilities. Therefore, the corporate—BHS—hadn't paid anything in for three years.

In 2000, BHS agreed to start paying contributions, but at fairly low levels—less than 4% of earnings. That is under half of what most defined-benefit pension scheme employers were paying into their employees' pension scheme. By 2005, the entire surplus was gone, and there was an opportunity for many pension schemes in similar situations to plug the gap at a time when interest rates were quite low.

I understand that it was 11 years ago, but do you recall any discussions in 2005, when the pension scheme went into deficit for the first time, between either you and Dr Downes, the chairman, or your finance director and her, about how the corporate could fulfil its pledge to the scheme by plugging that gap?

Sir Philip Green: No.

Q1892 Richard Graham: No memory at all? Not something that had crossed your mind?

Sir Philip Green: I don't think it is a question that crossed my mind. It wasn't something I was dealing with on a regular basis.

Richard Graham: No, but you have accepted that you had a responsibility for the pension scheme, which had about 25,000 members at that time.

Sir Philip Green: I am listening to you.

Q1893 Richard Graham: All right. In 2009, you closed the pension scheme to accruals—that means that no employee could attract additional rights from the pension scheme. But the deficit had increased considerably. Again, in 2009, do you have any recollection of discussions with the trustees or your finance director about what the corporate—the scheme



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sponsor—should be doing to plug what was a growing deficit at that stage?

Sir Philip Green: No.

Q1894 **Richard Graham:** And by 2012, at the time of the next triennial review that all defined benefit pensions schemes have, there was a discussion about what the corporate would do. That was the time when BHS decided to offer £10 million a year to help plug the gap, which was the 23-year project—double the normal length. That was a significant amount of money, no doubt, from BHS at a time when the company was losing money, so you would surely have been involved at that stage.

Sir Philip Green: Yes.

Q1895 **Richard Graham:** Yes. Karen asked earlier how you arrived at a figure of £10 million. Did you start by saying, “My responsibilities to over 20,000 pensioners mean that I have to keep this scheme going and I have to plug the gap—how much do I need to do that?”?

Sir Philip Green: With respect, you are asking me questions that are impossible for me to answer. I don’t want to make up an answer. I think, if I look at the line here that I am looking at, which I am happy to share with you—as I say, I don’t want to pass this to other people. But there has clearly been—there has to be some accountability, respectfully, on behalf of the trustees, because I am looking at the line here and the figures I’ve got in front of me, and there have been some stupid, stupid, idiotic mistakes made.

Richard Graham: Thank you. Can I bring you back to my question—

Sir Philip Green: Let me give you a response.

Richard Graham: But please answer the question—

Sir Philip Green: I cannot answer your questions.

Q1896 **Richard Graham:** Did you look at the scheme deficit and assess how much was needed to plug the gap?

Sir Philip Green: When was this?

Richard Graham: In 2012.

Sir Philip Green: I think, without remembering all the detail, we arrived at a conversation. There was a conversation had that they were looking for, or wanted to arrive at, a £10 million a year contribution. I think, based on where the business was at that time, it was ultimately agreed that there would be £10 million a year as a contribution.

Q1897 **Richard Graham:** Because what is interesting about this is that you agreed £10 million a year from the company into the pension scheme to help plug the gap, but at the same time you went to see the Pensions Minister to discuss an increase in the pensions levy, to the pension protection fund, which I think at that time was about £2 million—



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considerably less than the amount you were offering to plug the gap, and of course hugely less than the deficit, which by then was about £137 million.

Sir Philip Green: I am sorry. There is a slight disconnect.

Richard Graham: Do not worry. Let me lead you to the question—

Sir Philip Green: Well, let me help you.

Richard Graham: Which is that the Pensions Minister recalled that meeting in 2012. He asked you about the corporate responsibility of the pension scheme and he said you had assured him that there was “no risk” of the BHS pension scheme falling into the pension protection fund—funds “would be found from elsewhere”. Is that correct?

Sir Philip Green: I don’t have a note of a meeting I had with Mr Webb. He seems to have a letter that he is producing now, n years later. If that is what he has written to you, that is what he has written to you.

Q1898 **Richard Graham:** But you are not suggesting that he is lying.

Sir Philip Green: I am suggesting that if he has got a note of it, good. I don’t know what the conversation was. The conversation around the levy is somewhat different to how it got represented previously.

Richard Graham: But on the commitment to the pension scheme—

Sir Philip Green: Why can’t I answer the question?

Richard Graham: No, because I’m asking the questions.

Sir Philip Green: Let me answer you, because you are not getting the right information.

Richard Graham: No, you are answering my questions slowly, but if you could just keep to the question, that would be very helpful.

Sir Philip Green: Let me finish answering the question, then, about Mr Webb.

Richard Graham: You have. Thank you.

Sir Philip Green: I haven’t answered it. I want to answer the question.

Richard Graham: All right.

Sir Philip Green: Fine. We received a letter, I believe, moving the levy from around £200,000 to about £3 million. I called or arranged to have a meeting with Mr Rubenstein, who you saw, and asked “Why is the levy suddenly going from X to Y?” Anyway, it was something do to with the Dun & Bradstreet—how the company’s rating is, etc. If there is really no solution here, and you really want £3 million, which I believe is the conversation I had with Mr Webb, then why don’t you let us put the £3 million into the pension fund? Why do we want to put it in a levy? If there



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is no other way to go, let us make the £10 million £13 million. That is the conversation that actually took place.

Q1899 Richard Graham: Yes. Of course what is interesting about that is that you had a detailed discussion with the Pensions Minister about what effectively amounts to an increase of about £2.7 million, but the wider deficit of the pension fund, at around £137 million, did not seem to attract a great deal of your time or attention. Can you confirm to us today that you said to Steve Webb that there was no risk of the scheme falling into—

Sir Philip Green: I just told you. You are trying to put words in my mouth. I am going to tell you—

Richard Graham: But I am offering you his recollection of the meeting.

Sir Philip Green: And the answer is that I don't know.

Q1900 Richard Graham: Right. You do not remember whether you made the promise to him, or anybody else, including the chairman of the pension trustees, that funds "would be found from elsewhere"—

Sir Philip Green: Sir, which bit of "don't remember" is difficult for you to listen to. I think that is quite clear: I do not recall what got said at that meeting. If he sent you a letter, and you have a letter, that is what his recollection is. I am saying that I recall I thought I had a meeting with Mr Rubenstein, queried the level of the levy and said, "Why can't we pay more money into the fund, as opposed to paying the levy?" I don't think I had a conversation with Mr Webb thereafter. The other day, I asked Paul Budge, who I think came with me to the meeting, and his recollection of the meeting—I might not get the words exactly—is somewhat different from the letter Mr Webb wrote.

Q1901 Richard Graham: Okay, but for the record, this is an opportunity for you to restate what you have earlier said was your commitment, and your understanding of the corporate scheme sponsor's commitment, to the pension scheme. In those words, there was "no risk" of the pension scheme falling into the PPF, and funds "would be found from elsewhere"—that is a commitment.

Sir Philip Green: Where you are trying to take me is not going to happen.

Q1902 Richard Graham: I am offering you the opportunity—

Sir Philip Green: Thank you very much.

Richard Graham: To confirm to everyone today that you still had that commitment in 2012—

Sir Philip Green: Thank you for the opportunity, sir.

Richard Graham: And you don't want to take it.



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Sir Philip Green: I am happy, whenever the Chairman is ready, to address the whole pension situation—Mr Field and Mr Wright, the two Chairmen. Without wishing to be rude, Mr Graham, I am happy to address the pension issue and, hopefully, we will be able to leave the Committee pretty clear on where I think we are. I am happy to do that whenever you are ready. As I said, I have one or two letters, and I can also tell you about conversations that have been had. Hopefully, that will then get everyone where they want to get to.

Q1903 **Chair:** Let us finish Richard's questioning first—

Sir Philip Green: He is trying to make me answer things I cannot answer, or force me to give him the answer he wants, and I am not going to.

Chair: Fine. Fair enough—

Q1904 **Richard Graham:** What I am doing is trying to lead through the history of the BHS—

Sir Philip Green: Sir, you are trying to lead me to say things I am not going to say.

Richard Graham: With respect, allow me to finish the question. I am trying to lead through the history of the pension scheme so that everybody, including the 20,000 members of the pension scheme, can understand exactly what happened and where we are today.

So we got to 2012—

Sir Philip Green: Mr Field, can I plead to you, sir? Can we go to the pension scheme, instead of this man beating me up, which is unnecessary? I am here voluntarily. I am happy to address the pension issue at whatever time you are ready during this meeting. This can save this, because me being bullied into saying something that I am being asked to say—I am not going to say it. I want to address it in terms of how we have been dealing with it. I think it is very important that you hear all the things that have been going on—and not going on, at the same time—and that would give everybody a much clearer picture.

Chair: Fine. I just want Richard to finish, then we can open up for that statement, Sir Philip.

Q1905 **Richard Graham:** So, Sir Philip Green, can we move to Project Thor, which was an attempt by BHS to resolve the pension problem? What was the key underlying motivation for Project Thor, from your point of view?

Sir Philip Green: I apologise—I am not unhappy to answer, I just want you to understand. If we are going to address the pension issue, including Project Thor, I am happy to address it, but I think I need to give you the total context of where we have been on pension, which incorporates Project Thor. So I am not ignoring your question, but I want to answer it in the context of where we are and what has been going on,



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because I just think that in isolation that is the wrong place, respectfully, to start.

Q1906 Richard Graham: We started in 2000 and we have moved forward to 2013. Project Thor—

Sir Philip Green: Sir, please, we should not start in isolation with Project Thor. That in isolation will not give you the response you want. If you let me just take you on—it won't take very long and it will cover off Project Thor as well—I think we will hopefully arrive at where you want to arrive in respect of the pension. Would you allow me to do that?

Richard Graham: It would be helpful if it is relatively brief so that we can focus on the questions that we and many other people want to know the answers to.

Sir Philip Green: But I am offering and you won't let me. I am offering to basically talk to you on the pension issue, right?

Richard Graham: If you could address the core issue of what was the motivation of Project Thor, that would be very helpful.

Q1907 Chair: Sir Philip, do tell us what you are now proposing. Richard is presumably right that it is the same motives that you have had with Thor and so on: it is about saving the pension scheme.

Sir Philip Green: No, if I could, we engaged Deloitte at the end of '13, early '14. We have spent a substantial amount of money exploring a conversation where having got to a place where we don't want to be—obviously, as I said, in return for where gilts and all the other fundamentals have changed, things have got worse short term—it was recommended to us that a project like Thor basically would give a “better” solution than the PPF. I am not a pension expert so we were getting educated. So we said, “Okay, then go away and do whatever the work was.” They went off and met with Chris Martin, chairman of the trustees, who came after Margaret Downes, and this dialogue I think went on for several months while they were developing a plan.

We could get the chronological order of it, but I think mid-year—about June-July time—they presented something to the regulator in '14 that, from my memory, did not get rejected immediately, but the regulator does take rather a long time to respond to anything, which we could come to in a minute. I think this went back and forward and eventually the project got presented in September, which I think you heard a week or so ago, and then we were explaining the underlying—it needed contribution from the landlords, contribution from the suppliers and various other aspects. And basically it was felt that that was probably the wrong moment—rightly or wrongly—to go and try to get discount from the landlords and discount from the suppliers and we would pick it up. Then there is a debate: the regulator asked for it to be withdrawn; my advisers say they asked for it to be paused. Anyway, either which way, there was a project there on the table.



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Come January '15 where we looked to pick up the project again and said, "How do we continue with it?" during this time, and I brought a letter with me—

Chair: Richard, after this you will come back to those key times.

Richard Graham: Absolutely. That is exactly what I would like to ask Sir Philip when he has finished this statement.

Sir Philip Green: This was an email, 24 or 48 hours ago from Chris Martin: "Thank you for the call on Tuesday. On behalf of the trustees I very much welcome the opportunity to continue the dialogue we have had on and off since January '14. During the time you and Arcadia expressed a desire to work with the trustees to find a pension solution which would deliver benefits to members at levels above PPF compensation. The trustees remain committed to considering any such proposals and look forward to hearing from you in terms of a proposal to deliver this outcome."

In addition to that, I have spoken in the last 48 hours to Malcolm Weir, who is the PPF officer who is running the case, and he will happily confirm to the Committee that I have been in regular dialogue with him. He has been in regular dialogue with us over the past months. He has been to our offices and is fully well aware that we have been committed to trying to find a solution. He has been extremely helpful. And then, unfortunately, we hit a brick wall when it comes to trying to arrive at the regulator.

Q1908 **Chair:** Was he willing to sign off? You are saying the regulator—

Sir Philip Green: Well, what I would say to you is this. There were very encouraging signs that Mr Malcolm Weir felt a proposal like Thor, whatever they call it—I am not a technician, be it RAA or Thor. Anyway—

Q1909 **Chair:** It is more generous than PPF, isn't it?

Sir Philip Green: Yes, and he was encouraged and felt that was a better solution. He was basically happy to advance it. The last occasion he came to our office there was going to be a meeting next day between the head of the PPF and the regulator. We never heard another word. If I may—without wanting to make this more difficult than it already is—

Chair: People who tell that to us usually then have a "but" in the sentence.

Sir Philip Green: There is no but.

Richard Graham: Sir Philip—

Chair: Richard, let Sir Philip finish.

Sir Philip Green: You will get an answer to all your bits of paper in a minute. Lesley Titcomb came here to see you, and I believe represented to this Committee that they had been looking at BHS "since mid-13"—



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that is what she said. Is it conceivable that in June '16 we have never had a phone call or email from her saying she would like to have a meeting? Does that sound as if somebody wants to fix it, or actually get together with us—she said she needs till the end of the year to know what she is looking at?

Subsequently I attempted to contact Baroness Altmann. She said, "My team have told me not to interfere: they are dealing with it". I thought that the boss basically sat above the team, as you are telling me I do. Anyway, we couldn't get any engagement in terms of moving forward. One meeting took place with the regulator and the PPF together, which didn't go very well. We did 2 hours 45 minutes; we should have filmed it.

Q1910 **Mr Wright:** When was that meeting?

Sir Philip Green: Probably March or April.

Q1911 **Mr Wright:** Of?

Sir Philip Green: This year. Since then we have gone nowhere, but we have been working away to see whether there is a way to get to Rome. By some very strange quirk of fate—which actually wasn't something I was going to discuss this morning; but based on this gentleman trying to get to the end place, I can save you a lot of time with all your paperwork—in the last week the regulator made a phone call. Maybe someone had bought them a telephone; I don't know. But they phoned up, saying that they would be interested in having a meeting. Mr Field, maybe you have been instrumental in waking them up. So there has been a dialogue with our adviser, and I think two or three phone calls literally over the last seven days, which I find a little bit of a coincidence, given the silence we have had. Not from Lesley Titcomb, I may add. I said yesterday that, obviously, due to the fact that I was coming here today, it wasn't appropriate to try to have a meeting 24 hours before coming to see you. But there does seem to be light in the tunnel.

I want to respond to Mr Graham, so that maybe we can save a lot of time. I am prepared: I have come here so that we can all be clear. We looked at some stuff last week, but apparently the numbers were not quite up to date enough. I told you what Chris Martin has said. I am talking to the PPF directly—as I said, I spoke to Malcolm Weir three days ago. We want to find a solution for the 20,000 pensioners. We still believe that money into the PPF does not resolve it. Without getting into it—I don't want to get into the specifics—the schemes are quite complex. But from what I've seen, I would say that it is resolvable and sortable. We will sort it and we will find a solution. I want to give an assurance to the 20,000 pensioners—I am there to sort this in the correct way. The PPF—I am happy separately, away from this forum. There are certain people in the pension fund that would get very disadvantaged in the PPF—certainly at the higher level. They would not come out with a good outcome. Some of these people I worked with myself, who were there and in the last few years have retired. So we are working on it. As we speak there is a team currently working through the latest Thor. You know, it is Thor-style, but



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because of all the things that are moving around—but it is in motion, current.

I have brought another letter with me, from Deloitte, just to confirm what I am telling you, which is basically, “We refer to our letters as of 14 June”, when she has written it. “We refer to our Taveta letter of engagement, 29 November 13, 28 January 14 and subsequent engagement with Taveta and Arcadia. We confirm our engagement at the beginning on seeking to find a restructuring solution for the business and the pension schemes. Deloitte has worked with you and the Taveta Arcadia teams on delivering the members of the BHS pension scheme options of better outcomes than the compensation available from the Pension Protection Fund. The instructions have been clear and consistent throughout.”

Q1912 **Chair:** Before I bring other people in—and I welcome that statement, Sir Philip; thank you—is your aim to actually offer people what they would have got under the old scheme, had that not folded?

Sir Philip Green: Sir, they are working up a plan. When they have got the plan together they are going to present it. I haven’t seen—I basically, this time, am going to get presented the plan, hopefully to find a way how we solve it.

Q1913 **Chair:** As you, in a sense, are going to be footing the bill, I just wanted to see—lots of pensioners will be watching this hearing—so that we get clear what your aim is. I take it your aim is to try and come up with a scheme so that the pensions they expected to get would be the pension they will get.

Sir Philip Green: Sir, we will share with you, when they turn up with whatever the plan is, and it passes—hopefully. As I said, when we have spoken to the PPF, they don’t want it, it doesn’t achieve the result. I think when Mr Rubenstein was here he said £275 million into the PPF. That doesn’t solve the problem. As I said, it doesn’t satisfy, and a lot of the pensioners would not benefit. So if this was just a question of running away and getting on and doing something else, we write a cheque to the PPF—we have been trying to avoid that.

Q1914 **Chair:** I know you have, Sir Philip.

Sir Philip Green: So what I am saying to you is, I can give you the comfort of saying, it is that the regulator’s been in contact, we are working on it, and the plan, post-this, is to ASAP get all the relevant people in the room as they are now willing to engage, and see if we find a solution.

Chair: Thank you. Iain, Richard and then Jeremy.

Q1915 **Mr Wright:** Sir Philip, just to clarify in my mind, you said a moment ago that you or your team were meeting the Pensions Regulator and the PPF in March or April of this year. Have I got that correct?



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Sir Philip Green: I think there was a meeting on 4 March, as I think you have heard previously. They came to our office on 4 March last year, actually—sorry, '15. There have only been two meetings with the regulator. One was 4 March '15, prior to selling the business, that sort of ended; and then there was no further dialogue for—and then for whatever reason, which I would love somebody to explain to me, having had Project Thor—

Q1916 **Chair:** I think Richard may be able to explain that very point to you.

Sir Philip Green: Well he won't be able to explain because you don't know what I am going to ask you. If I may: having presented Project Thor in the middle of '14, and then debate whether it was held or paused or whatever, the piece to me that's a total puzzle—they came to our office on 4 March. They were advised the business was being sold in February. There were conversations going along. When the business actually got sold on 11 March—I am going to answer his questions, don't worry—why would you, 24 or 48 hours or n days later, start rattling off section 72, instead of calling us and saying "Could we now sit down and see if we can put this to bed"?

Q1917 **Mr Wright:** But this meeting took place in 2016, not 2015, is that right?

Sir Philip Green: Which is that, sir?

Q1918 **Mr Wright:** The meeting between your team, the PPF and the Pensions Regulator. It's 2015.

Sir Philip Green: No, I'm saying there was a meeting on 4 March 2015.

Q1919 **Mr Wright:** The reason I am asking is I'm puzzled. You don't own this business. You have divested yourself of BHS and they are coming to you in 2016. Why is that? You have got out of the plane. Why do they come and see you?

Sir Philip Green: Because basically we always agreed and knew we would make a contribution towards the pension scheme. When the business was sold that was always understood. The new incumbent actually changed to Project Vera. It was always understood that we would make a contribution towards whatever settlement was achieved. As time went on they had their own adviser at Grant Thornton who met with the PPF or whoever they met with. They came to see us much later when they tried to present their Project Vera. They had another law firm—Weil, Gotshal & Manges I think it was. Anyway, they had another law firm. They went to have their own meeting and then came back to us and said they had presented a Project Thor-type deal that was X pounds. They had presented, I think, that they were going to put X pounds in or whatever they were going to do, and they were looking to us to pay the balance of the monies they were trying to negotiate with. It was always understood that we were going to participate in whatever could be settled. I am assuming we are going to move into that later, but obviously, as time progressed, it was pretty clear that RAL didn't have any money to make any contribution. I think their adviser and/or the PPF can tell you that we always knew, ultimately, that we would have to deal with it.



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Q1920 Richard Graham: This is extremely interesting. Can we go back to Project Thor, which is important? You rightly said that this started in the middle of 2014. On 28 August 2014 the Pensions Regulator spoke with Arcadia, BHS and advisers and said insufficient information was available to assess its impact on the pension scheme. It wrote to Chris Martin on 4 September outlining the key points it wanted the trustees to pursue with BHS to give it that relevant information. The key points it was interested in were really the management charges, the sale and leaseback arrangements, the property transactions and dividends going back as far as 2000. That was 4 September. Do you recall when you paused Project Thor, or as Mr Budge put it, decided to freeze it?

Sir Philip Green: No.

Q1921 Richard Graham: That was on 5 September; the very next day. The reasons that were given for that in the trustees meeting by Paul Budge were as follows: "He advised that Sir Philip Green wants to pause or freeze Project Thor for 3 months until after the Christmas peak, in order to consider his options. The reasons cited were economic uncertainty, political uncertainty—including Russia and Ukraine—and the Christmas peak trading period." Does that sound to you like the reasons why you decided to pause or freeze Project Thor?

Sir Philip Green: As far as I was concerned, the principal reason was that the back quarter was the principal time BHS made money. I felt it was the wrong moment to be going to the suppliers or the landlords to disrupt—As the business unfolded over a period of time, you carried the business for all the months, then you hoped to make back quite a bit of the cash in that peak period. I thought if we disturbed the business in that period it would not be the right time of year to do that.

Q1922 Richard Graham: You were not influenced at all by the fact that the Pensions Regulator had raised the questions about potential moral hazard?

Sir Philip Green: No.

Q1923 Richard Graham: And the fact that that was the day before is entirely coincidental?

Sir Philip Green: The answer is, if I can look you straight in the eye, I don't think I've ever seen that letter. The letter you are reading to me I have never seen.

Q1924 Richard Graham: You would have been told about it?

Sir Philip Green: Sir, I am just telling you. I am not avoiding it. I don't know. The answer, as far as I am concerned, is that I was not involved in the day-to-day. I got presented the situation on Project Thor and felt the timing of the trading situation was wrong.

