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12 July 2021

Dear Darren,

I am writing to inform you that I have today published an eight week consultation which seeks views on the options to amend the Pubs Code. This covers the proposals set out in the Government's report on the statutory review of the Pubs Code and the Pubs Code Adjudicator which was published in November 2020.

The Pubs Code was created in July 2016 to address specific failures in the tied pub sector after many years of Select Committee reports and concerns being raised in Parliament. It presents an unusual market intervention in the commercial relationship between businesses to address the weaker position of tied tenants in their relationship with large pub-owning businesses. Tied tenants are obliged to buy some or all of the alcohol they sell from their pub-owning business at above market prices in return for lower property rent, business support and other benefits. While some tied tenants suggest the tie can be open to abuse, others are happy with it and value the support provided by their pub-owning company. The Code creates certain rights and protections for tied tenants balanced against pub-owning businesses' legitimate rights over their property with a responsibility to their shareholders and investors to secure returns.

Since the publication of the report in November 2020, the Government has undertaken further work with stakeholders to identify and develop options on how these improvements might be achieved through secondary legislation. As these will likely impact pub-owning businesses and tied pub tenants in different ways, most of whom will not have had the opportunity to fully consider these, the consultation invites stakeholders' views on the options to determine their level of support, help to identify any unintended consequences or alternative options that might similarly achieve the intended outcome of the following proposals to:

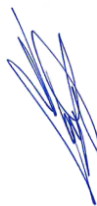
- help decision-making by prospective tied tenants prior to signing a tied contract;
- shorten the qualification period for companies to come within scope of the Code;
- determine whether tied tenants are adequately protected when their pub is sold;
- improve the process for tied tenants who pursue the option to go free-of-tie (Market Rent Only or 'MRO'); and
- amend how 'significant price increase' is defined as a trigger for a MRO option, including whether to exclude taxes, to address unintended effects on pub-owning businesses.

The consultation will also seek stakeholders' views on an alternative to the High Court as the arbitration appeal route to make this a more accessible option for parties. The Government further committed to consider the creation of tailored dispute resolution rules to improve the arbitration process and increase transparency in relation to arbitration outcomes. Such rules

need to be developed with an appropriate dispute resolution body this work will therefore be progressed separately to any changes to the Pubs Code.

The Pubs Code's clearly defined scope and purpose is separate to the wider Covid-related issues impacting the pub sector. Due to my ongoing work with the hospitality sector, I am very much aware of the challenges faced by tied pub tenants and the pub-owning businesses during these exceptional times. However, these changes, which the Government has publicly committed to consult on, aim to improve the practical operation of the Code and ensure the continued fair and lawful treatment of tied tenants.

I copy this letter to Charlotte Nichols, MP and Mike Wood, MP given their interest in this matter as the respective Chairs of the All-Party Parliamentary Group on Pubs and the All-Party Parliamentary Beer Group.

A handwritten signature in blue ink, appearing to read 'Paul Scully', is positioned above the printed name.

PAUL SCULLY MP

Minister for Small Business, Consumers & Labour Markets
Minister for London

Copied to:

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Chair, All-Party Parliamentary Group on Pubs
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Mike Wood, MP
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