Dear Mr Field

Arcadia Pension Schemes

I am writing to you further to the news that the directors of Arcadia Group have proposed a company voluntary arrangement (CVA). I am well aware how worrying the situation must be for members of the pension schemes. I thought it might be helpful if I outline The Pension Regulator’s (TPR’s) role in these kind of restructuring situations.

As you will know, TPR does not have a direct role in approving any CVA, this falls to the company’s creditors which can include the Pension Protection Fund (PPF). This is because a CVA process triggers the PPF assessment period and, as a creditor (on occasion, a key creditor), the PPF is able to vote on the CVA proposals, in effect standing in the shoes of the pension trustees.

Whilst TPR does not vote on the CVA, we are working with the PPF to protect its and members’ interests. Our priorities in this type of situation are that the pension schemes are treated fairly compared with other creditors and that any potential detriment to the pension schemes is mitigated. This could be achieved through, for example a suitable upfront cash injection and/or access to valuable security to protect against the event that a turnaround plan is unsuccessful. We are in frequent and ongoing contact with the trustees and their advisers and are also actively engaging with Arcadia and its advisers.

In our discussions with the trustees, who are responsible for the running of the schemes, we have made clear our expectations, and ensured that they understand and use the powers and leverage that they have. In this scenario we have emphasised the importance of the pension schemes being kept up to date with relevant information on all strands of the plans going forward.
We also expect the trustees, in restructuring scenarios, to consider the strength and viability of the support offered by the employer to the scheme after the turnaround and compare it to the insolvency outcome for members. TPR will also consider the risks to the PPF with any approach taken.

We note that the shareholder is prepared to put an additional £100m into the schemes over a number of years to provide a short-term bridge for the cut in deficit recovery contributions. However, we do not consider the proposals as they currently stand are sufficient to ensure that members of the schemes are adequately protected.

Yours sincerely

Charles Counsell
Chief Executive