Q1925 Richard Graham: So you are asking us to believe that political uncertainty in Ukraine was the reason why Project Thor was paused, not the Pensions Regulator—



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Sir Philip Green: I am not asking you to believe anything. I am just saying, was I at that meeting?

Q1926 **Richard Graham:** No, that was a meeting between Paul Budge—your finance director—and the pension trustees.

Sir Philip Green: Was I present?

Q1927 **Richard Graham:** No, but he was quoting you. He said that you wanted to pause or freeze Project Thor.

Sir Philip Green: Was I present?

Q1928 **Richard Graham:** So in your view, the fact that the Pensions Regulator was raising potential moral hazard had nothing to do with your pausing of Project Thor?

Sir Philip Green: Sir, I have said for the past two hours that I have never run away from looking to find a solution for the pensioners, so you can read all these—

Q1929 **Richard Graham:** But you did say directly to Chris Martin, according to his records, that you felt you were being tortured by the regulator and the regulator was “trawling through bullshit from 10 years ago”. That suggests you weren’t very comfortable with the regulator looking at moral hazard.

Sir Philip Green: Let me sort of give you one flavour, okay? If you get a section 72 from the regulator, right—

Q1930 **Richard Graham:** That happened after the sale.

Sir Philip Green: One second. You are making a reference; I am allowed to respond to you, aren’t I?

Richard Graham: Yes.

Sir Philip Green: Good. You get a section 72 from the regulator, each time reminding you it’s a criminal offence if you don’t reply—they can’t write nice letters. Just to give you an idea of the stuff they have asked for recently: they asked for the bank movements on the £265 million that’s been lent to BHS. If somebody could please help me and tell me, that is probably a quarter of a million bank movements—miles of computer tapes. What relevance could that possibly have? I am just giving you an instance of the stuff we’re asked for. Write to the auditor and say, “Could you give a certificate and confirm that Arcadia lent £256 million?” it’s one piece of paper.

Q1931 **Richard Graham:** Can we just focus? There we are in September 2014. Once Project Thor was paused, there was no solution on the table for the pension scheme, but, of course, the pension scheme was critical, because without a solution for it, it was always going to be very difficult for you to sell BHS, wasn’t it?

Sir Philip Green: As I continually keep saying, with respect, we spent in excess of £1 million putting Project Thor together. Let me try to ask you



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a question: why would we do that if there was not an intent to find a solution?

Q1932 **Richard Graham:** Yes, so what was the solution—

Sir Philip Green: Don't say, "Yes". Why would we do it?

Q1933 **Richard Graham:** What was the solution once you had frozen Project Thor?

Sir Philip Green: No, we paused Project Thor. Okay? We paused Project Thor between, I think, September and January.

Q1934 **Richard Graham:** This is really important, because Dominic Chappell's memory is that the original deal you offered him for the sale of the company was that it would be pension-free. Presumably that meant that you were expecting Project Thor to go ahead.

Sir Philip Green: I'm listening.

Q1935 **Richard Graham:** Is that correct? Is that what the pensioners should hear?

Sir Philip Green: Hear what?

Q1936 **Richard Graham:** That your solution for the pension scheme so that you could sell it pension-free was Project Thor.

Sir Philip Green: I'm sorry, are we in the same room?

Richard Graham: Yes.

Sir Philip Green: I'm not sure we are. Maybe you should come and sit here.

Q1937 **Richard Graham:** Shall I ask the question again?

Sir Philip Green: No, because you keeping asking me the same question. Mr Field, I apologise, sir. I cannot deal with this.

Q1938 **Richard Graham:** It's a very reasonable question.

Sir Philip Green: Sorry, it's not reasonable. This is really simple, and I am happy to get a phone in the room now. We are currently working on, as we speak, an updated Project Thor. They have been working on it for the past two or three weeks. They had some outdated information. I am more than happy for anybody here to go outside and call Chris Martin. He was called a week ago to make sure everybody had the updated, latest information, because the information Deloitte had was somewhat outdated. I called Chris Martin to ensure that, ASAP, all the current information to enable the current numbers to be updated would be available.

According to the call I had a couple of days ago, they are probably a few days or a week away from making a presentation of the latest numbers. Okay? I am happy to tell you that yes, we are still on a project that will hopefully deliver a better outcome. As I said, I have spoken to Malcolm



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Weir in the past 48 hours. I have spoken to Chris Martin. Deloitte are confirming the same. We are working on it. As I said, the last four, five or six days is literally the first communication we have had from the regulator in months and months and months. Hopefully, some common sense will prevail and we'll sit down and see whether we can find a solution.

Q1939 **Chair:** Sir Philip, I am sure the pensioners are immensely grateful for that. One of the reasons why we are asking you this question is that a lot of other people have given us other evidence, and some of it does not reflect well on you. So that we can actually present the record in the round, Richard is putting some of those points at you now.

Sir Philip Green: Well, he is not. What evidence have you heard from the stuff I have heard? The only person that can confirm to you, in terms of the pension, is myself—or Mr Budge could have confirmed to you. In terms of anything else you have heard, respectfully, from anybody else, RAL did have a pension man from Grant Thornton, who did, I think, have one or two meetings with the regulator/PPF. Like I said, various things were offered, promised, whatever, but I think most people knew they would not come to fruition. But outside of that, I think that I'm—As I said to you at the start of this session, all the people I am referencing, I can't reference these people unless I am more than happy for you or whoever you want to go and call them. I am not going to tell you things that aren't true. Why am I going to do that?

Q1940 **Chair:** I am grateful to you for that, Sir Philip, but Dominic Chappell, for example, asserted that you had promised the company would be debt-free and pension-free. Now, this is the guy that you sold the company to. I know that Richard is bringing his part of the evidence session to a conclusion now, but it is important because we are writing a report on our evidence. I wish for that report to be as comprehensive as possible and for your side of the story to feature properly in that.

Sir Philip Green: Sir, in the due diligence pack, I believe, that was performed, which I want to get to, by Grant Thornton, there is detailed—and we need to get to that; Mr Fuller is smiling. We need to spend a little bit of time on a couple of things you missed—

Chair: We are going to. We have a break first.

Richard Graham: Can we just finish the pension questions?

Sir Philip Green: One second—

Richard Graham: The Chairman has asked me to ask you questions.

Chair: I am just saying that we will get to that, Sir Philip, but we will probably have a break first. Richard, will you bring this to a conclusion?

Q1941 **Richard Graham:** Thank you. A few questions that will just help clarify for us exactly what happened after Project Thor was frozen.

Sir Philip Green: I think I have told you.



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Q1942 **Richard Graham:** Almost, but perhaps you can just let me ask a few questions.

Dominic Chappell believed he was going to get it pension-free. That wasn't on the table. You said that Mr Budge was an important man in this process. In an email to Anthony Gutman of Goldman Sachs on 20 January 2015, Paul Budge said he "did not enlighten" Dominic Chappell about the declining health of the pension fund. Dominic Chappell thought that the gap was £50 million. Paul Budge said it had, "of course...moved since then". Now, if we put that together with the fact that Dominic Chappell told Frank Field in one of these sessions that you stopped him seeing the regulator— Dominic Chappell said, "He said, 'If you see the regulator, I will call the deal off.'"—some people might conclude that the pension scheme was a real challenge for you because it was preventing you from selling BHS, and the only way out of this would have been Project Thor. But because the regulator had raised moral hazard, and you didn't want them digging around in this "bullshit" of the last ten years, you decided to pause it. That meant there was no pension deal and that you had to effectively off-lay the pension scheme on to Mr Chappell's bid for the company. What would you say to that hypothesis?

Sir Philip Green: I would say, if you look out the window, is the sky light or dark?

Q1943 **Richard Graham:** It varies, doesn't it?

Sir Philip Green: So ask Mr Chappell, is it light or dark outside?

Chair: We are moving on now. Jeremy.

Sir Philip Green: Please, please, please. Do you think it's— I would like you in the break, please, if you want—I will give you his phone number—to go and phone Grant Thornton and speak to the pensions man. It is inconceivable and, more importantly, impossible that I could stop anybody going to the regulator. That is nonsense. We ourselves couldn't get the meeting with the regulator. Like I said, and maybe you should call for it, in the due diligence pack—

Q1944 **Richard Graham:** So he was lying?

Sir Philip Green: I am just saying, in the due diligence pack, not performed by me, I am led to believe there is a section on Project Thor. It would not have been in the due diligence pack if the pension wasn't on the table, okay? Regardless of what Mr Chappell said to me, as I have said numerous times, as far as I'm concerned we always knew that we would have to participate in whatever the rescue scheme was. Just to respond, in the very early moments of Project Thor, back at that time, I think that there was a figure of £50 million or £60 million mentioned when it first got on the table. That is where I think that figure came from, okay? To answer you, at the time that the deal was being done—or when we were doing the deal at that particular time—I think that there was a moral hazard exercise carried out by KPMG. They arrived at a number of something like £51 million or £54 million, a figure of that nature. That



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was carried out on behalf of Chris Martin, for the trustees. So that exercise was done, I think, in the week leading up to the deal.

Chair: Jeremy, let's have one last question before the break.

Richard Graham: Chair, I think I come on now—

Chair: Richard, you've gone on to somebody else's questions.

Q1945 **Jeremy Quin:** Sir Philip, we have heard about the support that Arcadia was giving to BHS for a protracted period. I believe that that included an annual letter confirming that Taveta would support BHS on a going-concern basis.

Sir Philip Green: If you've seen it, then it does.

Q1946 **Jeremy Quin:** I have seen the BHS report and accounts—all of them—and I am slightly bemused, Philip, that in report and accounts for companies of which you are a director, you seem to omit—it is quite important whether Taveta Investments Ltd is or is not supporting BHS.

Sir Philip Green: Well, I think we lent £256 million.

Q1947 **Jeremy Quin:** Thank you. So you will be providing a letter saying that it is a going-concern to support the going-concern basis?

Sir Philip Green: I haven't seen the specific letter. What I'm saying is what I'm aware of, contrary to where you are trying to take me. What I'm aware of is that there were loans made to BHS to the amount of £256 million. I have not specifically seen, or if there is a letter—Before we have the break, I just need to say, because it is really concerning, I don't write all these letters, right? This is a very big machine. Respectfully, like I have said, while we have sat here this morning there are people spending tens of millions of pounds. They are building a new building, a hub in Singapore. You had here—I think in the early part of your inquiry—Siobhan Forey, who is on our board. She is in charge of a project to build a hub which will be a very big project—one of the biggest companies in the world—of tens of millions of pounds. That is her project. She owns that project. She reports to—I have never been to one meeting, okay? We are building a building in the west end to house all our people. I don't go to those meetings. I don't sign off. Those two projects could be in excess of £100 million. They are approved, and then they get on with it.

Q1948 **Jeremy Quin:** Sir Philip, I have no doubt that everything you have said was absolutely accurate—

Sir Philip Green: Everybody keeps producing letters and saying—

Q1949 **Jeremy Quin:** Sir Philip, there is a reason why we ask these questions. This is not at you, but it is simply that there are corporate governance processes that are important for us to understand, because the Committee has to report on what we can learn from what went on. Part of the—

Sir Philip Green: Sir, we do have—I'm sorry—



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Q1950 **Jeremy Quin:** Can we take it in turns?

Sir Philip Green: Yes, okay. That's fair.

Q1951 **Jeremy Quin:** So, me first. On the corporate governance—

Sir Philip Green: He's somebody with a sense of humour anyway.

Q1952 **Jeremy Quin:** There is a point where boards take decisions and take responsibility. So there are board minutes which report that, and there are report and accounts which are published and which state what boards do. Directors are accountable, and do take responsibility for what is in reports. I respect the fact that you are a good delegator; I totally respect that. But there has to be accountability. If directors say, "I'm not accountable because I didn't see that letter", or "I didn't take responsibility for it", or "I didn't see the report and accounts before they were published", then that is a problem for corporate governance. Would you accept that, sir?

Sir Philip Green: But I haven't said any of that.

Q1953 **Jeremy Quin:** What you have said is that you haven't seen the letter—

Sir Philip Green: Sir, respectfully, everybody is sort of picking up different pieces of paper appertaining to questions that they want to ask. I am saying it is unreasonable, if somebody shows me the letter that you or someone is referring to, I think it is unreasonable or unfair that you are picking up different things over years—"Was I or was I not at that meeting?" or "Did I see that letter?" I want to repeat, if we are going to have a break—I think it is a good moment for a break, although I don't want to stop your flow if you want to finish—*[Interruption.]* There we go

Q1954 **Chair:** The bells are for Prayers, Sir Philip.

Sir Philip Green: Is that for you or for me?

Q1955 **Chair:** Hopefully for both of us.

Sir Philip Green: Let's go together and say the prayers.

What I want to say is that I came here this morning. We can agree to disagree about how we got here, but we are here and I am not running away. However we go round and round and round, I want to try—it will get my best shot—some way or other to find a solution for the pensions.

I want to go outside—otherwise I will have to pray—with everybody leaving here saying that I am not in any way, shape or form running away. If there are letters and things we can look at, I am happy to look at them. I am saying that if there are board meetings that I did or didn't go to— I just want us to have a break and for everybody to know that I am committed. In all the things I have told you, the one thing in my life I adopt is that there is nothing I am going to tell you that you can't go and check up. If I have told you that I spoke to X guy, you can go and check all those things.

Q1956 **Chair:** Sure.



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Sir Philip Green: But it is important for me.

Q1957 **Chair:** I believe you.

Sir Philip Green: I am not going to tell you lies. There is no purpose to it. I just want to have a break and reiterate that I am committed to helping to find a solution. I haven't been running away from it. The regulator hasn't been easy, to put it mildly, and hasn't run towards us to try and help find a solution, for whatever reason. Let's have a break on that basis.

Q1958 **Chair:** Can we just finish a couple of questions? We have a few. Then we'll have a break.

Sir Philip Green: Please.

Q1959 **Jeremy Quin:** To be honest, there are one or two questions that might be controversial, although I don't think that first question was, but there we go.

Sir Philip Green: I don't think it is controversial—

Q1960 **Jeremy Quin:** You've made your point. There was that support in place. Would you concur with your chairman, Lord Grabiner, that if a solution hadn't been found for BHS in January 2015, either it had to be sold or it had to go into administration? Do you agree?

Sir Philip Green: What I'd rather do, so that we don't go off into a whole new area—I am happy to pick that up. If we start that question in isolation, I am happy to answer it.

Chair: It's on the pension side of this.

Sir Philip Green: Look, there are two different answers.

Jeremy Quin: Give me either.

Sir Philip Green: I will give you both.

Jeremy Quin: Please.

Sir Philip Green: Okay. If I just wanted to be a ruthless corporate businessman, we would have taken the business into a process ourselves. Based on all that is going on now, it couldn't have been any worse. I may have been better off taking this through an admin, and other businesspeople have taken these things through pre-packs and all sorts of processes. I went many, many, many miles to try not to let that happen. If I look back now in terms of the last four weeks, I could be a murderer the way they are writing about me—I haven't got any guns, but the stuff that is getting written every day is pretty outrageous. When we talk about hindsight, maybe in 2014—bang!—I should have put it into a process and then resurrected it. We can get to that in a few minutes' time. My response to you, respectfully, is that he has given you a common-sense approach that, in his opinion, if we couldn't find another solution—



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Q1961 **Jeremy Quin:** I think that was a yes, wasn't it? It either had to go into administration—

Sir Philip Green: It didn't have to. We could have kept funding it.

Q1962 **Jeremy Quin:** That was an option at the time.

Sir Philip Green: With respect, putting businesses into bankruptcy or into admin—we are in the industry, so there is a lot of commonality across the businesses—was a very, very, very last resort. It wasn't something that we wanted to do.

Q1963 **Jeremy Quin:** So you had the three options: administration, which I totally understand was the last thing you wanted to do; selling it; or continuing to fund it?

Sir Philip Green: Yes.

Q1964 **Jeremy Quin:** You were prepared to go down the selling route. What first attracted you to the twice-bankrupt, penniless, non-retailer Mr Chappell?

Sir Philip Green: To be honest with you if we are going to start this, we can't have a break. I just want to have a quick break, but if you want to carry on. We can't take that in isolation.

Jeremy Quin: No, and there are other questions. Mr Chairman, this is in your hands.

Craig Mackinlay: Can I follow up a couple of things?

Q1965 **Chair:** No. We will break, and we will begin with Jeremy when we come back.

Sir Philip Green: Can I—

Q1966 **Chair:** Before we have a break and I take you back to your room, Sir Philip, can I put one point to you that shocked me in our evidence? One of the images that has always come across is about how you delegate. You do a lot of your business on the phone, and so on, but at the key meeting on the sale of BHS the chairman you had appointed and paid rather well, Lord Grabiner, just didn't turn up—he didn't even have the papers. Did it disappoint you that the person who, in a sense, was paid well by you had failed in his stewardship at that key point?

Sir Philip Green: Sir, I am not going to answer on behalf of Lord Grabiner.

Q1967 **Chair:** No, I want to hear you answer it yourself.

Sir Philip Green: I can't answer you, and I don't know the circumstances of that day. Respectfully, I am not making excuses. I don't know. He may have been in court. He may have been tied up. I don't know. He wouldn't not turn up because he didn't want to turn up. He may have had another commitment. There may have been short notice. I don't know.



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Q1968 **Chair:** But you paid him incredibly well, as you paid lots of people—advisers and so on. He didn't even bother to send for the papers, Sir Philip. And he was acting on your behalf.

Sir Philip Green: Sir, I can't answer for him. I am saying to you that he has been with us for 12 years, and he attends most of the board meetings. He gets all the papers, and I don't know whether he did or didn't or why he didn't. I am saying that there is certainly no specific reason that he would not have been in the loop in relation to that.

Chair: Very good. Sir Philip, thank you. I will be accompanying you back, if I may. We will resume in a quarter of an hour, and Iain will be our Chairman.

Sitting suspended.

Mr Iain Wright took the Chair.

Chair: Sir Philip, welcome back. I am glad you came back.

Sir Philip Green: We said a prayer together.

Chair: We are going to move on now to the circumstances in terms of the need to find a buyer. Before we go on to that detail, I would like to bring Jeremy back in on the corporate governance elements of the pensions.

Q1969 **Jeremy Quin:** We just touched on Mr Chappell at the end of the last session. Was he the only person you spoke to about the sale of BHS?

Sir Philip Green: No.

Q1970 **Jeremy Quin:** So there were others?

Sir Philip Green: Yeah.

Q1971 **Jeremy Quin:** And you ended up with Mr Chappell.

Sir Philip Green: Lucky man, eh?

Q1972 **Jeremy Quin:** Unlucky you in some ways. I think having him as a counterparty must have been quite difficult, but you thought that he was a credible buyer, clearly. *[Interruption.]* Don't worry, we'll get back onto that later. I'm erring astray myself—

Sir Philip Green: I—

Q1973 **Jeremy Quin:** We'll get back onto that, Philip, I can assure you. In terms of the pensions, specifically, Mr Chappell was under the impression throughout that this would be a sale without the pension problem—

Sir Philip Green: That's just not correct.

Q1974 **Jeremy Quin:** Is it not correct?

Sir Philip Green: No.



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Q1975 **Jeremy Quin:** There is quite a lot of documentary evidence to suggest that that is exactly the basis on which he was working. That's how he appointed advisers—it is the entire background to the deal.

Sir Philip Green: Sir, respectfully—again, I am not avoiding this—when you are doing a deal you can't remember every single conversation that takes place. What I know is that when we got down to actually doing a deal with him—unfortunately, as you said—there was no question there was a pension to be resolved. Like I said, you can ask them; it is in their due diligence—

Jeremy Quin: I've read it.

Sir Philip Green: And it is in the contract.

Q1976 **Jeremy Quin:** Indeed, and I have read that as well. Right at the end of day—and it was late in the day—he knew he was going to get the pension as part of this.

Sir Philip Green: That's not true.

Q1977 **Jeremy Quin:** Well, it looks like a bait-and-switch.

Sir Philip Green: Sir, it is not true. Like I said, you have heard some things along the journey of everyone who has been here so far. Hopefully I can enlighten you on quite a lot more, and then you can make the decision whether he did or didn't know.

Q1978 **Jeremy Quin:** That's the process we are doing—all the stages of enlightenment. Whether he knew very early on—there is a lot of anecdotal evidence to suggest he didn't—he did know later on about the pensions. He said he didn't have access to the pension trustees, other than one accompanied meeting, he didn't have access to the Pensions Regulator and that was something that you were keen to prevent. Is that unfair?

Sir Philip Green: That's not true.

Q1979 **Jeremy Quin:** But the due diligence you referred to—I have got it here, from their due diligence report, "We have not been permitted access to the scheme's trustees or access to the Pensions Regulator to discuss the prospects of being able to agree a compromise post completion."

Sir Philip Green: I'd have to check, but my understanding was that they did have a meeting with Chris Martin.

Q1980 **Jeremy Quin:** They did have an accompanied meeting with Chris Martin.

Sir Philip Green: Yes, and with respect, he is the chairman of trustees. So why were they meeting him?

Q1981 **Jeremy Quin:** Thank you, Philip, for raising that. Can you recall a conversation you had on 12 March on the telephone with Chris Martin?

Sir Philip Green: On 12 March?



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Jeremy Quin: Yes, the day after the deal.

Sir Philip Green: Enlighten me.

Q1982 **Jeremy Quin:** I will, because happily Chris Martin makes notes of his telephone calls. Did you tell him that he had jeopardised the sale by telling the purchaser that contributions might increase to £30 million per annum?

Sir Philip Green: I think we had one conversation, which was very, very late in the day—I can't remember when it was. I can't remember the circumstances or when, but there was one conversation when we were all in the room. I don't remember how it came about, but I think Chris Martin said something like, "The contribution may go up substantially."

Q1983 **Jeremy Quin:** I can help you, because it was a telephone call that you had with him on the afternoon of 12 March and Chris Martin made a contemporaneous note. You said that he had potentially jeopardised the sale by telling the purchaser the contributions might increase to £30 million per annum. I would not say that is giving free and fair access to the purchaser, who we both know was stretched.

Sir Philip Green: Hold on. What I think we need to do is this. If we can go in order, I can present all the facts to you. Then you can—

Jeremy Quin: Actually, I'm happy to leave it there, Sir Philip, and come back later.

Sir Philip Green: Okay, fine.

