Dear Frank and Iain,

Thank you for the advanced copy of your joint report on BHS which you shared with us on 24th July. We know that you and your committee colleagues have worked tremendously hard to produce this report which raised so many important issues.

As all the BHS stores have now closed our thoughts are of course with BHS workers, pensioners, suppliers and their families. Job Centre Plus is working with local partners to deliver the Rapid Response Service, and they have a strong track record of helping workers get back into work or training, including with previous retail shocks including Woolworths. The Redundancy Payments Service of the Insolvency Service has begun its work to support workers who have been made redundant.

We recognise that this is a difficult time for former BHS employees, but we hope you will appreciate that it would be inappropriate for the Government to comment on matters still being investigated by the Insolvency Service, the Serious Fraud Office and the Pensions Regulator. Obviously we would be very concerned if these investigations show that there were breaches of the law and/or that there were serious shortcomings in terms of the regulatory frameworks.

Such investigations are complex and often require the examination of thousands of documents which can take some time. We appreciate that this is frustrating but the agencies involved are doing what they can to make good progress. Around 10% of the Insolvency Service’s investigatory capacity is currently devoted to the BHS case. We hope that this demonstrates the seriousness with which the demise of BHS is being taken.

In paragraph 7 and throughout you refer to the sharp contrast between the impact of BHS’s demise on workers and pensioners and the payments received by senior executives in BHS, RAL and their advisers and, in chapters 5 and 6, you highlight apparent weaknesses in the corporate governance of the companies concerned. The Government shares your concern about the issues. As you will be aware, the Prime Minister has already made clear that she intends to give priority attention to executive pay and aspects of corporate governance as part of the Government's work to build an economy that works fairly for everyone, not just the privileged few.

We would welcome the opportunity to explore the issues with you as you conduct your further inquiries – including the intention you signal, in paragraph 174, to look further at the legal framework within which companies operate.
It is obvious that long-term industrial success cannot be achieved without both owners and employees of businesses being valued and rewarded. We will no doubt be exploring some of these aspects during the BIS select committee inquiry on Industrial Strategy.

Chapter 3 discusses the BHS pension schemes and challenges facing defined benefit schemes generally. We are grateful for the joint Select Committee’s scrutiny of these areas and recognise their importance. We will consider these findings alongside those arising from the Work and Pensions Select Committee’s ongoing investigation into pension protection and regulatory powers in general. We are determined to ensure that the Pension Regulator has the powers it needs to deter and tackle misbehaviour and that these address emerging threats and challenges. We are actively considering these issues and should we need to bring forward further legislation in light of all the evidence then we will of course do so.

Please pass on our thanks to your teams and advisors who have helped make this important inquiry run so effectively.

MARGOT JAMES