Rt Hon Frank Field MP
Chair, Work and Pensions Committee

6 March 2018

Dear Mr Field

Arcadia pension schemes

Thank you for your letter of 22 February regarding the possible sale of Arcadia and the deficit of the group’s pension schemes. In response to your specific questions:

1. **Could you confirm that you believe that undergoing voluntary clearance is responsible corporate behaviour?**

The Pensions Regulator (TPR) does indeed regard voluntarily applying for clearance as responsible corporate behaviour where a corporate transaction, such as a sale or takeover, could have a materially detrimental impact upon a defined benefit (DB) pension scheme. In such circumstances, we stand ready to deal promptly with complete clearance applications and encourage parties to use this process. However, we cannot compel any company to make an application for clearance, nor do we have power to block a transaction before it happens.

In the absence of clearance, our anti-avoidance powers remain available for us to use in respect of any significant corporate action, if the necessary criteria are met. We can and will use our powers to make recoveries for pension schemes after the event should that prove necessary and appropriate.


2. **Could you confirm that the sale of a sponsor (or the most profitable branch of that sponsor) of a large pension scheme with a substantial deficit would be an appropriate transaction for which to apply for voluntary clearance?**

If the sale of a sponsoring employer, or part of a group, was to have a materially detrimental impact upon a pension scheme or the covenant supporting it, then that would certainly be an appropriate transaction for which to apply for clearance. In any major corporate transaction, we expect the companies involved to identify if there is potential material detriment to a
pension scheme and explain how they will mitigate against that detriment. We would expect sufficient mitigation to be agreed with scheme trustees to ensure that a pension scheme is not placed in a worse position as a result of a transaction. We would also expect a protocol to be agreed in respect of how the impact of any future events on covenant support (the employer’s ability to support the scheme in the longer term) for the scheme should be mitigated (for example, if there were to be any future disposals within a group or material return of value to shareholders).

3. **Could you confirm that you have been in contact with the trustees of Arcadia regarding the potential implications of the mooted sale?**

We have been in contact with both trustee boards, in the first instance about their awareness of any potential sale and, in the second instance, flagging our clear expectations in the event that they become aware of any future potential sale.

We have also contacted Sir Philip Green and the directors of Arcadia asking for confirmation that no sale was being considered. Their announcement on 19 February 2018 stated Arcadia was not in contact with Shandong Ruyi or any other party nor were they considering a disposal of Arcadia either partial or full. Our expectations with regard to any future sale were set out clearly to both Sir Philip Green and the Arcadia directors.

We note from a recent article that Sir Philip Green is reported to have asserted that TPR has “confirmed it is satisfied” that processes are in place to protect funds were Arcadia sold. During the course of the correspondence/contact outlined in the two paragraphs above we have not given any such assurance, though the comment may be a reference to the possibility of a clearance application being made in the event of any sale.

We continue to monitor the situation closely and will not hesitate to contact the trustees, the company or other parties in the light of any further developments.

I hope this information is helpful to your committee.

Yours sincerely

[Signature]

Lesley Titcomb
Chief Executive