Q1984 **Jeremy Quin:** I will just make this point. We can discuss whether Dominic Chappell was an ideal buyer of this business. I think we both agree that he wasn't.

Sir Philip Green: But I think there are a lot of other factors we haven't yet got on to—

Q1985 **Jeremy Quin:** And I'm sure we shall, but in the meantime we are discussing pensions. On the pensions, there was a very large liability. It is very clear from the Olswang due diligence reports and from the board minutes of Chappell's group, RAL, that they weren't fully apprised of the pension situation, and they lay the blame for that on yourself not wishing to give access to the Pensions Regulator or the pensions trustees.

Sir Philip Green: Sir, it was—or Iain; is that okay? Mr Wright, Iain, Chairman?

Chair: Iain.

Sir Philip Green: Fine. I wasn't going to start here, but we can come back to it; we can go on to it—okay? Between Olswang and Grant Thornton—

Jeremy Quin: Actually, I'm done. Iain, if you want to go back to corporate governance, I'm very happy.



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Chair: No, I'm going to move on, because I still think the circumstances in which they needed to find a buyer are important, and on that basis, I'll bring Amanda in.

Amanda Milling: Good afternoon, Sir Philip—it is, just, afternoon.

Sir Philip Green: Just.

Q1986 **Amanda Milling:** Quite literally. You were just talking, in response to Jeremy's question, about talking to a number of different buyers. What I would be interested to understand is what were the characteristics and traits that you were looking for in terms of a buyer?

Sir Philip Green: Obviously, someone to take the business forward. Most of the people that turned up wanted to do a process; virtually everybody wanted to put it through a process.

Q1987 **Amanda Milling:** Okay. What was different about the buyers that you went on to have discussions with? And we will talk about them in a bit more detail.

Sir Philip Green: Most of the people that came along were talking about a pre-pack, talking about admin, immediately—just taking the business through a bankruptcy. That was effectively where we landed with virtually everybody that turned up.

Q1988 **Amanda Milling:** Just before we get into some more details, how important is recommendation from your contacts—the people you do business with?

Sir Philip Green: I apologise: what's the question?

Amanda Milling: How important are recommendations and guidance from contacts that you do business with and that you know well?

Sir Philip Green: Where are we going?

Amanda Milling: That will be for us to decide as we go on.

Sir Philip Green: Well, are you trying to lead me into how we were appraising the buying? Is this the question?

Amanda Milling: I'm just interested to understand the importance of other people, third parties, and your contacts—people you do business with—in terms of recommendations.

Sir Philip Green: Can I call you Amanda? Amanda, let's save time: is this a conversation around Goldman Sachs?

Amanda Milling: It's not actually a conversation about Goldman Sachs, although that can be one of the conversations.

Sir Philip Green: I'm not understanding the question; I'm sorry. At the end of the day—once people knew the business potentially was for sale, you get calls from all sorts of different places. There's very few secrets.



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As they say in life, it's only a secret if only you know. After that, it's not a secret any more. The bottom line is it was known that we might sell the business.

Q1989 **Amanda Milling:** When was it known?

Sir Philip Green: I would say a couple of months, probably, before.

Q1990 **Frank Field:** Before what?

Sir Philip Green: Before we actually did a deal. It was known in January—December or January.

Q1991 **Amanda Milling:** Then can you explain to me the conversation that you had with Robin Saunders in 2013?

Sir Philip Green: Well, actually, I didn't go to look for Robin. I have obviously known Robin Saunders, as you heard, from the beginning, and she just mentioned, en passant, that she had met somebody who was apparently well funded, was looking to do deals and could be interested in buying BHS. I mentioned BHS: could he be interested in buying it? I speak to her, as she told you, on the odd occasion—it's not a regular flow. So she called me up or I bumped into her—I don't remember—and said, "I'll introduce you to this guy. He's been well recommended. He could be interested in buying BHS."

Q1992 **Amanda Milling:** Do you want to confirm to the Committee who "this guy" was?

Sir Philip Green: Yes, it was Paul Sutton. You know—I think you know who it is.

Q1993 **Amanda Milling:** Were you aware of Paul Sutton before Robin Saunders made that contact with you?

Sir Philip Green: Never seen or spoken to him in my life.

Q1994 **Amanda Milling:** And after the initial introduction and the initial conversation, what contact did you have with Mr Sutton?

Sir Philip Green: I don't remember how the conversation started, to be honest. He said he was interested in—he said he had bought something. I can't remember what it was called—I don't remember the name of the company he was financing—but he was interested in buying something. He said "I understand you could be interested in selling it. I've got a team." We started a conversation with him, and that went on for a bit. I can't tell you the exact dates, but it went on for x weeks—however long it went on for.

Q1995 **Chair:** And Dominic Chappell was on the same—?

Sir Philip Green: He was not. Just for clarity, can we jump forward a little bit? The first time I ever met Dominic Chappell was 3 February '15. Just for clarity, those are the facts. You're looking puzzled.

Amanda Milling: No, I'm just trying to put all the pieces together.



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Sir Philip Green: Well, I'm going to try to help you. There was a conversation with Paul Sutton. He brought along some people, and then—I don't know, maybe a few weeks after talking to him, I don't remember specifically when—a file arrived anonymously, with a whole load of stuff about Paul Sutton. I read it through; it was saying, "You shouldn't be dealing with this guy." I read the file through, I called Paul Budge and said, "I don't think this is a guy we should be doing business with. Disengage with him—call him up to say that we don't want to deal with him."

Q1996 **Amanda Milling:** Can you clarify a few of these dates for me on this. This file—when did it materialise?

Sir Philip Green: I don't know. When did Paul Sutton appear?

Q1997 **Amanda Milling:** Your conversations with Paul Sutton were early in 2013, and you continued to have conversations over some period.

Sir Philip Green: The conversation went on and off. If I was guessing, I would say that the file arrived before the summer of '13.

Q1998 **Amanda Milling:** Not 2014?

Sir Philip Green: I don't know.

Q1999 **Amanda Milling:** We have information and evidence from various different sources to suggest that you were having conversations with Paul Sutton for some time, actually.

Sir Philip Green: The answer, as I said, is that all I recall is that it was on and off. It sort of flowed on and off. I don't quite remember the timing, but all I am saying is that at the end of the day a file arrived and we disengaged with him.

Q2000 **Frank Field:** Would your office be able to give us the date the file arrived, Sir Philip?

Sir Philip Green: I'd have to ask Paul Budge when the paperwork stopped and we stopped talking to Paul Sutton, but we can ask that question, yes.

Q2001 **Amanda Milling:** Can I understand, then, why Robin Saunders indicated that Sutton was discredited back in June 2013, and you'd actually—

Sir Philip Green: She said it was June 2013?

Amanda Milling: Yes.

Sir Philip Green: Well, you didn't tell me that, did you? So that was a lucky guess.

Q2002 **Amanda Milling:** And you said that you would stop dealing with him, yet it is quite clear from everything we could see that you continued to deal with him.



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Sir Philip Green: Absolutely not. Then it arrived later. What I am saying to you is that—as I said, I don't know specifically, but what I am saying to you is this, so we save time—when the file arrived, we disengaged with him, period. That was the end of it.

Q2003 **Chair:** Did you lambast Mr Budge and your management team? Did you say something along the lines of "Paul, why do I have to find out stuff like this third-party from an anonymous file? Why haven't you been doing the checks for me?"

Sir Philip Green: You're going to tell me there's a note saying that.

Chair: I'm not. I'm just genuinely—

Sir Philip Green: No, look. The answer is this: he's doing his job, okay? If somebody sends somebody in and says they've got several hundred million pounds, and that's been confirmed by a banker—not by Robin Saunders; she told me it was confirmed to her by another bank—with the best will in the world, as we're going to come on to some things relating to where we landed, you get told things and told they're not true. They may be true. The fact is that the file didn't read very well and that was the end of it.

Q2004 **Amanda Milling:** So you had stopped doing business with Paul Sutton. Can you go back to your initial contact with Dominic Chappell and explain when that was and how it came about?

Sir Philip Green: As I said, we talked to various different people. Paul Budge was dealing with Dominic Chappell and his team. I said to Paul Budge that I don't want to meet Dominic Chappell until he's effectively cleared through the process. *[Interruption.]* You keep looking puzzled.

Q2005 **Amanda Milling:** Can you explain what you mean by "cleared"?

Sir Philip Green: Yes. Basically, as you have heard from several people, we had what was termed a gatekeeper. Right? I did not attend—before I get any criticism from this side—any of the meetings at Goldman Sachs, intentionally. I wanted him independently vetted and, as you heard the other day, his advisors went there. He went there three times. Bankers went there. There was a process—not set up by me; set up by Paul Budge—to hopefully get comfortable that we should pursue a transaction.

Q2006 **Amanda Milling:** Just rewinding slightly, had you ever come across Dominic Chappell at any point in time previous to these discussions?

Sir Philip Green: No.

Q2007 **Amanda Milling:** Never met him or heard his name; so he was completely new to the scene.

Sir Philip Green: Yes.

Q2008 **Amanda Milling:** At what point did you become aware of the fact that there was a link between Paul Sutton and Dominic Chappell?



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Sir Philip Green: I think—I can't remember—at some point it was mentioned. I think Paul Budge asked for an affidavit or a document that there was no connection. I believe that is what was requested. When it was told, I think there was a document asked for for Chappell to give an undertaking or whatever that there was no connection with Sutton.

Q2009 **Amanda Milling:** Why would he feel that he needed that? What triggered that?

Sir Philip Green: Because that is what was asked for. There was some conversation that there may be a connection. On the basis we were not prepared to deal with Sutton, if there was a connection we would have basically probably stopped doing what we were doing.

Q2010 **Amanda Milling:** So you had concerns that there were connections—

Sir Philip Green: To be perfectly honest with you, I don't know how it came about, but when it did come about there were some actions taken to try and confirm that wasn't the case.

Q2011 **Amanda Milling:** In that case, can you explain to me why an article in *The Sunday Times* on 12 April 2015 said you had no idea that Chappell knew Sutton when you first met him?

Sir Philip Green: Well, I've just told you I didn't. So what's the issue?

Q2012 **Amanda Milling:** Paul Budge, by this point, had to get confirmation that Sutton wasn't involved.

Sir Philip Green: That's not what I said, and that wasn't what you asked. Okay? You've got the benefit of having different dates and bits of paper in front of you; I don't. I'm saying to you there was a moment, and I don't know the date, whereby there was somehow or other discussed/mentioned—however it came about—there was a connection, or could be a connection or something, and then it was asked if we could find out. As I said, there was an affidavit or something signed—find out what that date was when that document was signed—to confirm there was no connection.

Q2013 **Richard Fuller:** Just to clarify that, Sir Philip. On Paul Sutton and Mr Dominic Chappell, were you aware at any time of Dominic Chappell's interest in this possible transaction other than via a relationship with Paul Sutton?

Sir Philip Green: To be perfectly honest with you, I don't remember how he arrived on the scene.

Q2014 **Richard Fuller:** He just arrived?

Sir Philip Green: I don't know.

Q2015 **Richard Fuller:** Presumably, if someone had come to talk about purchasing one of your major assets, you would have wanted to pursue that. Would Paul Budge have known that?

Sir Philip Green: I am saying that we would have had a conversation.



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Q2016 **Richard Fuller:** It just seems odd that someone walks in off the street and you are not aware of where he came from, but he then engages in a serious conversation about purchasing British Home Stores.

Sir Philip Green: You are managing to avoid a slightly importance piece, so let me say what I said to your colleague, if I may. However he arrived, the process was that he would be cleared through the gatekeeper, or taken through the gatekeeper before I would meet him. There were 90 emails and god know how many meetings, and I thought we could save time. This is not something I like doing, but if you want to go there—

Richard Fuller: Carry on, I'm all ears.

Sir Philip Green: I thought we would go to the last email as opposed to the 90th. Let's go to the 91st: "Congratulations" Anthony Gutman wrote, "You deserve it. You were consistent throughout and stuck to your word." That was the final email from Anthony Gutman to Mr Chappell. That was after the 90 emails. We are obviously going to go through how we got there, but that was the final email. That is hardly someone telling us not to deal with the guy, is it?

Q2017 **Chair:** So are you happy with the service Goldman Sachs provided to you?

Sir Philip Green: I don't think it's a service. Let's try and keep a sensible playing field. The things I'm responsible for I have to take responsibility for. I did not have one meeting with Goldman Sachs. As you will see, there is no email traffic with Philip Green because I try to avoid email, so that I don't get all the trouble you guys have had turning up all these bits of paper.

Jeremy Quin: Very wise.

Sir Philip Green: I still play around with that—*[The witness held up a mobile phone]*—and you don't get the trouble.

Chair: What about phone records?

Jeremy Quin: Unless someone makes a contemporaneous note of the call, of course.

Sir Philip Green: Whatever. Fine. I haven't got a problem with that.

Q2018 **Chair:** You had asked them to do something, Sir Philip. It was a service in terms of, "You be the gatekeeper."

Sir Philip Green: No. Iain, I made a call or had a call I think with Mike Sherwood and we had a brief discussion. He said, "Philip, it's not our type of thing." I said, "Right. Good. Could Anthony do a favour and just look over a few of the people?" I put Paul Budge in touch with Anthony Gutman. Outside of one other conversation about Farallon, 75 emails later, I was not involved. My brief was very simple: I was happy to see the guy when he was cleared and there was enough evidence that he could perform, bring some money or do something.



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Q2019 **Richard Fuller:** Let me take this back. The reason this is important—I'm glad you phrased it as you did—is because it is all about how Mr Chappell gained the credibility to be taken seriously as the purchaser of British Home Stores. Therefore, at the beginning, the fact that it appears from all the other evidence we have heard—I appreciate you may not have known this—that his only way of getting in was via his relationship with Paul Sutton is an important starting point of the process.

Sir Philip Green: Good. I am pleased we have landed at this place because I know, Mr Field, that you made a comment about this en passant, and I feel that the two key pieces of Mr Chappell have somehow escaped proper scrutiny, so I think this is a good moment. I am not being critical or rude in any way—

Frank Field: Mr Chappell is coming back, so this should be very helpful.

Sir Philip Green: No. this is nothing to do with Mr Chappell. You yourself made a comment. When you had the representatives here of Grant Thornton and Olswang, your own words were, I think afterwards when you realised, "We don't want the substitutes from the bench." David Roberts of Olswang was knee-deep in this transaction from day one to day 301, until four days before this company went into administration, and in fact was still knee-deep in it the weekend when he tried to sell it—I am sure we will come to this—pre the admin. He managed to not be here when you had them in and they slipped in some compliance guy who managed to say, "Oh, I am conflicted", or whatever nonsense they are allowed to say.

Then Peter Martin, who was the Grant Thornton senior partner, who led the tribe, also managed to escape. His guy who was sitting here, saying, "Oh, I can't remember," and, "It's privileged," and all this nonsense. So let's get to the real facts.

I have been doing deals all my life. This guy has turned up with a group of people—the other group you had here the other day: Mr Tasker, Mr Eddie Parladorio and the other guy, two or three lawyers. All on the board, all with shares in RAL, all got paid considerable sums of money. This man, sitting in this chair, tried to be a sprinter, but he got paid substantial sums—all of them did, and they all had shares in the company. So as far as I am concerned, on the part of myself—Paul Budge and other people as well, who he produced and who give him credibility.

Most importantly, where I want to get focused is on this: when he then got under way, and we started under way, he produced Grant Thornton and he produced Olswang. Okay? Now, rightly or wrongly, I don't think this got asked of Mr Chappell either, because it has never been asked. So for me, these people—I am happy to take a lie-detector test, if you want—gave him the credibility to move forward. They are two respected firms.

I have done a lot of deals in 40 years. I have never, ever put 14 auditors in a building for three and a half weeks, to live there, to interview every



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single member of the senior management and to go through the business in minute detail, which they did. No one has ever asked, "Mr Chappell, where did you know these two firms from? Have they acted for you before?" The way they worked for him, you would think that they had been working for him forever—they were on it; they were very aggressive in the detail; they were all over it.

Q2020 **Chair:** When you say "aggressive in the detail", what do you mean?

Sir Philip Green: They were underneath every single thing. They were looking at everything possible. Peter Martin said to me at the end, "This has been a very, very good job. All the work is in apple pie order. It's all very clean." But I am saying to you, if you have these people living in your office, which they did, for three and a half, nearly four, weeks to do this sort of due diligence, this costs a lot of money. It doesn't come for free. Nobody has ever asked, "Has Olswang or Grant Thornton worked with this guy before?" Nobody seems to know. How did they—

Chair: Sir Philip, may I just interrupt? With the greatest of respect, let me say that I am happy to stay here all day, and I should imagine the Committee is, too, but in order to be—

Sir Philip Green: I don't want to be here all day.

Chair: I didn't think you would be, to be honest; I thought you would want to make this as short as possible. All I am saying is if questions are answered as succinctly as you can, we can move on as quickly as possible.

Sir Philip Green: Fine.

Chair: I was going to bring Richard Fuller back in—

Sir Philip Green: That's exciting.

Chair: Richard.

Sir Philip Green: No, no, wait a second—

Chair: Hang on. With the greatest respect again, Sir Philip, we're asking the questions.

Sir Philip Green: This is one more minute. It is important for you to hear.

Chair: I will do you a deal: I will give you 30 seconds.

Sir Philip Green: Forty-five—[Laughter.]

Chair: Still 30.

Sir Philip Green: Just to finish up, these two guys, or these two companies, ended up getting eight point something million pounds—

Q2021 **Frank Field:** Who paid him? Did Mr Chappell pay him?



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Sir Philip Green: No, BHS appears to have paid.

Just to finish my last 15 seconds, okay? From my inquiry—you have to make your own inquiry—I believe that both these firms were on contingency. I do not think that either of these two firms knew him from a hole in the wall. Right? What got told to me, quote, unquote, which I have never heard of in my business career—Jeremy, have you ever heard of this?—supposedly one of the firms bid for the business blind. They didn't know the guy from a hole in the wall.

What I am saying to you is that, rightly or wrongly, I took comfort from those two firms representing him. They are respected firms, and them being present, doing the sort of work they were doing, gave us some comfort, rightly or wrongly. Obviously there were other things, but those two firms gave us a great deal of comfort.

Chair: Back to Richard Fuller.

Q2022 **Richard Fuller:** Thank you. That was very helpful. A lot of this inquiry is about the role of advisers in giving credibility, which stretches in this instance from the original introduction—

Sir Philip Green: If they didn't know him from a hole in the wall previously, do they have any responsibility?

Q2023 **Richard Fuller:** I will touch on that lightly at the end, but I want to come back to the buyers, because there were buyers. Paul Budge said to us that six buyers came forward, and in the press—you may not want to mention who all six were, but maybe you can advise us if these press reports are correct—it was said that one was Alteri, which is a turnaround specialist. Were they one of the six?

Sir Philip Green: Could have been.

Q2024 **Richard Fuller:** Sun Capital?

Sir Philip Green: They were not interested.

Q2025 **Richard Fuller:** So they weren't one of the six.

Sir Philip Green: There was a brief conversation, but they were not interested.

Q2026 **Richard Fuller:** Could you enlighten us about who some of the six were, or—

Sir Philip Green: I don't think that's appropriate.

Q2027 **Richard Fuller:** Okay, but but there were legitimate firms.

Sir Philip Green: We thought the buyer was legitimate. The answer is that people came forward. They didn't fit what we thought worked.

Q2028 **Richard Fuller:** With respect, there are gradations of legitimacy, aren't there? Someone who is a three-time bankrupt who managed to get a set of consultancy firms to—



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Sir Philip Green: Sir, we know that now—okay? We know that now. At the time, we knew he had been once bankrupt. I apologise for using another 30 seconds. Mr Field very interestingly said very early on that anyone could have googled and found out that this guy had been bankrupt. I took your advice, Mr Field, and asked someone to go on Google for me. Walt Disney was bankrupt and H. J. Heinz was bankrupt. They did okay. The bottom line is that because you have been bankrupt—entrepreneurs go bankrupt. They do bad deals. That doesn't mean they can't go back into business. In this particular case, represented by everybody, the guy had been bankrupt once.

Q2029 **Richard Fuller:** But also with respect, your chief financial officer also knew that he was associated with a convicted fraudster. As I say, there are levels of credibility in the teams that come to purchase other assets, aren't there?

Sir Philip Green: If I know a fraudster and someone says to me, "Is he involved in your transaction?" and I say, "I'm happy to sign an affidavit that he's not," does the fact that I knew him make me guilty?

Q2030 **Richard Fuller:** It wasn't that he knew him, sir; it was that he was introduced to the deal by him.

Sir Philip Green: I don't know. You're telling me that. If you say so, he was.

Q2031 **Richard Fuller:** So you didn't know it at the time and neither did Paul Budge. Your chief financial officer would have led this transaction for you, I presume.

Sir Philip Green: I can only tell you what I knew. I think Mr Chappell himself said he believed he met me around the end of January. Paul Budge told me the date was 3 February.

Q2032 **Richard Fuller:** In all of these assessments of these buyers, Goldman Sachs was essentially acting as gatekeeper for all six, was it?

Sir Philip Green: No, I don't think so. Again, I haven't read the email traffic between Paul Budge and Goldman Sachs.

Q2033 **Richard Fuller:** But you asked Goldman Sachs to act as gatekeeper, you said, but they weren't doing work on the detail.

Sir Philip Green: To the best of my knowledge—again, I don't know—they certainly acted in respect of Mr Chappell. I don't know about anyone else.

Q2034 **Richard Fuller:** So essentially, asking Goldman Sachs to act as a gatekeeper was part of the process of trying to assess the credibility of one of the six potential purchasers.

Sir Philip Green: I think it is clear in that case.

Q2035 **Richard Fuller:** So does that not then say that you asked your most trusted advisers—and they did it for nothing—specifically because you



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were aware that that potential bidder had less credibility than the others?

Sir Philip Green: No, absolutely not.

Q2036 **Richard Fuller:** Why would you ask them, then?

Sir Philip Green: Because the guy wasn't a known deal-doer to us. We didn't know whether he did or didn't have the funds. Therefore, depending upon which evidence over the past week or two you want to believe—there was a letter, which I think you got handed: the term sheet. There was an outline term sheet from Farallon Capital.

Richard Fuller: We will come to that in a short while.

Sir Philip Green: There was an outline term sheet. I had never heard of Farallon. I didn't know them. So again, there was a question. If the guy turned up with some type of a term sheet, however outline, for £120 million, the fact that he was able to have a conversation with a bank that may lend him £120 million, whatever the terms may be—that buys you some credibility.

