



# Work and Pensions Committee

## Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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From the Chairs

Sarah Albon  
Chief Executive  
Insolvency Service  
4 Abbey Orchard Street  
London  
SW1P 2HT

12 September 2018

Dear Sarah,

### **Insolvency Service investigation into BHS**

Thank you for your letter of 16 July, in which you confirmed that you had written to the Financial Reporting Council to ask them to supply you with any material relating to the conduct of directors of the Taveta Group that you were not previously aware of. You explained that you would examine what the FRC provided, to decide whether you would reopen your investigation.

The FRC's full report has now been published. We would be very grateful if you could let us know:

- **whether you have had the full co-operation of the FRC, and in particular whether you believe that you have had full disclosure of the material it holds;**
- **whether you now plan to review your decision to conclude your investigation—and if not, why not.**

Since you are looking again at your decision to conclude your investigation into BHS, there is another issue we would like to ask you to consider. In the course of our inquiry into BHS, we uncovered substantial weaknesses in corporate governance. One of our many concerns was the absence of appropriate checks and balances on related party transactions.

To quote from our report:

“One prominent such deal, the Ealing property sale by BHS shortly before the sale to RAL, took place without board approval and without a pre-sale valuation being obtained. Brett Palos, Sir Philip's step-son, was a director of both the parent company of BHS and the purchasing company, Thackeray Estates. The property was resold within four months for a profit of £3m.”<sup>1</sup>

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<sup>1</sup> Work and Pensions and Business, Innovation and Skills Committees, *BHS*, para 127

Mr Palos told us that the Pensions Regulator had issued a section 72 notice, requesting information about the transaction. Of course, in the event, the Pensions Regulator reached a settlement with BHS.

Nevertheless, this transaction raises serious questions—not least, how Thackeray Estates was able to sell the property so quickly for a vast profit.

Since, in the light of the FRC's recent sanctions against PwC for its 2014 audit of Taveta, you are looking again at your decision to conclude your investigation into BHS, we would be grateful if you could confirm that:

- **any further investigation into BHS will examine in detail the circumstances of this transaction, and other related party transactions; and**
- **where necessary, you have been able to obtain documents and records from the Pensions Regulator.**

If you have had anything less than full disclosure from the FRC or the Pensions Regulator in the course of your work, that would be a very serious matter indeed.

Best wishes and we look forward to hearing from you,



**Rt Hon Frank Field MP**  
Chair, Work and Pensions Committee



**Rachel Reeves MP**  
Chair, Business, Energy and Industrial  
Strategy Committee