Q2037 **Richard Fuller:** If Mr Chappell and RAL had not passed Goldman Sachs' sniff test of their credibility, would you have done a deal with them?

Sir Philip Green: We wouldn't be sitting here. Absolutely not.

Richard Fuller: If I may, Chair—

Sir Philip Green: No, that's important. Sorry, Richard; it's really important.

Richard Fuller: I'm all ears.

Sir Philip Green: You like looking directly at me, so this is important.

Frank Field: We've got the importance, Sir Philip. It is a very important statement you have made.

Sir Philip Green: Fine. We 1,000,000% would not have done business with him. If they had said, "Don't deal with this guy," that would have been the end of it—otherwise, there is no point in having somebody—but that is not the advice that we got. With respect—and I know you were trying this before, Iain—but you turn up with big City advisers and a big City law firm and you have three lawyers on your board; the guy turns up with eight or 10 people. Well, these lawyers took shares in his company. What due diligence did they do on him? All these people are all satisfied—

Q2038 **Richard Fuller:** That is up to them to make that decision. The key question I was asking was that your most trusted adviser was set by you only to look at one of the six potential buyers. That indicates—

Sir Philip Green: Sorry, I think that is the case. I would have to check.

Q2039 **Richard Fuller:** Okay, you think that is the case. If you could confirm that, it would be helpful. If it were the case, as you initially thought it might be, and if you were 1,000,000% not going to do the deal unless



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Goldman Sachs proved it, that indicates that you had significant and serious concerns about one of the potential purchasers and not about the others.

Sir Philip Green: Respectfully, you are slightly twisting it. I do not know you from a hole in the wall. If you turn up and knock on my door saying, "I want to buy something for you," I want to check out who you are. I am going to send you to somebody, if I don't know you or don't know who you are. As it unfolded and as his advisers unfolded and the different people unfolded—I don't want to lay the blame at Goldman Sachs' door because it is not. Right?

Q2040 **Chair:** Isn't it?

Sir Philip Green: I don't think so, no.

Q2041 **Chair:** But you wouldn't be sat there before us if it were not for Goldman Sachs.

Sir Philip Green: Sir—with hindsight or foresight, would you be sitting there?

Frank Field: You paid them to have foresight for you.

Sir Philip Green: Would you be sitting there?

Q2042 **Chair:** If I had asked them to do a job and my reputation was now going absolutely through the mud, and if I, like you, had to be brought before a Select Committee inquiry, I'd say, "I'll never do a deal with you again. What the hell have you made me do? My reputation is finished because you didn't act as an effective gatekeeper."

Sir Philip Green: Sir, we know that now.

Q2043 **Chair:** But, in the future, will you do a deal with Goldman Sachs again?

Sir Philip Green: I am not getting into that. As far as I am concerned, we are here. I am not placing the blame. The answer is that the guy represented. He was bankrupt. He said Farallon did exist.

Richard, you'll get your moment. Relax. All those bits of paper—we don't want to leave you going home with them.

The answer is this: rightly or wrongly, there was a process. Good, bad or indifferent, we are here. There was no suggestion along the road, from anybody, that we shouldn't do business with the guy.

Q2044 **Richard Fuller:** On another aspect from your chief financial officer, he said that four of them wanted to go through a process. Earlier, you talked about going through a process. Could you just explain to the Committee what you mean by going through a process in that respect?

Sir Philip Green: I meant the different people who approached us. We had meetings with whoever the people were. They came in and listened to the conversation. We may have had—I don't know—a couple of conversations with different people and we ended up with everybody



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wanting to put the business through a pre-pack or a process. I did not want to go through that.

Q2045 **Richard Fuller:** That helps. So going through a pre-pack is essentially the process that you didn't want to go through.

Sir Philip Green: Correct.

Q2046 **Richard Fuller:** Could you explain to the Committee your reasons for not wanting to go through that?

Sir Philip Green: Because I didn't want the company bankrupted. I didn't think that was the way it needed to go. What is so annoying about all this? I wish that 1% that was written about me was true, because I would have bankrupted it myself. I didn't because I wanted to see—I believed, and I still believe today, that if the path that was laid down was followed, this company would not have gone out of business.

Richard Fuller: Can you repeat that?

Sir Philip Green: If the business plan that was laid down had been followed, it would not have gone out of business. It would not be in liquidation.

Q2047 **Richard Fuller:** And the plan would have been pursued by RAL and Mr Chappell.

Sir Philip Green: Yes.

Richard Graham: Everybody has said that. Mr Chappell said that. Michael the finance director said that. Everybody says that if only it had been done their way, we wouldn't be where we are today.

Chair: Okay, let's move on.

Sir Philip Green: Sorry—hold on. Whose way?

Chair: Sir Philip, with the greatest respect, can I just mention that I am more than happy to be here all day but I would like to get you off—dispatched—as quickly as possible. Let's move on.

Q2048 **Craig Mackinlay:** Let's go back to where your thoughts crystallised—"We're losing £50 million to £60 million a year. I've got three choices: I can keep funding it through Arcadia; I can go for an admin; or I can try to sell it." We had Darren Topp here and Richard Price. They seemed competent individuals. You had worked with them for a number of years. You must have been involved with the turnaround plan internally and come to a conclusion that you could not keep financing those losses; you couldn't see a way forward in getting above the new threats of Primark, TK Maxx and all the rest of them on the high street. Who did you discuss this potential, "I want to sell this," with? Was it through the Taveta board? Was it through the BHS board? Where did this crystallisation of, "I want to sell this," come from?



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Sir Philip Green: We had a conversation internally, which I think culminated in a board meeting.

Q2049 **Craig Mackinlay:** Are we back in 2013-ish now?

Sir Philip Green: I don't know. There is a board minute, I think in early '14; basically, we discussed that we did not want to continue to fund the losses, therefore we needed our final solution.

Q2050 **Craig Mackinlay:** You move in some circles; you know the players and you know people in the City, far more than any of us here do. Was Robin Saunders very important in putting the feelers out?

Sir Philip Green: Zero—she was not involved.

Q2051 **Craig Mackinlay:** But she found Paul Sutton through a route.

Sir Philip Green: She did not find Paul Sutton. In a chance conversation, meeting, phone call or whatever, she mentioned the guy in passing. She was not involved at all in any conversation about the disposal of BHS.

Q2052 **Craig Mackinlay:** When did these six other potential investors—Sun Capital and whatever else—get a sniff in the air that you may be up for sale?

Sir Philip Green: I don't know. The networks—it may have been written somewhere. I don't recall.

Q2053 **Craig Mackinlay:** Was that a leaky board? Was it yourself?

Sir Philip Green: I don't know.

Q2054 **Craig Mackinlay:** Because it was obviously out there, and all these people came forward at a similar time, getting on the phone to you to express some sort of interest. You might have put them through to Goldman and said, "Can you see what they're talking about?"

Sir Philip Green: I think we spoke to a few people quietly, to see if anybody thought there might be some interest.

Q2055 **Craig Mackinlay:** Okay. The only interest that came out of any of that, past the initial thought test with yourself, was Sutton.

Sir Philip Green: No, that's not true at all. Sutton had long gone.

Q2056 **Craig Mackinlay:** Because you had already had this anonymous—

Sir Philip Green: Sutton came by accident. Sutton came by a convoluted route—nothing to do with us selling the business. He happened to come way before that and was gone way before that.

Q2057 **Craig Mackinlay:** How do you think Mr Chappell heard that you might be up for sale?

Sir Philip Green: Apparently through Mr Sutton.

Q2058 **Craig Mackinlay:** So you are happy that that is an established link.



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Sir Philip Green: It appears to be, yes.

Q2059 **Craig Mackinlay:** You said you didn't meet him until February '15, after—

Sir Philip Green: No, I didn't say that. I said 3 February.

Q2060 **Craig Mackinlay:** Mr Chappell in February '15.

Sir Philip Green: Sorry—I thought you meant 15 February.

Q2061 **Craig Mackinlay:** A month or so before the deal was done.

Sir Philip Green: 3 February.

Q2062 **Craig Mackinlay:** 3 February '15.

Sir Philip Green: Yes.

Q2063 **Craig Mackinlay:** There are lots of intimations from Mr Chappell that you were in frequent contact through the year before. Did you know him socially at all?

Sir Philip Green: No.

Q2064 **Craig Mackinlay:** To us, he seems the sort of larger than life playboy fellow who you might have come across in some social interactions.

Sir Philip Green: Let me save you time—I've never met him in my life.

Q2065 **Craig Mackinlay:** So why was he saying to his pals and others, come late '14, that it was a done deal that he was going to be buying BHS?

Sir Philip Green: Ask him.

Q2066 **Craig Mackinlay:** Is that fantasy land?

Sir Philip Green: Well, he lives in that land, but ask him.

Q2067 **Craig Mackinlay:** Okay. So you are saying very clearly that you had not met him before February '15. He had no reason to be telling the world that this was a done deal that he was going to be buying you come late '14.

Sir Philip Green: Not that I am aware of.

Q2068 **Craig Mackinlay:** Apparently he was saying to his prospective advisers that this was all going to march ahead.

Sir Philip Green: Which prospective advisers are these?

Q2069 **Craig Mackinlay:** I assume it would be Grant Thornton and others.

Sir Philip Green: I don't know. As I said, he was in conversation in '14. The email trail from Goldman Sachs starts in '14, so he may have felt sufficiently confident to make that statement. But if you are looking at something in '14 and you think you're on the journey—I don't know when he hired Olswang or Grant Thornton or when they started their job, but maybe they started working for him in '14. I don't know.



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Q2070 Craig Mackinlay: This new chap pitched up. You'd never seen him before and didn't know anything about him. Your own radar and networks had never come across him before, but you were impressed that he had this team of advisers and lawyers around him. He had passed the Goldman Sachs sniff test, as we have called it. This guy was new to the market and you had your own team that had been in retail for years—you as the king of retail land and highly respected in the field. What made you think that he could do something different to counter the new reality of retail in the UK that you could not?

Sir Philip Green: I didn't think on a personal basis in terms of the retail he could do anything different. It was, if you like, a form of management buy-out, buy-in. He represented he had a great property guy. He represented he had a great finance guy. Like I said, he turned up with three lawyers. He turned up with two or three other people—I don't want to name the people, but you have heard some of the names. He turned up with credible people. They did interview the people at the head office. And he appeared, as I said, to surround himself with good, bad or indifferent—the facility letter that Richard Fuller was given the other day, I think—*[Interruption.]* The Farallon. Good bad or indifferent, if Farallon had any sort of conversation with this man that was interpreted as "Maybe they would lend him, on some basis, £120 million," if you are a deal-doer, entrepreneur or whatever, that gets you in.

I spoke to a bank last week—I called one of the banks—just with an inquiry. It was a big bank, but I am not going to tell you who it is, so don't ask me. I said to them, "How many letters do you give out—tentative letters to start deals up?" "Dozens a week," he said, and "I'll tell you about one last week, Philip." I said, "Okay." He said, "We gave a letter to someone for £65 million to do some asset deal and when we got underneath it the guy was not what he was supposed to be and actually the assets didn't exist."

Q2071 Craig Mackinlay: Okay. We won't worry about subsequent deals

Sir Philip Green: No—but it is important, please. Banks do write letters that get the deals started—that is the point I am trying to make. Whether that is right or wrong, that is how it works.

Q2072 Craig Mackinlay: Did you know any of these other crowd that he brought along? Did you know Eddie Parladorio? Had you come across him? He is another quite well known character in the City and other places.

Sir Philip Green: No, sir. Never met him in my life.

Q2073 Craig Mackinlay: Do you feel like you have been well served by Goldman's in this, or have you got a bit of a query?

Sir Philip Green: The answer is: we're here. They didn't do the deal; we did. I am not blaming them. As I said, whether the Farallon thing misguided us or misled us, whatever you feel, no one seems to be giving too much importance to the fact that he had two proper City advisers that are well respected in Grant Thornton and Olswang turn up and pitch



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for him. That doesn't seem to mean a lot. They had got £8 million. That seems fine to everybody.

Frank Field: It doesn't, Sir Philip, and in the report we will reflect that.

Sir Philip Green: There are two or three things further I want to get through that maybe give a different impression.

Q2074 **Jeremy Quin:** He could have turned up with the Archangel Gabriel—you still did the deal with him.

Sir Philip Green: That is a ridiculous statement. I am sorry.

Jeremy Quin: It is not ridiculous. You decided—

Sir Philip Green: It is.

Q2075 **Jeremy Quin:** I am telling you it is not. You had to take a decision as to whether or not you were prepared to sign over this company to an individual.

Sir Philip Green: Fine.

Jeremy Quin: You knew what cash he had. I am sure my colleagues will come on to that now.

Chair: Again, we are moving off track and I am keen to stay on track to make it as quickly as possible.

Sir Philip Green: I am not. Your colleagues are making statements that are not right.

Chair: Craig, have you got a final question?

Q2076 **Craig Mackinlay:** Just one more. Sir Philip, the latter negotiations just before the deal was done, were they fully aware about this pension liability?

Sir Philip Green: Yes.

Q2077 **Craig Mackinlay:** And what were their proposals to solve it?

Sir Philip Green: Well, they started to develop Project Vera—it's no good you looking like that. Put your glasses back on—you look better with your glasses on.

Q2078 **Craig Mackinlay:** Were they relying on some sort of surety from yourselves?

Sir Philip Green: Absolutely not. It was always accepted, and they met and I called their pension adviser the other day. They met with the Pensions Regulator and the PPF seven days after the deal closed. So there is no question—as I said, it was in their due diligence. There is no question—

Q2079 **Craig Mackinlay:** Well, we did hear from Grant Thornton that their due diligence didn't really cover the pension aspect at all.



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Sir Philip Green: Sir, Project Thor is in their pack—ask them for it.

Q2080 **Richard Graham:** I am interested, Philip Green, in your assessment of Dominic Chappell, who bought BHS from you, because you said he lived in fantasy land.

Sir Philip Green: I did not.

Richard Graham: Yes you did. When did you decide that he lived in fantasy land? Because it was fairly convenient—

Sir Philip Green: When did I say that?

Richard Graham: —that he was foolish to buy BHS.

Chair: You did say fantasy land.

Sir Philip Green: Okay. All right, fine.

Q2081 **Richard Graham:** You did. You actually said he lived in fantasy land. The record will show. When did you decide that? Because in October 2015, Chris Martin, the chairman of the pension trustees, records you ringing him to reassure him that “the bloke was doing a good job. He is doing okay.” So, at that stage, had you still not decided that Mr Chappell was not the bloke you thought he was? Is this case of you either being a spectacular misjudge of character, or actually finding it convenient to get rid of a huge pension scheme by selling BHS to him?

Sir Philip Green: Up until now we have been doing pretty good. I don’t want to change the tempo. I just think that is an unnecessary statement. I think you should withdraw it; it is very rude. I have made it more than clear to this Committee *[Interruption.]* What’s the problem? I have made it more than clear to this Committee that I said I am looking and working. I have given you names of people you can call. I object to you making a statement that I at any point tried to sell this business to avoid. I said to you before and after the break. We went to the break with my saying that I am working on it, as we speak. I have named all the people we are talking to. I can’t invent the regulator making a phone call yesterday, can I?

Q2082 **Richard Graham:** You have been working on a solution to the pension scheme for at least 11 years.

Sir Philip Green: Sir, the regulator has never found my phone number in three years. Ask her. You’re calling her back; ask her. Shall I write down my phone number and email so that she can find me in three years?

Q2083 **Richard Graham:** When have you made a detailed solution for the pension scheme that would give the pensioners what they expected to get and were entitled to get?

Sir Philip Green: Sir, they would rather send me section 72s on a regular weekly basis than actually come and have a meeting and say, “Are we ready to discuss?” They have not wanted to come to a meeting.



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We have got people advising us who are working with them. Please call Chris Martin and ask him was even he locked out of having meetings with the regulator. Ask him. I am just telling you the facts.

Q2084 **Chair:** Can I change tack and talk about corporate governance? Is good corporate governance a priority for you in your business?

Sir Philip Green: Absolutely.

Q2085 **Chair:** Why?

Sir Philip Green: Because we have lots of responsibilities to ensure that we run the business in a responsible way.

Q2086 **Chair:** Do you think good corporate governance was applied during the selling of BHS?

Sir Philip Green: Are we going back to the same conversation again? I think that the team we had looking after the transaction were fully capable of executing the transaction with the knowledge of the board that we were disposing. You don't need every single member of the board at every single meeting. The fact is that the operating group, which you met, were fully capable of making that transaction happen or not.

Q2087 **Chair:** Do you think it was good corporate governance in terms of the sub-group that was charged with looking at this that there were three executive directors without any real recourse to a non-exec director?

Sir Philip Green: That is for you to decide.

Q2088 **Chair:** Do you think Lord Grabiner is a good chairman?

Sir Philip Green: Yes.

Q2089 **Chair:** Do you think he exercised leadership and judgment in this case?

Sir Philip Green: I am not getting into that. As far as I am concerned, you are talking to Lord Grabiner. He is a highly respected, competent gentleman.

Frank Field: Was.

Sir Philip Green: Sorry?

Q2090 **Frank Field:** I think his reputation has changed somewhat, Sir Philip.

Sir Philip Green: As far as I am concerned, he sits on our board. He is exceptionally sensible, a very knowledgeable man. I feel it pretty cruel that you don't attend a board meeting and the world's changed. I find that pretty sad.

Q2091 **Chair:** But he didn't attend a board meeting and the world did change because BHS was sold really without his knowledge or approval, wasn't it? He was the chairman of the company.

Sir Philip Green: If you say so.

Q2092 **Chair:** So, you don't think there was poor corporate governance in this



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regard, and that Lord Grabiner did not exercise sufficient judgment—even intervention—on this.

Sir Philip Green: We sold it. If we could all trade backwards—we can't.

Q2093 **Chair:** Did the board consider the reputational risk to the group of selling to Chappell?

Sir Philip Green: I think—I'm sorry; this is hard work—I have just been through this with you. You have to make your own decision, which I think is pretty important. Did we go out of our way intentionally to find somebody—anybody, and in this case Chappell—to end up where we ended up? Hopefully, three and a half hours in, or whatever it is, you can accept that was not the case. Okay? And as I said at the beginning—just to be able to repeat it—what happened is beyond horrible, and sad. There was zero intention. And I said, either I'll leave here today and you think I'm a liar or you think I'm telling you the truth, but I'm not a liar. Okay? Unfortunately we found the wrong guy.

Q2094 **Chair:** During that corporate governance and board arrangement, did anyone challenge you or the sub-group on this point?

Sir Philip Green: Which point?

Q2095 **Chair:** In terms of selling to Chappell.

Sir Philip Green: But I think you've heard—look, whether we got misled, whether we got duped, unfortunately there seems to be a lot of people that accepted this guy at face value. Right? Lawyers, accountants, all sorts of other people—happy to take shares in his company. Banks prepared to write letters, whether they're good or not. Right? These are the facts.

Now, unfortunately, sadly, it was the wrong owner. We could keep going over this—you said you don't want to be here all day. We can be here for the rest of your life. Would I do that deal again? No. Are we sorry we did it? Yes.

Q2096 **Chair:** But I'm just trying to find out within those board meetings and when this was discussed, the role of non-exec directors—

Sir Philip Green: Iain, Iain, Iain, we could be here all day.

Q2097 **Chair:** Just let me finish.

Sir Philip Green: No. The answer is—

Q2098 **Chair:** There was no challenge?

Sir Philip Green: Please. We think we went through—okay?—a process, like I said, good, bad or indifferent, and I've tried today not to blame anybody. I took personally comfort from Grant Thornton and Olswang representing this guy, as being reputable, well-regarded firms. Right? As I said, nobody knows, because nobody asked, how they came to act for him. Okay? So, let me—if I may—reverse. And I don't know the answer



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to this: do they have any accountability or responsibility that they acted for him blind? It's just a question.

Q2099 **Richard Fuller:** It's an extremely fair question, and it is one of the points that we are looking at as part of this Committee.

Sir Philip Green: If they'd won him in a lottery, which it might transpire they did, do they have any responsibility for that? They had a drop dead fee and a very—

Q2100 **Richard Fuller:** Ultimately in business, Sir Philip, although the advisers' role is to advise, you were—in some way—responsible for the sale of the asset. It was your asset and therefore it was your misjudgement that that transfer should occur.

Sir Philip Green: Fine, Sir, but have you ever bought something you wish you hadn't bought?

Q2101 **Richard Fuller:** Not a £600 million business with 20,000 employees—no, Sir, I haven't. And I wouldn't rely on advisers only; I would take responsibility and accountability myself.

Sir Philip Green: But I don't get this. Have I, since I've been here—since 9.15 am or whatever time—tried to run away?

Q2102 **Richard Fuller:** You haven't, Sir, but what we are trying to understand, Sir Philip—

Sir Philip Green: So why do we have to keep going back to the same place?

Q2103 **Chair:** With the greatest respect, Sir Philip, one of the things that I'm really interested in corporate governance about is very clear—I've never met you before, but three and a half hours in you seem a very dominant personality, but you seem extraordinarily—

Sir Philip Green: There's 10 of you and one of me.

Q2104 **Chair:** And you're holding your own. Believe me, Sir Philip, you're holding your own. But you seem extraordinarily thin-skinned to quite courteous questions, as if you don't want to be challenged in any way, shape or form.

Sir Philip Green: Like what? Sorry, like what?

Q2105 **Chair:** Let me finish. So, in terms of that wider corporate governance point, in respect of the selling of BHS, did anybody—particularly a non-exec director—say, "Phil, I'm not entirely certain this is correct. Can we challenge you on this?" That doesn't seem to be the culture of the organisation.

Sir Philip Green: That's your opinion.

Chair: Thank you. Richard.

Q2106 **Richard Fuller:** I don't want to go too far off advisers, because it is



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important, and earlier on we were discussing Goldman Sachs's role in assessing the credibility of Mr Chappell and his background. And your chief financial officer, Paul Budge, in his evidence also talked about Goldman Sachs's other observations, and this was regarding their funding from Farallon. If I may, I will just quote what your chief financial officer said: "He gave us observations"—that is Mr Gutman—"For clarity, as far as we were concerned, the observations were that they had ability proof that they"—meaning RAL—"had lines of funding for £120 million through Farallon. That was very important."

In the points of principle that you signed on 16 February, that was actually the No. 1 point of principle. I will quote from it. It goes, "Swiss Rock demonstrates that it has £35 million of provisional funding in Olswang onshore to acquire Marylebone House in its lawyer's client account and produces a letter of comfort from Farallon Capital in respect of a three-year £120 million working capital facility." Did you see that letter of comfort?

Sir Philip Green: Which one?

Richard Fuller: From Farallon Capital—the No. 1 point.

Sir Philip Green: Is that the one he showed you the other day?

Richard Fuller: I presume it is; it is called a term sheet for a £120 million loan facility.

Sir Philip Green: The answer is that I assume so.

Q2107 **Richard Fuller:** I asked whether you saw it, sir.

Sir Philip Green: I assume that if it was presented, I would have seen it.

Q2108 **Richard Fuller:** Okay. It says that it is a £120 million working capital facility for three years. Why were those specific conditions important in terms of point of principle—three years and £120 million?

Sir Philip Green: You want to have comfort that there are sufficient funds available to run the business. You don't want a facility for six months or 12 months and then trip up and have to pay it back. So I felt that there was a plan in place which, if implemented—from my memory, I have not looked at it—was going to take a year, or probably 18 months, to get the business into the shape necessary. It should have become profitable probably 18 months in. Therefore, I think that the plan was to make sure you have firm facility, which you would always want to have, obviously—not make sure that in a year's time you get a phone call. Based on the things that were in the plan, the idea was they said 18 months—

Q2109 **Richard Fuller:** To cover working capital, and other changes?

Sir Philip Green: Yes.

Q2110 **Richard Fuller:** And you assess that at about £120 million?



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Sir Philip Green: I think, from my memory at the time, the key working capital number, plus or minus needed at the peak, was around £90 million, which is when you get to, say, September-October time and you are going to your peak Christmas trading.

Richard Fuller: Because of trading cash flows.

Sir Philip Green: Well, because of bringing in the stock. Plus or minus that would have been to do with the peak requirement.

Q2111 **Richard Fuller:** Correct me if I am wrong, but at the time British Home Stores was trading at a loss, was it, or was it making a surplus when it was sold?

Sir Philip Green: No, it was losing money. That is what I am saying: the requirement was that sort of number.

Q2112 **Richard Fuller:** If you look at the Farallon term sheet for £120 million, it appears in three tranches of £40 million. There are conditions that apply to accessing each of the tranches. The first is related to sale of a property, but the first point under tranche 2 is that tranche 1 is repaid in full. Then for tranche 3 the first condition is that tranches 1 and 2 have been repaid in full. That sounds to me like a term sheet for a £40 million revolving line of credit, not a £120 million working capital line.

Sir Philip Green: With respect, you are reading it. I don't have it in front of me. *[Interruption.]* No, I don't need to read it. I don't recall what it said at the time. Your cart is a little too far ahead of the horse, if I may say so. If you looked at the balance sheet we gave RAL on day one, possibly—in terms of the tranches he is talking about and the potential asset disposals that were there—the money would only have been required in tranches. If you look at the opening balance sheet that he was given—I know that Jeremy was trying to do this the other day—

Richard Fuller: Jeremy will come to that in a minute.

Sir Philip Green: No, it is relevant. Sir, you are asking something, so let me respond. If you look at the opening balance sheet he had, and if you look at the facilities that were in place initially—without me going through that in detail—maybe the facility he negotiated would have worked in three tranches.

Q2113 **Richard Fuller:** The reason I am asking, Sir Philip, is that if you lend me £40 million and I give it back to you, and then you lend it to me again and I give it back to you again, and then you lend it to me again, that sounds to me as though you are giving me £40 million over a period of time, not £120 million. My concern is that Farallon and Mr Chappell were making these observations to your gatekeeper—Goldman Sachs—that they had £120 million. It appeared that British Home Stores was losing significant money, and I am wondering whether it was perhaps misrepresenting the resources it had to draw on.

Sir Philip Green: I don't know, is the answer.



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Q2114 **Jeremy Quin:** As you know, Sir Philip, you then removed the necessity for the Farallon facility because you procured HSBC to provide a facility that was cheaper than the Farallon loan.

Sir Philip Green: Most of the facilities that I provided were bargain basement compared with everybody else's.

Q2115 **Jeremy Quin:** Yes, but we have discussed £120 million, and the facility you provided was £25 million.

Sir Philip Green: Well, no. Let's just go over what we did provide. Are we happy to go there?

Jeremy Quin: It is Richard's question; I just interrupted.

Richard Fuller: I'm all ears.

Sir Philip Green: There we go, Richard. Let's do it. Fine. I know when you were struggling the other day to try to get your balance sheet together—

Jeremy Quin: We were not struggling at all.

Sir Philip Green: I didn't mean struggling in that sense; I meant attempting to get together. It was envisaged at completion that there would be £64 million in cash, okay? The total for cash would be £69 million and there would be net cash available from the Hong Kong bank of £25 million, giving you £94 million, right?

Jeremy Quin: Yes, so far we agree.

Sir Philip Green: All right so far? Fine. Then there was a schedule of how that got made up.

Jeremy Quin: Much of which was delusional.

Sir Philip Green: None of it was delusional, sir.

Q2116 **Jeremy Quin:** This is day one, so you have got proceeds from the sale of Carlisle of £4.9 million. That did not happen until February of this year. That is not really day one is it, so that is delusional.

Sir Philip Green: Sir—

Q2117 **Richard Fuller:** Just before we go on to that, Sir Philip, could I just finish my section off, because I know we are going to get into deeper issues on the cash flow. Would that be all right? I know you are going to go into some details with Jeremy on lots of numbers. The point I was trying to get to about the representation of Farallon Capital—a term sheet you may have seen—is that it appears, I think, to a layperson—

Sir Philip Green: I think I have got the point.

Q2118 **Richard Fuller:** Let me see if I can make my point, because I have an interesting observation on this. To a layperson, £120 million just looks like a £40 million facility, so the question about why it would represent



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itself as £120 million is an open question, but that passed muster with Goldman Sachs as being okay. There seems to be quite a lot of arm's length—

Sir Philip Green: Richard, I am not Goldman Sachs.

Q2119 **Richard Fuller:** I want to ask you a question about your relationship with Goldman Sachs. It seems to me that, on the credibility of Dominic Chappell, there was a reliance on getting Goldman Sachs to do the sniff test. Then, on the access to whether the money was there or not, there was enormous amounts of reliance on Goldman Sachs. These were the only people who were not getting paid by you. I am just saying, from the point of view of our observations on the Committee on the role of advisers, do you not think this would draw very serious questions about the role of advisers like Goldman Sachs in very substantial transactions, because you rely on them for basically every key point?

Sir Philip Green: I am not in a position—I am not avoiding it. I was not involved in any meetings. You've got all the email traffic and I think my name appears once. I was not involved in that process. I am not making an excuse. I have to go and have a conversation with the two or three people to ask who was doing what to who. I don't know, is the answer. All I know is that I met Chappell after I was told a process had been gone through.

Q2120 **Richard Fuller:** But you can understand, from a point of view of governance—

Sir Philip Green: I understand where you are, but we can't spend all day on this. We are here. The answer is the guy got in the room. Jeremy wants to talk some numbers on that, yes?

Jeremy Quin: Yes.

Chair: I want you to answer Richard's point.

Sir Philip Green: I can't answer you. Sir, with respect, I am not Goldman Sachs. I never had a meeting. I don't want to blame them. I don't know what was asked, and without me getting the relevant people who had the different conversations in the room—

Q2121 **Richard Fuller:** But I am not asking that question. My question is about governance. You are the face of British Home Stores and Arcadia Group, and what we have is that you have placed, I think, a lot of reliance on Goldman Sachs, as an unpaid adviser, to pass a sniff test. We have a term sheet that looks like it was masquerading as £120 million but was actually £40 million, which Goldman Sachs said was okay and everyone thought was okay. We have a chairman of the board of your company who was not at the meeting where this asset got transferred. We have an offshore shareholder in the business. The question has to be that there didn't seem to be any brakes on this process that anyone is owning up to where it could be said, "Hold on a minute, this doesn't seem right." The systems available to yourself and others in the City to work through these transactions to stop a wrong 'un making their way through did not



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work. Is that a fair observation?

Sir Philip Green: That is your observation.

Richard Fuller: Okay, thank you.

Q2122 **Jeremy Quin:** Sir Philip, Richard has referred to the £35 million in the Olswang account. Chris Harris told us that for Arcadia, that was important in establishing the credibility of Chappell. Was that the case?

Sir Philip Green: My recollection is that there was a conversation about doing a piece of business for £35 million. He was asked, "Well, can you pay for it?" I think within 24 hours or so, the money appeared in Olswang's client account.

Q2123 **Jeremy Quin:** Where did the money come from?

Sir Philip Green: I was not aware—we know now.

Q2124 **Jeremy Quin:** Okay. The—

Sir Philip Green: Sorry, just to finish that up, it has been made perfectly clear by the lender that we had no knowledge who that money was coming from. We had no involvement in him borrowing money—

Q2125 **Jeremy Quin:** Well, that was not what Chappell said, and it would be misrepresentation.

Sir Philip Green: Excuse me. In quotes, he said that his lender, Dellal or ACE, had nothing to do with us at all. We did not know who the lender was. It was his own contact through, he said, Leonard or whatever his name was—his Swedish guy who knew the guy's dad. It was nothing to do with us at all. That is what he represented to you.

Q2126 **Jeremy Quin:** Putting that to one side—

Sir Philip Green: I don't want to put that to one side. It is very important. That £35 million had nothing to do with us at all. That came third-party. It was nothing to do with us. We were nowhere near it.

Q2127 **Jeremy Quin:** I am not challenging that.

Sir Philip Green: Well, you just said it was by the by. Let us be clear: you said that that was not what got said. It is what got said the other day. He said Leonard or whatever his name was—

Q2128 **Jeremy Quin:** I am just trying to move on, because we have got other things to cover.

Sir Philip Green: We cannot just move on and leave things grey. It is quite important that we had no connection to that money.

Q2129 **Jeremy Quin:** Fine. What was the purpose of the money?

Sir Philip Green: It was originally to sell him a building, I believe.

Q2130 **Jeremy Quin:** And that was?



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Sir Philip Green: Marylebone House.

Q2131 **Jeremy Quin:** And that is in here, which is why I come to it. That was going to be sold to Chappell for £45 million, and he was then going to sell it on for £35 million.

Sir Philip Green: No, it was going to be sold for £35 million, and I think he thought he was going to turn it for £45 million.

Q2132 **Jeremy Quin:** Thank you. So it was going to be sold to him for £35 million, and sold on for £45 million. You knew he was intending to turn it for that, didn't you?

Sir Philip Green: Sorry?

Jeremy Quin: You knew that was his expected turn.

Sir Philip Green: No. He told me that afterwards.

Q2133 **Jeremy Quin:** Well, then why is it down as £8.5 million for the BHS cash facilities—the proceeds from the sale of Marylebone House?

Sir Philip Green: Sir, you are jumping way ahead. At the time, when I offered him the building—I cannot remember the exact date of it—when we were in the conversation, I offered it to him for what I thought was relatively cheap, okay? I cannot remember how that conversation developed, or how we got from £35 million to £45 million; I do not remember how the conversation specifically developed, but I changed my mind.

Q2134 **Jeremy Quin:** Which is fair enough, but it was still in the BHS cash facilities as £8.5 million as the proceeds from the sale of Marylebone House.

Sir Philip Green: With respect, you are jumping all over the place.

Jeremy Quin: I'm not.

Sir Philip Green: You are; you are. Tell me where you want to go, and I'll take you there very quickly. Okay?

Q2135 **Jeremy Quin:** Well, we'll go there on my basis. So you were going to sell him the property—Marylebone—cheaply, which is good, knowing that it would make a turn, which he could then invest in BHS. I don't think that's bad; I think that's a noble thing to do. So you were helping him with his equity, to get some money in. I have here £8.5 million. You changed your mind, which is entirely your prerogative, but why did you change your mind, Sir Philip, and not sell him Marylebone?

Sir Philip Green: I think, out of the sky—to be honest with you, first of all, we had never marketed the building. We had never tried to sell the building—either building, for that matter, because we'll come on to the building next door as well. Neither building had ever been on the market. We hadn't tried to sell them. The property market is probably the least secretive marketplace, and from there, all sorts of offers started to turn up. Lots of people turned up and were interested in buying the building.



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Q2136 **Jeremy Quin:** Okay, so you took it off the market and took it out of the deal at that stage.

Sir Philip Green: We never had it on the market.

Q2137 **Jeremy Quin:** Sorry, but you took it out of the deal.

Sir Philip Green: Yes.

Q2138 **Jeremy Quin:** At a fairly late stage.

Sir Philip Green: As I said, I don't remember the days, but—

Q2139 **Jeremy Quin:** Yes, but that is perfectly understandable. In the Taveta Investments Ltd board minute on the ratification of the sale on 25 March 2015, there were reports that you, Sir Philip, had said that BHS's rent bill for Marylebone House had been reduced from £10.2 million to £1.4 million by transferring Carmen Properties Ltd—the freeholder, and a company ultimately controlled by the Green family—into the BHS group as part of the sale transaction. That wasn't quite right, was it?

Sir Philip Green: It was 100% right.

Q2140 **Jeremy Quin:** That was on 25 March. Before that, under the SPA, the head lease had actually been transferred to Wilton, rather than to BHS.

Sir Philip Green: Can I try to help you?

Jeremy Quin: Please.

Frank Field: That's what you're here for, Sir Philip.

Jeremy Quin: To help with the dates, on 13 March, Carmen Properties surrendered the head lease on Marylebone House to the company called Wilton Equity Ltd.

Sir Philip Green: Marylebone House was owned by a company called Wilton. There was a lease in place between—historically, there had been a lease between BHS and Carmen, I think it was. The freehold was originally owned by Prudential, way back. When it got bought, there was still a lease in place, I believe. I could get you the exact detail.

Q2141 **Jeremy Quin:** You are right so far.

Sir Philip Green: Okay. That's good. We're making progress. When the Carmen deal got done, and Carmen was sold back to BHS for £70 million, as part of that deal, the lease on Marylebone House was broken, to give them two years rent-free. The lease was voided.

Q2142 **Jeremy Quin:** Well, the actual phrase in the SPA was "surrendered to".

Sir Philip Green: Okay, fine—voided or surrendered. Anyway, the lease was surrendered, so there was basically no lease. There was a peppercorn introduced, and therefore it was effectively rent-free.

Q2143 **Jeremy Quin:** So it was surrendered to Wilton, which is fine. Who is the beneficiary of Wilton?



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Sir Philip Green: It is a family company.

Q2144 **Jeremy Quin:** The beneficiary is Lady Green. Where is it registered?

Sir Philip Green: I don't know.

Q2145 **Jeremy Quin:** BVI. On 16 July, Wilton Equity was sold, including Marylebone House. You will recall the acquirer of that.

Sir Philip Green: Sorry?

Q2146 **Jeremy Quin:** You will recall the acquirer of Wilton Equity when it was sold on 16 July.

Sir Philip Green: 16 July; we've sort of jumped away from where we were, but anyway. I'm not sure where this is relevant.

Jeremy Quin: I am.

Sir Philip Green: Where is this relevant to BHS?

Q2147 **Jeremy Quin:** Do you recall who the acquirer was?

Sir Philip Green: Where is this relevant to the BHS conversation we were having? Let me try to take you back, and I will answer your question in a moment, if I may.

Q2148 **Chair:** No, can we keep on trying—

Sir Philip Green: This has got nothing to do with BHS.

Chair: But can we keep on trying to make sure that we finish as quickly as possible?

Sir Philip Green: It's not relevant.

Q2149 **Jeremy Quin:** Can I give you the answer? It was bought by Taveta Investments Ltd, as I am sure you will recall, since you are on the board of it. It was bought by Arcadia for £53 million. It had been bought off the Pru, as you mentioned, for £32 million in 2015. It was then bought by Arcadia through TIL for £53 million. The board minute doesn't have any reference to a third-party valuation. Was there a third-party valuation?

Sir Philip Green: There was.

Q2150 **Jeremy Quin:** Was that hidden from the board? It doesn't appear in the board minute.

Sir Philip Green: You would have to ask Mr Harris. The answer is: there is a third party. There were several bids—in fact, bids above that number—when the deal was done.

Q2151 **Jeremy Quin:** I asked for the valuation document, and we haven't been able to receive that. There was no valuation document associated with the board minute. I'm sure there has to be a valuation, because your report and accounts state that there was a third-party valuation.

Sir Philip Green: Fine; so then there will be one.



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Jeremy Quin: I just can't find any record of it in the board minute.

Sir Philip Green: Then there will be one.

Q2152 **Jeremy Quin:** We have asked for it, and haven't been able to get it.

Sir Philip Green: Sir, there are 40 million documents. If we say we've got it, you'll get it. What's the drama?

Q2153 **Jeremy Quin:** You said you hadn't got it, and now you say you have, so I look forward to getting it.

Sir Philip Green: Excuse me, this is—one, two, three, four, five—six pages. I haven't got every piece of paper, every date and every document you have. If you want a valuation on that building, there will be one. I will ask my property director to provide it to you.

Q2154 **Jeremy Quin:** It says in your report and accounts that there was a third-party valuation, so I am sure there was. I am just interested, as Iain is, in the corporate governance. The board meeting to determine that acquisition of Wilton into Arcadia—as you say, is a family company of yours going into Arcadia—that decision was taken by three executive directors. The board minute associated with it was pretty scanty. They say they had other bids. There is no reference to a valuation at all. I was just curious, because a board would normally want to say, "Where is the valuation, so that we know that this is fair value?" I know we'll get it. I'm just surprised that the board did not ask for that. Just for the record—Iain, you mentioned this earlier—I am surprised that there were no non-executives present for that board meeting. There was no telephone presence. There was nothing, and £53 million is quite a lot of money.

Anyway, I just wanted to get some background to that. The reason why I asked, Philip, is not because I have any particular interest in Marylebone. As you say, there are thousands of documents to go through. I have a lot of sympathy with you about the Pensions Regulator. I thought, "Why on earth can't they get into a room and just do a deal?" but they have concerns about moral hazard. I just want to see whether those concerns are well-founded or not. There is a lot of complexity. I can understand why the Pensions Regulator would wish to go into detail on some of the background to get a better understanding of the history.

Sir Philip Green: Just coming back to that briefly, Sir, on the basis that the regulator said to you they've been looking at the scheme since '13, do you think it is reasonable that she shouldn't have telephoned us, emailed us or had any contact with us in three years?

Q2155 **Jeremy Quin:** It is difficult to do a deal until you have all the facts and—

Sir Philip Green: Sorry, the facts are, stated in this room, that they started looking at it in mid '13. It is now June '16. There has never been a meeting with her at all—not one. Does that sound remotely reasonable?

Q2156 **Jeremy Quin:** Going back to the cash—

Sir Philip Green: Sorry, I didn't hear the answer.



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Q2157 **Chair:** Sir Philip, we are asking the questions, not you.

Sir Philip Green: I am just asking you. If somebody doesn't come and see you for three years—maybe Mr Field could help me; he is the pension man.

Chair: No, we are asking the questions. Jeremy is doing a first-class job. Jeremy, continue.

Q2158 **Jeremy Quin:** Thank you. So Marylebone did not get sold—perfectly understandable. You had a better offer. You knew you could get better money for it. I totally get that. But you promised them £8.5 million from the proceeds of the sale of Marylebone House. Did you manage to get that to them through some other means?

Sir Philip Green: I don't understand the question.

Q2159 **Jeremy Quin:** In the note that was appended to your—

Sir Philip Green: I don't like the way you are asking me the question.

Jeremy Quin: I am terribly sorry. I'll rephrase it.

Sir Philip Green: Please do.

Q2160 **Chair:** This is what I meant by being thin-skinned, Sir Philip. I think that Jeremy, with the greatest respect, is asking detailed, pertinent questions with courtesy. It does worry me, in terms of that culture and corporate governance, that if Jeremy was, say, a non-exec director on Taveta, you would not want to hear the challenge that comes with good, robust corporate governance systems.

Sir Philip Green: Excuse me. That is your opinion, which I do not have to agree with. The one thing in here is that opinions are free. Is that right?

Q2161 **Chair:** Absolutely.

Sir Philip Green: Good. If someone says to you, "Was that money received by other means?", I don't find that—excuse me, but I'll put it very simply: "Was that money paid to BHS or RAL?" As far as I am concerned, I can hear that question and give you a very simple answer.

Chair: Well, let's pursue that with Jeremy—

Sir Philip Green: "By other means" means whether there was some other way. Why I am framing it to you like that is because of all the stuff I have to read every day, which I am not reading anymore anyway, but in all the stuff that keeps getting written, I want it to be very clear that there is nothing here not being conducted properly. Yes, the £8.5 million got paid into a BHS bank account at HSBC.

Q2162 **Jeremy Quin:** Great, thank you. And that was—

Sir Philip Green: In June.



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Q2163 **Jeremy Quin:** Actually, I think it was £10 million you paid.

Sir Philip Green: It was £8.5 million in respect of Marylebone, and there was £1.5 million that was a sweep-up of some other items in the SPA.

Jeremy Quin: I think it was actually £6.5 million cash and then a facility—you lent them £3.5 million—

Sir Philip Green: No, sir. We paid £10 million into HSBC to help pay off an overdraft that they have now got as part of the £25 million facility we originally provided them.

Q2164 **Jeremy Quin:** I half agree with you; that was—

Sir Philip Green: You don't have to half agree; those are the facts.

Q2165 **Jeremy Quin:** In the framework agreement, which I have got here, it was £6.5 million in cash and there was a lending agreement.

Sir Philip Green: Sorry?

Jeremy Quin: There was a loan of £3.5 million in addition to the £6.5 million cash—

Q2166 **Richard Fuller:** Sorry, Jeremy. I am musing on a point that Iain Wright made. You have complained about Mr Quin putting his glasses on or not.

Sir Philip Green: Oh, I didn't complain; I was having a joke with him. Lighten up.

Richard Fuller: You have complained about me staring at you, and you have complained about the way in which questions are put to you. I just wonder, is that your usual pattern of behaviour, particularly with your directors?

Sir Philip Green: Shall we carry on?

Q2167 **Chair:** You don't want to answer Mr Fuller?

Sir Philip Green: I am choosing to carry on with your colleague over here.

Q2168 **Chair:** That is a very significant answer.

Sir Philip Green: What's that?

Chair: That you chose not to answer.

Sir Philip Green: No, I chose to ignore it. That's different.

Q2169 **Chair:** I'm not so sure.

Sir Philip Green: That's another opinion.

Chair: Let's move on.

Q2170 **Jeremy Quin:** There are always boring documents, Philip, but they do contain the framework agreement of June 2015, where Arcadia paid £6.5



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million of cash to RAL. That also appears in the report and accounts of TIL, as a £6.5 million post-transaction cash transfer. There was a lending agreement of £3.5 million—nothing wrong with that—from Arcadia to BHS.

There was also a deed of rectification in February 2016, in case you were confused by that, when the BHS loan agreement was replaced throughout the SPA with a RAL loan agreement, so perhaps the funds were lent to RAL rather than to BHS. But you have got £10 million in there, and the purpose of that, as you say, was to pay down the HSBC facility, which Arcadia was guaranteeing. I think there was a requirement in the SPA that you would find the money for Chappell; Chappell would invest the money in BHS equity; and that money invested would be used to pay down the HSBC facility, which I assume was the facility that Arcadia was guaranteeing.

Coming back to this projection, which was in your board pack that ratified the transaction, you do believe there was enough working capital for the business, do you?

Sir Philip Green: There are two things that I would like to point out to you, if I may. Is that okay?

Jeremy Quin: Please.

Sir Philip Green: Good. I am happy to get you taken through it, but briefly. Of the actual outcome statement, in the covenants provided by the buyer, the following three covenants appeared—I don't know if you have seen them.

Jeremy Quin: I have, yes.

Sir Philip Green: "All monies in or available to the Group Companies at Completion, including the Group Cash Amount, the Capital Injection and the BHS Loan shall be used for the sole purpose of the day-to-day running of the business of the Group Companies;

...all proceeds realised by the Group Companies from the sale of the Properties shall be retained by the Group Companies and used for the sole purpose of the day-to-day running of the business of the Group Companies until the compromise with the BHS Pension Scheme and the BHS Senior Management Scheme described in paragraph 1.1.1 of Schedule 8; and

...no steps are taken by the Buyer or the Group Companies that would reasonably be expected to adversely affect the ability of the Group Companies and the BHS Business to continue to operate as a going concern and to pay their debts".

Those were the covenants that were signed. I am reciting them to you, going back to your cash flow.

Q2171 **Jeremy Quin:** They are very good covenants, but it does not say whether there is enough cash in the business. The fact that within three



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months he is going to get a Wonga loan—

Sir Philip Green: So, Jeremy, let me help you. You asked the question so let me give you the answer, if I may. *[Interruption.]*

Chair: Do you need any help?

Frank Field: The gentleman behind could help, I think.

Sir Philip Green: No, it's okay, I've got it. We believed that if all the cash that was supposed to be there, which was £94 million plus the unencumbered real estate, which was plus or minus £100 million, therefore there was a sure £200 million available to operate and run the business—

Jeremy Quin: Well, yes—

Sir Philip Green—one second—because there was, okay? As I said, instead of us all wasting time, my guys could take you through it. I just want to point you out a couple of things that have only come to light at the end, things which we were not aware of at all. North West House, the building next door, was sold for £32 million—I think you were provided some paperwork the other day by the financiers. Based on the covenant signed, the £32 million was supposed to arrive in the BHS account; only £25 million arrived. We were told that £7 million had been put into the Bank of China to operate or work on gaining a facility for the Bank of China for 60 or 80—or whatever the number was—and they wanted to see a deposit made.

Q2172 **Jeremy Quin:** Sir Philip, you did know that, though, at the board meeting on 25 March, because it was in the minute.

Sir Philip Green: Did know what?

Jeremy Quin: You knew that only £25 million went to BHS.

Sir Philip Green: Yes, fine, but I'm saying—

Jeremy Quin: We agree.

Sir Philip Green: Yes, we can agree on that. Arcadia were running all the back office, because it was still joined. The £7 million didn't arrive. When we inquired about the £7 million, we were told the explanation we gave you, and this explanation carried on for several weeks. The £7 million never materialised, nor did the Bank of China. It only transpired, sadly, at the end of this whole process—which is about four weeks ago, when an administrator appeared—the £7 million remained in the Olswang bank account. Twenty-four or 48 hours after this covenant that I read to you was signed, £7 million of the funds did not arrive in the cash flow that you are looking at; it remained—from a statement the administrator showed me—in Olswang's client account. There is no track from there, other than that £1.2 million went to Olswang, £1.2 million went to Grant Thornton, £1.8 million went to Chappell, several hundred thousand pound went to each of the gentlemen who were sitting here, and then certain



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loan repayments, or whatever interest payments he arranged with ACE, got paid to ACE. That's where the £7 million went.

Q2173 **Jeremy Quin:** Philip, I don't disagree at all.

Sir Philip Green: Well, it's a fact.

Jeremy Quin: We are in complete agreement—

Sir Philip Green: Sorry, let me just finish, please. Just two things.

Q2174 **Jeremy Quin:** There is the other 87, but please finish on that.

Sir Philip Green: Please. This is something on which you'll have to believe me: as I said, we never found the money—we didn't know where it went—and we only found out at the end, now, that this £7 million remained with Olswang.

Q2175 **Jeremy Quin:** Sorry, Philip, that's all very well, but—

Sir Philip Green: What do you mean it's all very well? Seven million of a covenant that his lawyer allowed him to breach 24 hours after the deal!

Q2176 **Jeremy Quin:** Yes, but I would be more worried about it if you didn't have a note to your BHS cash and facilities presented to the board on 25 March, shortly after the deal, saying "£25 million of NWH proceeds received into BHS Barclays account. Balance transferred elsewhere". So you knew it wasn't with BHS back on 25 March.

Sir Philip Green: I'm sorry, I do not accept that at all. If the guy has been in the deal a week, and he's said, "I've opened a bank account at the Bank of China," and his lawyer has kept the money, which is a blatant breach of the covenant, 48 hours after we've completed the deal, and the money is retained in the lawyer's client account—

Q2177 **Jeremy Quin:** We could go through every detail—

Sir Philip Green: I'm confused you just want to ignore that.

Q2178 **Jeremy Quin:** Carlisle was another—

Sir Philip Green: No, no, no! How can you compare the two? This is £7 million that went missing.

Q2179 **Jeremy Quin:** I am not comparing the two.

Sir Philip Green: Well, you are. Carlisle got delayed by the landlord for all sorts of different reasons—*[Interruption.]* Excuse me. But ultimately it got completed at a later date. The money arrived.

Q2180 **Jeremy Quin:** It got agreed to in February 2016, so that's not really day-one cash, is it? That's £5 million.

Sir Philip Green: Sir, he had £194 million. Right? Of the first £32 million, £7 million went missing. What we didn't know—

Q2181 **Jeremy Quin:** We're trying to agree on this.



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Sir Philip Green: Well, we're not agreeing.

Q2182 **Jeremy Quin:** It wasn't £194 million.

Sir Philip Green: It was.

Q2183 **Jeremy Quin:** You have just told me there was £7 million less, so there wasn't £194 million.

Sir Philip Green: You're saying what was there supposed to be.

Q2184 **Jeremy Quin:** The £100 million in itself was property assets, but they needed time to do it. You may think it is higher and I may think it is lower; whatever the truth, within three months they are going off to get a loan at the most extraordinary rates from ACE, aren't they?

Sir Philip Green: Hold on a second.

Q2185 **Jeremy Quin:** That's the reality. They didn't have enough working capital.

Sir Philip Green: I'm sorry, I think what we should do is this. As you say, we don't want to be here all day. I am more than happy if you come to our office. Let us take you through the numbers and take you through the cash flow properly. I am happy to do that. I'm just saying to you—trying to represent this to you—that, if 24 hours or 48 hours after you do a deal, £7 million doesn't arrive in a BHS bank account after a clear covenant has been given—Just to add on to that, we did not know that the £5 million of equity that got provided got borrowed against our warehouse from ACE. These are things we did not know. Now, what happened was, where the guy got lucky—

Q2186 **Jeremy Quin:** That was the £5 million you borrowed from ACE before the deal. You then had to make a significant borrowing from them subsequent to the deal about three months after completion. You had just run out of working capital.

Sir Philip Green: Sir, that is not true. Do you want to hear the story or do you want to tell me the story?

Jeremy Quin: I am sure I am going to hear the story.

Sir Philip Green: Right. That is not the case. What happened was this. After the deal got done, there was this whole conversation about the credit insurance that was already at risk when the deal got completed. He went off as the deal concluded to meet with the different insurers. Thanks to one of our lovely journalists in the room, who kept beating him around the head every Sunday, that totally destroyed any chance of resurrecting the credit insurance. That's what happened. Good, bad or indifferent, that's what happened two or three weeks on the trot.

He went to the different insurers; everything at that point was badly damaged. Whether the information was right or wrong, the whole scenario of writing about Chappell, Sutton or whatever else didn't help. The major insurer in this country, who insures most of the businesses, I



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called them up, trying to assist. I did not ever guarantee the insurance. I called the major insurer—I'm sure they will be happy to confirm; it was an amusing conversation. I called the head lady there and said, "Look, they need some help. How can you help?" "Well, we're not happy with this." They said, "Well, they've got the balance sheets okay." Anyway, whatever conversations they had been having—Darren Topp was involved in those meetings; you can ask him—I was not involved. But anyway, I said to the principal insurer, "What is your exposure to BHS?" They said, "Why do you want to know?" I said, "I'll buy your position." They said, "We don't do things like that." I said, "You don't want to take any business, but you don't want to sell your position." Therefore, it unwound.

Over this next period, because of what had occurred around the credit insurance, the £25 million facility at Hong Kong bank—. Everything I am telling you, Jeremy, I can verify. I am just saying I am not making it up, because that would be difficult. They then had to start opening a few letters of credit to some suppliers. Obviously, because the credit insurance wasn't available, some of the suppliers were jumpy, and maybe £30 million or £35 million had to be opened in letters of credit. Of the £25 million facility in Hong Kong bank, they asked if they could use £10 million or £11 million to open a letter of credit. I wasn't excited about that, because the purpose of it was not to get locked up and not turn. Under the circumstances of where they were, we let them use £11 million of that £25 million to open the first letters of credit. Okay? All right so far?

Jeremy Quin: Yes.

Sir Philip Green: Good. Then, when the June time came along and the £10 million we discussed earlier, I insisted that this £10 million would go back to HSBC to make sure that didn't get a blocked facility and the money got sent there to pay it back. I said to him—there was another maybe £1 million or £1.5 million owing—"You pay the other £1.5 million and then you can use the assets securing that £25 million to fund elsewhere." All right so far?

Jeremy Quin: Yes.

Sir Philip Green: Fine. In that account—I can't tell you specifically—there were several properties that had a big value, including Oxford Street, but there were some other properties in there—

Q2187 **Jeremy Quin:** And then they used Oxford Street, got that out and used that to refinance—

Sir Philip Green: Anyway, supposedly what happened was that he was then going to raise £60 million instead of £25 million. He then got into a conversation with ACE, of which you have seen the details, and it appears he only ever got to £25 million with ACE, paid several million pounds for the privilege—

Q2188 **Jeremy Quin:** Horrific terms.



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Sir Philip Green: Sorry?

Jeremy Quin: Dreadful terms.

Sir Philip Green: They were not generous. Anyway, just to finish, he then managed to find Grovepoint, and he did ultimately achieve a loan of £62 million on those properties from Grovepoint that repaid ACE. I think in September he got £62 million.

Q2189 **Jeremy Quin:** We may disagree on many things with the cash, Sir Philip, but one thing we do not disagree on is that they were very short of cash. They were running out of working capital and had to go and find some stuff very quickly.

Sir Philip Green: Sir, all I am saying to you is that we will have to agree to differ. The guy borrowed £62 million two months after borrowing the money to repay ACE. He did borrow £62 million from another lender.

Q2190 **Jeremy Quin:** It is a year's facility.

Sir Philip Green: I can't be buyer and seller, can I?

Q2191 **Chair:** Can't you?

Sir Philip Green: No—not the same deal.

Q2192 **Jeremy Quin:** It is interesting you say that. On the letters of credit issue, it was you granting permission to Chappell as to what he could use the HSBC facility for.

Sir Philip Green: No, no, that's not correct.

Jeremy Quin: That's what you said.

Sir Philip Green: No I didn't. Let's move on. That's not what I said.

Q2193 **Jeremy Quin:** One last point. The BHS loan to which you referred—you took a £25 million charge over the non-property assets of the group, which is a perfectly understandable thing to do in the circumstances. That would put you in a position of preferred creditor in the event of an insolvency. Was there a thought process at all behind that?

Sir Philip Green: Behind which?

Q2194 **Jeremy Quin:** Taking the position that would make you a preferred creditor.

Sir Philip Green: I'm sorry, you've lost me.

Q2195 **Jeremy Quin:** I thought it was a quite simple question. You are a brilliant financier; there are different ways you can take security for loans you make, and for the £3.5 million BHS loan, the security you took was a floating charge over the assets of BHS.

Sir Philip Green: I don't think that's the case.

Q2196 **Jeremy Quin:** I think it is the case.



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Sir Philip Green: It is not the case.

Q2197 **Jeremy Quin:** Well certainly the buyer agreed to that in their minutes on the closing deal.

Sir Philip Green: Well, I am not aware—

Jeremy Quin: I have the loan document, so I think that is the case.

Sir Philip Green: I am not aware of £3.5 million that got loaned on some sort of security. I think it was an unsecured loan.

Q2198 **Jeremy Quin:** I think it was a floating charge, but that is a matter for the record.

Sir Philip Green: I don't think it is.

Q2199 **Jeremy Quin:** Okay, but what comes out throughout all the Chappell board minutes, due diligence and all the rest of it is that they did think they could rely on you to help them through and find them working capital. Do you think they were just being naive?

Sir Philip Green: When I explained to you the £7 million, you were sort of—without being rude—pretty dismissive. The fact is, I did not know the sort of costs this guy was running up. I had no idea. He never ever discussed it with me. So you run up millions of pounds of bills with all sorts of advisers. I did not know, as I told you—I think we'd moved on—until four weeks ago that he had borrowed £5 million 48 hours into the deal from the company warehouse and had to pay back ACE £6 million. I was not aware. I'm sorry—none of my people are here. We did not know. I am not here to blame anybody, but I'm sorry, if his lawyer was in the room—and he was in the room until five days before this company went into administration—and he is allowing him to breach a contract 10 minutes into it, you take your own view.

Q2200 **Jeremy Quin:** I think what Dominic Chappell would say, were he in this room, is that he was expecting to—you require him in the SPA to put £5 million of equity into the business, which is perfectly reasonable. He was expecting to use the £8.5 million proceeds from Marylebone to invest the £5 million. Because that was not available and did not become available until June, he had to find it from elsewhere, and therefore he entered into this agreement with ACE. That is what I think he would say.

Sir Philip Green: No, he would not. He represented he was going to put in £10 million.

Jeremy Quin: Of equity? Yes.

Sir Philip Green: That is what he was supposed to put in—£5 million was not supposed to be borrowed against our warehouse. Seven million was not supposed to be taken to pay everybody's fees.

Q2201 **Jeremy Quin:** I do agree with you, Philip. I am sure your understanding is correct.



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Sir Philip Green: It's not my understanding; those are the facts.

Q2202 **Jeremy Quin:** But your board minute says £5 million of equity.

Sir Philip Green: Yes, but he did not put any in.

Q2203 **Jeremy Quin:** Fair enough, but your presumption was £5 million. When I say £5 million, it is not because I have plucked a number out of the air; it is because it is in your board minute.

Sir Philip Green: But I am saying that it transpired that it was not his money.

Q2204 **Jeremy Quin:** No, but he had borrowed it.

Sir Philip Green: Against the BHS asset. I don't know whether that is legal or not, but that is what has transpired. When the BHS building got sold on leaseback later on, only £9 million arrived instead of £15 million. You keep taking these pieces of money.

Q2205 **Richard Graham:** So is that why you told Chris Martin that the bloke was doing okay? Because you were completely unaware of any of this, and at that stage in 2015, you still thought he was the right man to have brought the business, and six months in, he was doing things that you thought—

Sir Philip Green: Once the initial crisis of the insurance passed—these letters of credit did get opened, and all the suppliers were supplying. Obviously there is the flow from when we sold the business in March—the company runs on 60-day terms—and there was not a phone call from any supplier saying that they were not getting paid. It appeared to be business as usual. Once the summer came—I did not hear from anybody. Everybody was delivering and everybody was getting paid. If they had not been getting paid, they would have been calling us. I am saying that it appeared to be business as usual.

Q2206 **Richard Graham:** Except that you had a section 72 on the pension scheme—

Sir Philip Green: So what?

Q2207 **Chair:** Richard, I am going to have to stop. I am trying to help the Government here, which is frightening. Sir Philip, forgive me for this, but we are going to have to pause proceedings to allow people to vote in a deferred Division. I propose to halt for 15 minutes and then come back and start swiftly at 13:56 in order to try to ensure that we can do the final element as quickly as possible. Is that okay?

Sir Philip Green: What is there left for us to do?

Q2208 **Chair:** We need to look at what happened in the period 21 April onwards.

Sir Philip Green: So is that our last piece?

Q2209 **Chair:** Yes.

Sir Philip Green: That should be fun.



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Chair: It certainly should.

Sir Philip Green: We can cheer up Amanda then.

Sitting suspended.

On resuming—

Chair: We are now back in session for the final aspects of our hearing, Sir Philip. I want to start again with a line of questioning from Jeremy.

Q2210 **Jeremy Quin:** Just one last question, Philip. I was referring to the £3.5 million BHS loan. There was, of course, the HSBC loan to which you referred, which appears in the statement as £25 million. I think it was actually larger than that and £40 million was used to pay off some of the Jersey company debts. But I believe that the £25 million there too had a fixed and floating charge over the assets of the group, which left you as a preferred creditor. Do you have any recollection of that, either?

Sir Philip Green: No, it did not. The £25 million at Hong Kong bank?

Jeremy Quin: Yes.

Sir Philip Green: No, the £25 million has some specific fixed assets.

Q2211 **Jeremy Quin:** Okay. Shall we go at this another way? Did you have any floating charge at all over the assets of the group?

Sir Philip Green: Yes.

Q2212 **Jeremy Quin:** You did. Okay, fine. So you did leave it in a situation where you were a preferred creditor in the event of an insolvency. I am not saying that is the reason you did it, but that is the fact.

Sir Philip Green: Well, I think £256 million later, right? At the end we wrote off £216 million and we retained £40 million that is now £35 million. It has been reduced to £35 million—it was £40 million and it is now £35 million. We additionally had security—again, I could provide you with the detail; I don't have it to hand—over a property in Bristol.

Jeremy Quin: Yes—Cribbs Causeway.

Sir Philip Green: I can't remember when, but we can provide you with that. Anyway, they asked us—this is about just releasing some security. They asked us if we would release the fixed charge at some point.

Q2213 **Jeremy Quin:** The only reason I was asking is that I am curious about the ongoing—

Sir Philip Green: No, please—let me just finish with you. This is important. We had a fixed charge on that property, which we gave up, and they managed to borrow £10 million from a company called Gordon Brothers. So we actually released the fixed charge to enable them to fund another £10 million.

Q2214 **Jeremy Quin:** That is helpful. I know that Richard was going to take it



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on from here, but it is just the umbilical linkage between you and them, which is unsurprising—

Sir Philip Green: I am sorry, I just cannot accept that statement at all. We had security, fixed and floating. The guy has come to us and said, “Look, we’re a bit stuck. Would you consider releasing the fixed charge?” So we had a look at it. I personally felt that we were comfortable in the security we had on the floater and if it would be helpful, we would release the fixed charge. We released the fixed charge.

Q2215 **Jeremy Quin:** Philip, I wasn’t being offensive in saying “umbilical”—

Sir Philip Green: It wasn’t an umbilical cord—we had a charge and we released it.

Q2216 **Jeremy Quin:** It is not specifically in relation to the Causeway property, it is the whole Bristol property—it is the relationship between the Arcadia Group and BHS. It is not offensive. It is a parent company relationship, so—

Sir Philip Green: You mean after the deal?

Jeremy Quin: Yes.

Sir Philip Green: No, that is not correct. So we get it perfectly clear, after the deal we still had the central services that we were providing. Outside of that, we guaranteed certain bank facilities, which we agreed to do. In terms of the property side, where we guaranteed, they were paying the interest and paying amort on the facilities. Outside of all that, there was one property that I felt comfortable, if that would help, releasing back, and we released the security. To me, that is the normal course of doing business.

Q2217 **Jeremy Quin:** I am not being nasty, I am just saying that inevitably there is a very close linkage between the two on an ongoing basis. If I can summarise their minutes, they say, “There’s going to be a very big risk, including on working capital, but it’s very much in Sir Philip’s interest to keep us going and we will make certain that we operate with him and he will give us support”. That is their mindset. I come back to their naivety.

Sir Philip Green: If they were able to borrow £10 million from another party, unrelated to us, which helped them, that was none of my business. That £10 million is still outstanding today.

Chair: Richard, do you want to continue?

Q2218 **Richard Fuller:** Earlier on, Sir Philip, you said—I think in response to Michelle—that regarding BHS you probably had “too strong an emotional tie”. So how did you let that emotional connection go, after you had sold the business?

Sir Philip Green: Once it was sold, it was sold.

Q2219 **Richard Fuller:** But you had made sure that it had sufficient cash on the



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business, as you have gone through in painstaking detail with Jeremy?

Sir Philip Green: I obviously wanted to make sure—[*Interruption.*] Sorry, I did not turn my phone off.

Richard Fuller: It is a good lesson for all of us.

Chair: It's the regulator.

Sir Philip Green: Shall I find out?

Q2220 **Richard Fuller:** But you had made sure that they had sufficient cash in the business?

Sir Philip Green: Listen, let's start where we did about five hours ago. If I had sight before sight, clearly we would never have done this transaction.

Q2221 **Richard Fuller:** I'm not really asking that question.

Sir Philip Green: I'm going to try and answer you, okay? I was coming to it in a slightly different way. I would be very, very disappointed, when I leave this building, if, having given RAL the best part of £180 million or £190 million to go forward—though Jeremy and I can have a debate—anybody here didn't think that they had a strong facility and a strong opportunity to take this business forward. It wasn't being foolhardy where they left £50 million and knew it couldn't be done. I think they were given sufficient funds to take this business forward, if they had gone on with the plan.

Q2222 **Richard Fuller:** And that plan, was that a plan—

Sir Philip Green: Sorry, Peter—

Q2223 **Jeremy Quin:** I am sorry to interrupt. I just want to make the point that I think there was a larger delta than that. They had much less cash. We've already been there and discussed it.

Sir Philip Green: I'm sorry. No—

Q2224 **Chair:** I'm keen to get off now.

Sir Philip Green: So am I.

Q2225 **Chair:** Let's move on.

Sir Philip Green: Come to our office. Do me a favour. Let him come to our office and we'll take you through it.

Q2226 **Chair:** Sir Philip, can we move on and answer the questions from Richard Fuller?

Sir Philip Green: I am going to answer them. Are you willing to come, Jeremy, to our office and we'll take you through it by line?

Q2227 **Chair:** Sir Philip, can we move on?

Sir Philip Green: Can he come to our office, this man?



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Q2228 **Richard Fuller:** Sir Philip, you said about the plan—if they had followed the plan. Was that your plan?

Sir Philip Green: It wasn't my—it was a business plan.

Q2229 **Richard Fuller:** What role had you had in that plan?

Sir Philip Green: I had no role. There was a plan put together with the management team at BHS and my finance team. Right? *[Interruption.]* This guy who keeps talking to you is disturbing me.

Q2230 **Richard Fuller:** He's the Clerk so he is just checking that I am asking questions appropriately.

Sir Philip Green: Whatever. It is just disturbing. He's whispering to you while you are talking to me. It doesn't work.

Q2231 **Richard Fuller:** I can manage listening to one person while I'm listening to you.

Sir Philip Green: Good. Well, I can't. I'm getting disturbed.

Q2232 **Chair:** It's good corporate governance.

Sir Philip Green: Really? Okay. I'll take that home with me.

Q2233 **Richard Fuller:** Back to the plan. The plan had been worked up by management. Obviously you felt this was a very important plan because you wanted the purchaser to follow that plan.

Sir Philip Green: It wasn't a question of wanted. It was effectively a management buy-in, if you like. The management that were there knew the plan. He was very sure his property team and finance team were very competent, capable and experienced people. As I said, he had this board he had assembled who appeared to be sensible people. Therefore, off they went. If you then don't do virtually any of the things that are in the plan, you hit the wall.

Q2234 **Richard Fuller:** Did you have any phone conversations subsequent to sale with Mr Chappell about how to finance?

Sir Philip Green: Come on, you know I did.

Q2235 **Richard Fuller:** Were they checking on day sales figures?

Sir Philip Green: No, he wouldn't even know what they were.

Q2236 **Richard Fuller:** Well, you sold the company to him.

Sir Philip Green: Thank you for reminding me.

Q2237 **Richard Fuller:** I think we are aware. What was the nature of your conversations with Mr Chappell?

Sir Philip Green: Obviously there were updates on things he was trying to do or discussions he was having. Very early on, soon after we sold, which we never got, there was an indicative indication, for example, from the landlord of Oxford Street who was interested in selling, right? He may



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have mentioned it to me in passing. I said, "If I were you, I would pursue it. And get on with it now."

Q2238 **Richard Fuller:** So he came to you for points of advice on various matters.

Sir Philip Green: He would say, "I've gone to look at this or that." I think we would all agree he was a retailer. Can I answer this question very simply? I never went in the building again after March 11. I never went to a management meeting. I never saw a piece of product they bought. I never spoke to a supplier they bought from. Outside of him talking to me about things—he was going to raise money from the moon, get money from here or there, raise another facility or whatever he was going to do. If you go to the dictionary and look under Chappell for the translation, it says, "very optimistic".

Q2239 **Richard Fuller:** That gives the impression that you found it quite easy to break your emotional ties—

Sir Philip Green: Sorry?

Q2240 **Richard Fuller:** That gives the impression that you found it quite easy to break your emotional ties to the business.

Sir Philip Green: If we are just going to try and have a—I was concerned. I didn't want to see the business fail, clearly. I did not sell it to him to fail, okay? When I felt he was maybe going down a wrong path or he had asked me something, I would encourage him. I would say to him, "I wouldn't do that." But I was not involved in the day-to-day-to-day running of the business. Amanda here said she has been in retail for ever. If you don't know what is going on in the engine room, in the product side, and don't know where they are buying, who from or what they are doing, you are disconnected. You can't be an absent landlord. It doesn't work. If I don't know what all the pieces are that make it work—

Q2241 **Richard Fuller:** Obviously day-to-day operations were crucial to its success, but the other crucial factor in the viability of BHS after you had sold it was renegotiating their leases. Was that something you had discussions with Mr Chappell about?

Sir Philip Green: When you say had discussions with him about—

Q2242 **Richard Fuller:** Give him advice about.

Sir Philip Green: We tried to persuade him, which was part of where they were, and said to him, "Have these conversations sooner rather than later." Again, from my memory—because there are a lot of numbers—for example, he started off with 34 or 36 stores on monthly rentals. They had gone from quarterly to monthly to help the cash flow. He said his guy was an expert. He ended up with two less on monthly a year later. So the landlords they used to go and see would talk to my property director—we are obviously a big tenant of all these landlords—and they seemed to be very different conversations.

Q2243 **Richard Fuller:** But that was a crucial part of the viability of the



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business.

Sir Philip Green: Yes, 100%.

Q2244 **Richard Fuller:** And I think either your estates manager or your chief financial officer—it might actually have been one of your directors—indicated that one of the difficulties of British Home Stores in Arcadia Group was that the landlords would not do a deal with it because they could always look for Arcadia to step in.

Sir Philip Green: Well, if we jump forward a minute—

Richard Fuller: Well—

Sir Philip Green: I'm not avoiding it, the answer to your question is 100%. But what's the saddest part of all of this? If you look ultimately at when they got to do the CVA, as much as everybody—or the landlords or the different people—did not want to do it, 98% voted yes. If he had done that the previous June—that took £35 million or £40 million out of the rent bill—job done, and he wouldn't. He was just stubborn.

Q2245 **Richard Fuller:** Sorry, could you say who "he" was, who was stubborn?

Sir Philip Green: Chappell.

Q2246 **Richard Fuller:** So Chappell was stubborn in what regard?

Sir Philip Green: Getting to the process that needed to happen. We had one big meeting where he brought, I can't remember, a load of his board and his lawyer—anyway, a whole gang of people, and we had a specific conversation about getting on with the property.

Q2247 **Jeremy Quin:** The CVA would have meant the pensioners going to the PPF, wouldn't it?

Sir Philip Green: No, no, no. If he would have been successful with the CVA, which he was—the first part of the CVA worked. That enabled you to drop off the properties—to renegotiate the real estate, effectively. Nothing else happens. The next knock-on things are what has caused all the trouble. The CVA in isolation—if it had come out of that tidily and been successful, and achieved what was set out in the CVA, then we wouldn't be here. If he had achieved the funding—Sorry, without being rude, do you understand how the CVA worked?

Jeremy Quin: Yes.

Sir Philip Green: Does everybody else understand it? The funding piece—you think you understand it?

Chair: Keep going. We'll halt you if we don't understand what you are saying.

Sir Philip Green: Okay, fine. KPMG, who produced the CVA—within it there was expected to be £100 million of property receipts. They did not materialise. So basically, part of that was achieving a very big number for Oxford Street, which did not happen. What I am saying is that if it would



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have come through the CVA and he had achieved the funding, then you don't end up in all the next processes that happened. The funding did not get achieved that was expected in the CVA. It did not raise the capital.

Q2248 **Jeremy Quin:** One of our previous witnesses thought that it would inevitably mean the pensioners going to the PPF if they went down the CVA route?

Sir Philip Green: Which witness was that?

Q2249 **Jeremy Quin:** Hitchcock, I believe. He might have been wrong, but I believe it was Hitchcock.

Sir Philip Green: All I am saying is that if the funding would have been achieved within the CVA, the business doesn't go into admin—the rest of the cards don't fall. The whole idea was—as I said, the sad thing for me is that 98% voted for the CVA. So the suppliers were unaffected. Most of the hit came to the landlords and 98% voted yes, but it got wasted, that opportunity.

Q2250 **Jeremy Quin:** So why do you think it failed, in which case—

Sir Philip Green: Which?

Jeremy Quin: The CVA.

Sir Philip Green: Do you want me just to give you that piece?

Jeremy Quin: Please.

Sir Philip Green: Fine. It is quite uncomplicated. He expected to achieve £100 million of real estate disposal, of which I think £70 million or £75 million was represented that he was going to achieve for Oxford Street, which didn't happen. In the end—I don't remember the specific timing, but anyway—enough money didn't get raised. In the end—I can't remember the specific timing—£50 million got raised and then he tried to get a facility from Gordon Brothers, which was for £60 million, coming out of the CVA, which would have meant us subordinating the charge we had. Okay?

Q2251 **Jeremy Quin:** Yes. From memory, I think the CFO of BHS said that he stood down because he did not feel that BHS could make their side of the bargain in the CVA. That is probably consistent with what you were saying.

Sir Philip Green: Well, I am not going to tell you any lies. Basically, he presented the Gordon Brothers facility, which was £30 million immediately, followed by £10 million, followed by £20 million. He came and made a presentation to our board with his board and his own CEO plus his finance director, who had replaced Hitchcock, right? Both represented; it wasn't enough money, and basically the business needed £100 million, and the way the facility was designed meant effectively that the lender kept all the money every week and on Monday you had to provide a certificate to draw the money for the following week. Okay?



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If I could just read you a quote from a memorandum dated 7 April, "The facility not fit for purpose. Conclusion: if Gordon Brothers' motive is to gain control of BHS business, then, as mentioned above, and it is difficult to ensure that there are no defaults outstanding, it would be difficult to prevent them doing so once the transaction is implemented." And that is his own lawyers' quote in their document.

Basically, it was a loan to own, if you understand that expression. By the third Monday, you breach it, and Gordon Brothers would have walked away with the business. As part of that, he wanted us to subordinate behind them, and we would not do that. And then, as for the events then that followed—if that is where you want to go—the next few days is where for the business different things happened, whichever one you want to address first.

Chair: I will come on to that. Richard, do you want to ask a brief question?

Q2252 **Richard Graham:** I just wanted you to help us with two things raised by Dominic Chappell in his evidence—if you could just help me understand the facts of it. The first one was on the Ealing transaction on the day before the sale of BHS, which I think you had agreed with him. He told us that they were shocked to learn that the Ealing building had been sold to your stepson, who had flipped it and made £3.5 million profit very quickly—money which he thought should have gone to BHS. Is that correct?

Sir Philip Green: Which bit?

Richard Graham: The fact that you had sold the building to your stepson and that he had flipped it for instant £3.5 million profit.

Sir Philip Green: The answer is that I was not involved in the transaction. I had no involvement in the transaction at all. I am told by Chris Harris that there was a valuation, which he would happily produce for you. I think what Mr Chappell did say to you was that he was asked, I think, whether he was happy for that transaction to proceed, and he said yes. The building got sold and the money went into BHS and he got the benefit of the money.

Q2253 **Richard Graham:** Yes. He said that he didn't know about it going to your stepson and didn't know that it had been flipped on for a profit—

Sir Philip Green: Actually, to be honest with you, it wasn't my transaction, I was not involved in it, but I think—

Q2254 **Chair:** Did you know about it?

Sir Philip Green: What?

Chair: Did you know about it? You said that it wasn't your transaction, but did you know that the transaction was going ahead?

Sir Philip Green: I think I was told, basically, that the transaction that they were trying to do fell, and I think they said that they had had



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another offer from whatever the name of the company was. But I wasn't involved in the detail of it. I said, "When can it be done?" and they said, "I don't know, the next day or the day after, and the money go into BHS," and that was the end of it.

Q2255 Richard Graham: Right. But he also went on to say, "When questioned by the regulator about whether he had sold any properties in the last 36 months to any connected parties, he put 'no'. Then," when the story broke in the newspapers, "he had to put a retraction to that, to say, "Oh yes, I forgot. The day before I sold the business I sold" the property in Ealing "to my son-in-law". Is that correct?

Sir Philip Green: I don't know.

Richard Graham: You don't know.

Sir Philip Green: Is which bit correct?

Q2256 Richard Graham: The fact that you were asked by the regulator whether you had sold any properties.

Sir Philip Green: The answer is that I don't know.

Q2257 Richard Graham: Would you be able to confirm that in writing?

Sir Philip Green: Confirm what?

Q2258 Richard Graham: Confirm that you had been asked by the regulator about—

Sir Philip Green: Ask the regulator. I don't know if they asked me. When did they ask me?

Q2259 Richard Graham: Well, this would have been presumably fairly recent. But you say you have no recollection of any of this.

Sir Philip Green: There's one thing guaranteed: if somebody asked me recently, obviously I could have been aware of it. Why am I going to lie? It's sold. It got paid for. It's ridiculous.

Q2260 Richard Graham: Well we should check up on the—

Sir Philip Green: Check up whatever you like. It's ludicrous.

Q2261 Richard Graham: It is important, because you did say at the beginning that trust was important and that you don't lie.

Sir Philip Green: I do not understand. If I am aware the property got sold, and if I met with the regulator once in a year, there is zero possibility if I was asked that question that I wouldn't say yes. Why would I say no?

Richard Graham: All right. The second thing—

Sir Philip Green: Where are you getting that from?

Q2262 Richard Graham: That is from evidence given to us in an earlier session.



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Sir Philip Green: By who?

Q2263 **Richard Graham:** By Mr Chappell. I was trying to understand whether it is correct or not.

Sir Philip Green: Oh, please. You just told me it was from the regulator. Is Mr Chappell now the regulator? That would be worrying.

Q2264 **Richard Graham:** The second thing—I asked Mr Chappell a number of questions about what had happened with the pension scheme since the transaction. He said, “We could not get released from the moral hazard and Philip was not going to do anything or release any situation he had until his moral hazard for the pension fund had been resolved and released. The Pensions Regulator would not give him a number, Philip would not be prepared to give them an offer, and then we just ended up in this twilight zone continuously.” Is that an accurate description of what has happened and why there has not been a deal on the pension fund, despite various efforts over the last at least seven years?

Sir Philip Green: I have not been involved in any meetings that he or his advisers have had with the regulator or the PPF, so I don’t know—*[Interruption.]* Let me finish. You asked a question, so you have to let me answer. I have no idea what the PPF or the regulator have told him.

On one occasion only, they had had a meeting with their lawyer, Adam Plainer from—whatever the company was called. I can’t remember whether he did or didn’t come with this Grant Thornton man. They had been to see either or both the regulator and the PPF, and they had represented a number. Their idea was Project Thor, but called Project Vera or whatever. They had represented a number and, to the best of my recollection of that conversation, it appeared that his lawyer had said to whoever they had the meeting with that I was going to pay the bill. Never had he had a conversation with me prior to going to have the meeting.

Richard Graham: Right.

Sir Philip Green: Outside of that, I have no knowledge of—you could ask Chris Martin. Now, hopefully, the door gets opened, so we don’t want to get into who said what. The answer is that there has been, as you have heard, no dialogue, but I don’t know. Other than that meeting, I think he did try and they were trying to engage. He talked to the PPF—I can’t remember whether it was the PPF or the regulator—and mooted an offer of £18 million in cash, a £10 million loan note and a third of the business. That was an offer he mooted.

Q2265 **Richard Graham:** What is interesting is that if he is broadly correct, and if you are broadly agreeing—

Sir Philip Green: No—broadly correct in what?

Q2266 **Richard Graham:** That the Pensions Regulator would not give you a number that they wanted and therefore you were not prepared to give them an offer. If so, that is not quite consistent with your several



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positions earlier—not least with Steve Webb, the Pensions Minister, and in conversations with Dr Downes and so on—that you would stand by the pension scheme and see it right. If you wanted to do that, isn't there the opportunity to pay the full amount, i.e. more than what the PPF buy-out value is—

Sir Philip Green: Why is that?

Richard Graham: Then the pension scheme problem will be solved.

Sir Philip Green: But why is that? The man sat here—Mr Rubenstein—and said that the number into the PPF was £275 million.

Q2267 **Richard Graham:** Yes, and you had earlier told Steve Webb that you wouldn't put the pension fund into the PPF—the money would be found from somewhere.

Sir Philip Green: With respect, you are talking about a conversation that he says happened four years ago.

Richard Graham: True.

Sir Philip Green: My memory is not as good as his.

Q2268 **Richard Graham:** If the pensioners are listening, what comfort should they take about your commitment to resolve the pensions issues?

Sir Philip Green: I thought we covered this about five and a half hours ago, did we not?

Q2269 **Richard Graham:** Would you like to summarise it for all of us?

Sir Philip Green: Let's get to the end, okay?

Chair: We are coming to the end, Sir Philip, so do you want to do it now? It will hasten the end of this if you do.

Sir Philip Green: I think I've said today we have now got communication finally with the regulator. I have a team of people working and, hopefully, we will be able to sit down in a room somewhere, have a meeting of minds and see if we can find a solution.

Q2270 **Chair:** Can I take you to the second or third week in April, when BHS is about to go into administration?

Sir Philip Green: Yes.

Q2271 **Chair:** You said earlier you didn't want the business to fail.

Sir Philip Green: Yes.

Q2272 **Chair:** Why didn't you give RAL longer to make a go of it?

Sir Philip Green: Sorry?

Q2273 **Chair:** The reason I ask that is because you had this £35 million of your cash in the business and you decided to take it back. Mr Chappell alleges



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that that toppled BHS over.

Sir Philip Green: Oh please.

Q2274 **Chair:** Do you accept that?

Sir Philip Green: No, I do not.

Q2275 **Chair:** Tell us why. Tell us your side of the story.

Sir Philip Green: Because the man sitting behind him the other day, Aidan whatever his name is—

Q2276 **Chair:** Treacy.

Sir Philip Green: Presented in my boardroom that the facility was not sufficient. It was not sufficient money to make the business work. Darren Topp was the second presenter in that meeting, and in that case, just to make you happy, for corporate governance purposes, there was at least one non-executive director—Baroness Brady—present. There were all sorts of lawyers in the room. Both of them represented. I just read you the quote from his own lawyer, saying it wasn't fit for purpose—the loan. So based on everything we knew, it wasn't enough money. It didn't work.

Q2277 **Frank Field:** Did you set the process in operation, Sir Philip, in which the administrators came into play?

Sir Philip Green: No.

Q2278 **Frank Field:** Who did that? Do you know?

Sir Philip Green: Sorry?

Chair: Who was the agent that contacted the administrators to say, "Over to you, laddos"?

Sir Philip Green: No, it didn't actually work like that. There was a meeting. There was a meeting on—when did it go into—was it Monday 25 April? I can't remember when it went into the liquidation process. Yes. Monday was the 25th. So Thursday was the—

Q2279 **Chair:** The previous Thursday was 21 April.

Sir Philip Green: Right. So the business was put into—they had a, basically—shall I read this to you?

Chair: Please.

Sir Philip Green: "Following a meeting with the BHS Board on Tuesday 19 April"—which was that meeting I referred you to just now, where they presented the Gordon Brothers possibility—"Neville Kahn of Deloitte called me". The letter I am reading you is from the administrator. "Neville Kahn of Deloitte called me to advise that he had given mine and my firm's name to you as a recommendation to effect an administration of BHS"—

Chair: Forgive me, Sir Philip. Could you read that out a bit more slowly



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for my purposes, please?

Sir Philip Green: Yes. "Neville Kahn of Deloitte called me to advise he had given mine and my firm's name to you as a recommendation to effect an administration of BHS as a number of other firms were conflicted."

Q2280 **Chair:** Who convened that meeting?

Sir Philip Green: Which meeting?

Q2281 **Chair:** The meeting that was taking place on the 19th.

Sir Philip Green: That was the meeting in our boardroom to look at the facility.

Q2282 **Chair:** But who convened it? Who organised the actual meeting?

Sir Philip Green: Mr Chappell called a meeting to present us with the prospect of borrowing the £60 million from Gordon Brothers, that, as you heard, everybody said wasn't fit for purpose.

Q2283 **Chair:** So the administrator was contacted by Deloitte.

Sir Philip Green: Yes. Basically, everyone agreed that between KPMG and Deloitte, everyone seemed to be conflicted, so a conversation of, "Who would be the appropriate person?"—and that was passed to Mr Chappell or Mr Topp. They then convened a meeting. "As detailed in the creditors' report, the board of BHS resolved on 21 April 2016 to appoint me and one of my colleagues as joint administrators on Friday 22 April 2016."

Q2284 **Chair:** Sir Philip, we have a letter from Philip Duffy from Duff & Phelps, the administrator, to us as the Select Committee, saying: "My first involvement in the affairs of BHS was when I received a phone call from Sir Philip Green at approximately 4 pm on Monday 18 April 2016, asking if I could come to a meeting the following day in London. He stated he wanted to discuss a matter but did not give me any further details." That contradicts what you have just said to us, doesn't it?

Sir Philip Green: With respect, this is his letter. I am reading a Duff & Phelps letter; it is not my letter. There is a letter he sent me. Just to avoid me coming here and not having the right facts, I called him and said, "Would you please write me a letter, just so we don't have any accidents?" I am saying that is the letter that he gave me—right?

Chair: Keep going, please.

Sir Philip Green: Whether it was Monday or Tuesday, I mean—

Chair: No, but keep going.

Sir Philip Green: What else do you want me to keep going with?

Q2285 **Chair:** I want to know the events of that week—what happened and what was decided when.



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Sir Philip Green: Fine. "On the morning of Friday 22 April, I and my colleague, Ben Wiles, were asked to attend a meeting at Olswang, where we were advised that a last-minute rescue attempt by an unconnected retailer was in progress and that the board of RAL was to work on this over the course of the weekend."

Q2286 **Chair:** Were you told who that unconnected retailer was?

Sir Philip Green: No, I was not.

Q2287 **Chair:** You had no idea who that was.

Sir Philip Green: No, I did not. "I advised Dominic Chappell that he had to give this every effort. We were having some concerns, namely: 1. HMRC had issued a seven-day winding-up notice, proceedings which ran out early in the week of 25 April. 2. Lawyers acting for the board of BHS Group had advised the board they were at risk of wrongful trading. 3. There was a risk that unless the group was protected by an administration order, the salaries of circa 8,000 people would not get paid on Friday 29 2016. This, as the potential administrator, was my main concern, as if the salaries had not been paid, it would have been disastrous for the business and a number—potentially a large number—of employees might have left the business. In order to mitigate the concerns—and these concerns were agreed by the board of BHS as well as members of the RAL board—we suggested Arcadia should issue demands that if necessary it could appoint administrators under its floating charge should any undue delay occur in resolving the current financial position."

That is the letter the administrator gave me, and I told him I was going to bring it to read to you. Effectively, in simplistic terms, we provided a letter as a back-up so that in case whatever RAL or anyone was doing did not happen, the administrator would be able to do his job on the Monday because of the winding up and the things you have heard.

Chair: That is very helpful.

Sir Philip Green: Does that make it pretty—

Chair: That is very clear.

Sir Philip Green: That was the idea.

Q2288 **Chair:** Were you aware of any interest from Sports Direct in wanting to buy BHS?

Sir Philip Green: Zero.

Q2289 **Chair:** None whatever.

Sir Philip Green: On the Thursday?

Chair: Yes.

Sir Philip Green: No. Zero.



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Q2290 **Chair:** I have a letter from Mike Ashley to me, where he says there was a meeting to discuss this on Thursday 21 April. He says—

Sir Philip Green: Sorry, discuss what?

Chair: To discuss the potential of Sports Direct buying BHS.

Sir Philip Green: With whom was the meeting?

Chair: Let me just read you this paragraph, because it is very interesting. "I note at the beginning of your letter"—which is my letter to Mr Ashley—"you have asked about Mr Chappell's comments about Sir Philip Green, which were made to the BIS/Work and Pensions Committees on 8 June 2016. Neither I nor my advisers were present during the said conversation between Mr Chappell and Sir Philip, and so I am unable to verify details. Sir Philip did not attend the meeting at Olswang on April the 21st/22nd, but I"—that is, Mike Ashley—"was in telephone contact with him over the weekend." He also says: "A subsequent meeting took place at the offices of Arcadia on 27 April 2016."

Sir Philip Green: Sir—Iain, I'm sorry. You need to stop.

Q2291 **Chair:** No, let me finish. Will you respond to that point about the 21st and 22nd? Mike Ashley was in contact with you, was he not?

Sir Philip Green: Sir, with respect, I am not going to mislead you; don't try misleading me.

Chair: I am not trying to.

Sir Philip Green: You are trying.

Chair: I am really not—I just want to know the facts.

Sir Philip Green: I will get you the facts. I've got another letter.

Chair: Hang on. I'm chairing this. Can I just ask you this?

Sir Philip Green: I am in control of what I say.

Chair: You really are not in control—

Sir Philip Green: I am not in control of what I say?

Q2292 **Chair:** Can we just address this point. "Sir Philip did not attend the meeting at Olswang at April 21 and 22, but I was in telephone contact with him over the weekend." Is that true?

Sir Philip Green: I am not answering that in the way you are asking me, but I will answer the question.

Chair: I just want to know the facts.

Sir Philip Green: Then let me answer you—please, don't bully me, let me answer you.



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Chair: There's a first time for everything.

Sir Philip Green: I don't think so. This is really simple. Apparently, unbeknownst to me—obviously, I found out subsequently—Chappell had made contact with Sports Direct on the Thursday. After he had signed up for the company to go into admin, he made contact. I had zero knowledge that that meeting had been arranged. They apparently worked all night. I had zero knowledge of that. Anybody in the building will be able to confirm that I was not involved; I had no knowledge of it; I didn't even know they were having a meeting—right? At some time—after they had been going all night—at, maybe, lunchtime on the Friday, Mr Chappell called me. He said, "Could I have Mike Ashley's phone number?" I said, "For what?" "I need to talk to him." "About what?" "I've signed—", and anyway, eventually he might have told me during the conversation. He apparently made some calls to Mike Ashley—*[Interruption.]* Relax: you'll get your answer.

Chair: Good.

Sir Philip Green: But we have got to get it in the right order. He made some calls, apparently, to Mike Ashley. Mike Ashley called me at around 3 o'clock, laughing, and said, "You knew it was me, didn't you?"—because that is how we dialogue.

Q2293 **Chair:** Are you quite close?

Sir Philip Green: We're friends. Basically, he called me up and said, "You knew it was me, didn't you?" I said, "How would I know?" He said, "If I was asleep while they were all doing the work"—whoever his team was, doing the work; he wasn't involved at all or at the building; it's not his thing. I said, "Where you have got to?" He said, "Do me a favour: please make sure that guy doesn't phone me again." I said, "It's not my fault. You started the dialogue."

Anyway, so from there we had a few conversations—I don't know, over Saturday. Eventually his guys—I had no involvement in the negotiation; I don't even know what the deal or the negotiation was. Knowing I was coming here today, I have got myself a little bit abreast of what the deal was, in case it turned up. But I had no involvement in the deal whatsoever.

Q2294 **Chair:** Mike Ashley goes on in the letter to me that: "A subsequent meeting took place at the offices of Arcadia on 27 April 2016."

Sir Philip Green: I'm sorry, Iain, let me just finish on this. On the first scenario—*[Interruption.]* No, it's important. On the first scenario, that deal collapsed—just to get the record straight, I had no engagement in terms of what his deal was with RAL. I've now got some information on that—up to you, you go and find the SPA yourself—of what his terms were, because he represented to you he was selling it for £1 when he came here.

Q2295 **Chair:** No, he didn't mention that.



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Sir Philip Green: He did.

Chair: Mike Ashley, when he came before us,—

Sir Philip Green: No, no, Mr Chappell said he was going to sell the business for £1, to Mike Ashley—for nothing. He was giving his shares to Sports Direct—it doesn't matter. So, now we go to the weekend and the company goes into process on the Monday—yes?

Chair: Yes.

Sir Philip Green: I just want to get it clear. Right, now let's continue.

Q2296 **Chair:** But before you do, let's go back to that weekend. How many times were you in contact that weekend with Mike Ashley?

Sir Philip Green: I don't know. We may have spoken two or three times.

Q2297 **Chair:** About this deal?

Sir Philip Green: It got stuck. He wasn't really involved in the detail. We had a call with his guy who was running the deal. They said they spoke to the PPF, I think, which they didn't need to.

Q2298 **Chair:** The nature of the series of phone calls. Was he saying to you, "Look, Phil, it's stuck, give us hand, try to unblock it"?

Sir Philip Green: No. He wasn't involved in that detail. I had no involvement. I am trying to tell you. I had zero involvement in how they got to the meeting, what happened in the meeting, who was doing what to who. I was not involved in it. It was none of my business.

Q2299 **Chair:** Let me go back to the thing that I was saying about the subsequent meeting at the offices of Arcadia on 27 April 2016. Mike Ashley says in his letter, "I attended this meeting in person along with my acquisition team. The other attendees included, amongst others, Sir Philip and Phil Duffy of Duff & Phelps." Why were you there?

Sir Philip Green: Because we were the principal secure creditor, so we offered to host the meeting.

Q2300 **Chair:** What was discussed at that meeting, which was on the Wednesday?

Sir Philip Green: This was a Thursday, sir.

Q2301 **Chair:** I would have thought that 27 April was a Wednesday.

Sir Philip Green: I think it was a Thursday. Would you like me to read you what happened?

Q2302 **Chair:** Please.

Sir Philip Green: Good. "Upon appointment Sports Direct contacted myself as joint administrator to express an interest in buying the business. I agreed an early meeting should take place but, given the publicity, Mike Ashley did not want to attend the office of BHS or Duff &



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Phelps. There was a risk that TV cameras would capture the visit. You kindly offered to host the meeting. It was during that meeting that Mike Ashley stated that he wanted to buy the business and was prepared to keep all the shops open and jobs in place until Christmas 2016, pay GrowthPoint in full less secured debt, which was £20 million, and Gordon Brothers, which was the £10 million on Bristol. There was further discussion revolving around the stock in the business. Mr Ashley proffered a figure of £10 million, which I stated I thought was too low. You, on behalf of Arcadia, offered to add £5 million, which given my expectations at the time of turnover plus realisations made to date appeared to be an offer that should be given further consideration. I agreed with Mr Ashley to have a meeting the following week, solely between Duff & Phelps and Sports Direct, to further these discussions. I subsequently received a letter which did not contain an offer capable of completing. In no way were yourself or Arcadia involved in frustrating any potential offer for BHS. Both yourself and the Arcadia senior management team were helpful throughout the administration to assist me in trying to sell BHS as a going concern."

That is from the two letters that I have from the administrator. As far as we were concerned, I tried—contrary to what you were told—after the meeting in our offices on the Thursday, when I offered to add some money to his offer of a few million pounds. That was basically to keep the business alive. I was there after that again disengaged, as you heard, from when they went to have the meeting with Duff & Phelps the following week.

Q2303 Chair: What blocked the deal between Sports Direct and BHS? Do you know?

Sir Philip Green: Yes—one of these. *[The witness held up a chequebook.]*

Q2304 Chair: What? Mike Ashley had run out of a chequebook or something?

Sir Philip Green: I didn't say Mike Ashley. I said whoever the people were. I don't want to get into the personalities. He had a team of people running the deal. I don't know what the terms were. I think that the outline of the meeting you referred to initially on Thursday at my office was pretty straightforward. You are buying stock. You get an option on all the properties because basically you take the shops and the licence from the administrator, so you are not committed. If you don't bother to assign them, you don't take them. It is a pretty favourable deal in terms of the buyer. The price of the inventory was very cheap. I don't know what happened or what their requests were after that because I was, as you heard, taken out of the process, right? Other than offering to put £5 million in, I wasn't in the process. Why it did not happen, I don't know.

Q2305 Chair: Sports Direct had deposited £35 million into their lawyers' account to show that they were a credible buyer that wanted to take this further. That was very similar to the BHS deal with RAL, actually. That shows that they just wanted a little bit more time. You did nothing to stop that



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whatsoever. You did nothing to stop the process to ensure that Sports Direct could be given more time to consider this.

Sir Philip Green: Stop what, sir?

Q2306 **Chair:** Stop the deal.

Sir Philip Green: Which one?

Q2307 **Chair:** The deal to buy BHS.

Sir Philip Green: Which deal?

Q2308 **Chair:** Sports Direct's deal to buy BHS.

Sir Philip Green: There were two different times. One before, one after.

Q2309 **Chair:** That's true.

Sir Philip Green: The one after?

Q2310 **Chair:** Tell me which one—anything.

Sir Philip Green: Zero. Sir, I have offered to put money in. Look, let me just ask a sensible question to your whole Committee. Basically, we have spent five or six hours. On what possible basis would I want to stop somebody buying it if they would rescue it? Why?

Q2311 **Chair:** Ego.

Sir Philip Green: Oh, please—come on. That's an insult.

Q2312 **Chair:** No, it's not.

Sir Philip Green: That's really rude.

Q2313 **Chair:** No, it's a case of—

Sir Philip Green: I find that really rude.

Q2314 **Chair:** I apologise; I don't mean to be rude, but in terms of human nature—

Sir Philip Green: I think we got to hear—

Q2315 **Chair:** You could not make a success of it—

Sir Philip Green: Excuse me—

Q2316 **Chair:** You could not make a success of it and you did not want another retail billionaire to do the same.

Sir Philip Green: I'm glad the meeting's ending. That's disgusting, and it's a sad way to end.

Q2317 **Chair:** We haven't finished yet, Sir Philip, if that's okay. We have a number of things—

Sir Philip Green: I think that's out of order, and I think you should apologise. Here is a business where, if there is a bona fide buyer, I have offered to add to his purchase price for free, to put X million pounds in on



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top of what he wanted to pay, and I am trying to block it—it's laughable. It's laughable. You owe me an apology for that. I have sat here six hours. I haven't been rude to you and I think I am owed an apology. It's got nothing to do with any ego. I thought about—you can ask my executives; they are not here. On the deal that the administrator offered on the Thursday, I thought, "Shall I buy it back myself?", but I thought there would be so much uproar, I thought I'd better not. But it was so cheap in terms of the deal that was offered, or opportunist at that moment—if it hadn't been for all the drama and what the response would have been, I don't know if any of it would have been any worse. I can assure you and I give a guarantee—a personal guarantee—I wanted that deal to happen.

Q2318 **Frank Field:** Sir Philip, if you get the pensions issue settled, might you buy it back?

Sir Philip Green: No.

Q2319 **Frank Field:** Why not now? There are 11,000 people—

Sir Philip Green: Mr Field, life's moved on. It's too late.

Q2320 **Chair:** Not for the 11,000 people.

Sir Philip Green: With respect, hopefully, 7,000 or 8,000 people are part time in the retail business. Quite a lot of those people—I am not in any way, shape or form saying it's acceptable, but they do move around, and I think hopefully the part-time people will get a job. From what I understood from the head office side, 100 or 150 of them had job offers in the first few days. So there are jobs out there and a lot of these people were getting jobs.

Q2321 **Chair:** Sir Philip, I want to conclude, if I may, and bring another couple of colleagues in for one final question each, but I have got a couple of quick questions to you. In terms of the sale and acquisition of BHS, who were the winners?

Sir Philip Green: Nobody.

Q2322 **Chair:** Nobody at all. Dominic Chappell?

Sir Philip Green: To be honest with you—

Q2323 **Chair:** The advisers?

Sir Philip Green: To be honest with you, I just think it's a very sad episode. Everything that could have gone wrong went wrong. As I said, I'm not here to cast blame, but I think some people that took up certain roles in this have got something to account for, right? I'm sad because I think that RAL was given a great opportunity—more than an opportunity—and if he had been bankrupt previously and got a second chance, for it to end up here is just unnecessary on many, many levels.

Q2324 **Chair:** On that basis, my follow-up question is: who were the losers in all of this?

Sir Philip Green: We know—the staff and the pensioners, currently.



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Q2325 Michelle Thomson: It has been a very long session: wide ranging and very detailed as well. It has certainly given everyone a good sense of your personality, both in what is said and what is not said in terms of how you come across. In your view, has this long session added or detracted from your reputation?

Sir Philip Green: Well, I can't be judge and jury, can I? Either people will or won't believe, based on what they have heard in the last six hours. There is nothing I have said that I cannot support or show, or that I am not happy to show, in terms of the numbers and the figures. I think it is easy now that it wasn't the right buyer. That is easy to see. I think there are lots of reasons for that, but I don't want to get into those. It is not where I want to go. Hopefully, we have 27,000 people still working for us. We have a £300 million payroll. From the messages of support I have had from our existing organisation I think everybody knows me well enough to know I would not do anything like this intentionally. As I said, I have had quite a few emails and texts from BHS people who know me well, worked with me, and know I wouldn't behave like this.

Q2326 Michelle Thomson: What would you like your legacy to be, from the BHS period, then?

Sir Philip Green: What do you mean, what would I like it to be? Even I am not clever enough to undo the past, am I?

Q2327 Michelle Thomson: You can shape the future. Fast-forward to, say, a year's time. What would you like people to say—your legacy specifically for BHS rather than the rest of your businesses?

Sir Philip Green: We can't take away the sad ending and what has happened. If everybody wants to put all the blame on me, so be it. I am just saying, which I think I have said, if we are ending now—are we?

Chair: One final question from Richard.

Sir Philip Green: Why would that be a surprise?

Anyway, so I am saying—look, let me digress totally, could I, for a moment, to answer your question? All the people who know me in this industry—I've actually got a letter, here, which I am not going to bother to read you, from the Retail Trust, which is the organisation that looks after people that have been in the business and, basically, need help. The letter here, of which I can give you a copy—I, personally, and our company, have been the biggest supporter of that organisation for the last 10 years. I am not asking for any medals, but you are asking me the broader picture. We have given a couple of million pounds to support that organisation over the last period.

I have spent the last 10 years training young talent and spending many millions of pounds training young people in the industry. We have opened an academy and we started with 50 kids. We have now got 800. We have a campaign where we are working with 10 schools or 11 schools, where we take people for training. We support a charity company where we fit their shops, we stock their shops. I think all the people, as I have said,



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within BHS who know me and work with me, know I am honest, and there is no way in the world I would have wanted this type of an ending. So if in any way I can assist or help—certainly, as I have committed earlier on, in terms of the pension it is my intention now the line is open to sit down and see how we find that solution. Obviously, in terms of the staff, we will look at what we ourselves can do. Let's see how that develops, and hopefully maybe somebody might buy a number of shops and keep some of the staff, or whatever, and hopefully that will evolve and those people will get employment.

Q2328 Richard Fuller: I started with a fairly open question about why do we have companies, and what are their aims. The reason I ask that is because we work in a business system where we give companies tremendous freedom, and directors and owners of companies tremendous power, over the way in which they operate—a very loose system of governance; and also because we are in an era where there is a lot of public mistrust of bosses and how those powers are used. Whether you would like it or not, your business is front and centre of that. Perhaps that is because it is a private company. Perhaps it is because it is held offshore. Of course more to the point it is because ultimately British Home Stores, subsequent to your ownership, went bust relatively quickly thereafter. Are there any lessons, as this Committee looks at the role of directors in transparency, that you in hindsight look back and think should inform us, so that we can rebuild the public's trust in how the private capitalist system works?

Sir Philip Green: You will have your own view. As I am used to getting attacked over the last four weeks I have become a little bit immune to it.

Q2329 Chair: Do you feel hounded?

Sir Philip Green: Well I haven't been able to visit my shops for five weeks.

Q2330 Chair: Do you think that the criticism is unfair?

Sir Philip Green: I think it is wholly unbalanced and unfair, and one of the main reasons I wanted to come here—I wanted to come here and then people can make a judgment of whether they think I'm honest or dishonest. I made a bad call. I am prepared to take the responsibility. I made a bad call selling this business to RAL. I think I had a lot of things misrepresented. I think there are a lot of other people who have some accountability and responsibility, and they can come here, hopefully, and you will ask them why they were acting for this guy and what was the basis of it.

You had these three or four people here the other day who are lawyers. *[Interruption.]* Hold on a second. They are lawyers. They were on his board. They took shares. These are not people from around the corner; they are people who act for other people, giving them advice. But everybody suddenly wants to run away and "It's all Philip Green's fault." I'm a big boy; I'm prepared to take a punch on the chin. I picked the wrong guy—I didn't do it with any intent. I'm not going to go and give



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somebody—Jeremy and I can debate how much—a lot of money, plus or minus a few million quid. Sadly, for all sorts of different reasons—you have seen a lot people; you can decide who is or is not telling you the truth. I'm not lying. As I said, I am sad—15 years of my time, and for lots of reasons, it is a horrible ending. What else can I say?

Q2331 Richard Fuller: To be fair, in business, people will make mistakes. That is part of a free system, and we should look more at the values that shape how people react to those mistakes. I think you have given an account of that. I want to ask you a tougher question.

Sir Philip Green: Let me just respond to that. You say I have given you an account. Do you think, having spoken for six hours here, that this was an honest mistake and that unfortunately, we sold it to the wrong guy, based on what I have represented to you, or do you think I did it intentionally?

Q2332 Richard Fuller: My point is that we are representatives of the people—

Sir Philip Green: I am asking you a question.

Richard Fuller: As you know, it works the other way here. The people will come to a judgment, and the difficult question, Sir Philip, is the offshore ownership. One of our national newspapers made an estimate of some of the tax that has been avoided by that offshore ownership. They estimated £70 million in tax avoided on the eurobonds, £42 million on profits in Carmen Properties—

Sir Philip Green: Sir, I wrote something down—

Richard Fuller: Perhaps I can get to the end of my question without you interrupting. There was then £100 million on dividends. My question is not about the legality of that, but is your judgment now that perhaps, with hindsight, that sort of structure is not appropriate in a modern capitalist system in the United Kingdom?

Sir Philip Green: I wrote down something on my pad, because I thought I might forget it. Whether it is right or wrong to say it—I thought about, "Should I? Should I not?"—I'm going to. It feels like somebody you interviewed a week ago, who was told to be quiet and then said something. Envy and jealousy, my doctor told me, are two incurable diseases. I have done nothing wrong. We have paid—and I am happy to send you the numbers—these companies, and I am happy to go through it with anybody on your Committee. These companies could have been structured much, much, much more aggressively and could have saved tens of millions of pounds. They weren't. You know there are companies written about all the time that are channelled through Ireland, with all sorts of things going on, where people try to avoid—we did not.

Everything that was legitimately made in the United Kingdom was in the United Kingdom, and tax was paid on it in the United Kingdom. We have paid many, many, many hundreds of millions of pounds of tax. If we were trying to find a system that was specific to doing that, we would not



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have done that. As far as I am concerned, I have a very clear conscience. We have run these companies properly. We have paid everything that was due and specifically made sure that we did not try to get some—like I said, we could have taken the brands offshore and charged a royalty. We didn't. We could have routed. We haven't. Everything is clean, very straightforward and very see-through in terms of how we operate here. Where we made money, we paid tax here.

Richard Fuller: Thank you, Sir Philip.

Richard Graham: Can I say something optimistic?

Chair: Very quickly, Richard. I want to finish at 3 o'clock. There is 30 seconds to go.

Sir Philip Green: 45—come on Iain.

Chair: Let's do a deal. *[Laughter.]*

Sir Philip Green: Let's do one deal.

Q2333 **Richard Graham:** Sir Philip, I suspect that you don't feel this end to BHS is worthy of you and we probably do not feel it is worthy of all the employees and pensioners, but there is an opportunity still, as you hinted, to look after the pensioners in the pension scheme and I just hope that you are able to reach an agreement.

Sir Philip Green: Hold on a second. So that we are clear, if we are at the end, can I have the last 15 seconds?

Chair: No, I do.

Sir Philip Green: Come on Iain, let's share it. Come and sit over here.

Chair: No—come on.

Sir Philip Green: You have my commitment that I am planning ASAP to sit with the regulator. I have a team working, while we are here. I want to get this over with, trust me, sooner than you do. I am not running away; it's going to get my best shot to find a solution as quickly as we can. Obviously with all the things going on in the country next week, people will probably be distracted, but it has my commitment—I hope you believe me—to try to get that resolved.

If, as is rumoured, whether it be Mike Ashley—or Iain Wright or Amanda Solloway or anyone else—someone is interested or turns up who wants to buy BHS now even, again, you have my commitment: we will support anybody, if we can be helpful, in making that happen.

Certainly that was slightly upsetting after six hours that you think I have gotten away. The administrator can happily show you he never got an offer. You can't sell something if you don't get an offer—can you?

Chair: Sir Philip, you have given evidence for six hours, or close to it. We



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are very grateful for your time. We will come back, if we may, on matters on which we asked you questions and you were somewhat scant on detail—perhaps regarding pensions. We are grateful to you. We listen to others, of course, as well. Thank you very much for your time. We are very grateful.

Sir Philip Green: Thank you very much.