

Rt Hon Steve Webb
Olveston, Bristol BS35

The Rt. Hon Frank Field MP
Chair, Work & Pensions Committee
House of Commons

13th June 2016



Re: Engagement with Sir Philip Green

I thought it appropriate to drop you a line to assist the Committee in its BHS inquiry.

As you are aware, the Pensions Regulator and the Pensions Protection Fund are 'arms-length' public bodies which have operational independence from ministers. Parliament sets the framework within which both organisations operate, but they have independence over day-to-day decisions.

Periodically, ministers are contacted by firms and others who wish to raise concerns about the actions of tPR and PPF. In general these contacts would be referred on to the relevant body. However, as Minister I took the view that the framework given by Parliament to the two bodies needed to be kept under review and that hearing first-hand from those who had concerns would help to make sure that the overall framework was correct.

In that spirit, when I was contacted by Sir Philip Green in early 2012 who wanted to raise concerns over the way in which the PPF levy for BHS was calculated, I agreed to a meeting. I should add that I was at the time meeting a large number of major UK employers to discuss their attitude to risk-sharing and risk-pooling in pensions (the 'Defined Ambition' reforms which were included in the 2015 Pensions Act). I took the view that I could use this meeting to also get the views of another major employer on risk-sharing issues.

The key issue which Sir Philip raised with me was the large increase (an estimated increase of over £2 million) in the PPF levy which BHS was set to face for 2012/13 and beyond. The background to this was that the PPF had decided to take a stricter line on 'guarantees' given by parent companies and others to stand behind pension funds which were in deficit. The PPF had taken the view that the guarantees being offered in respect of BHS were not of sufficient value to continue to justify charging a relatively modest premium in respect of a scheme where there were concerns about the viability of the sponsoring employer. Sir Philip sought to assure me that funds for the pension scheme would be found from elsewhere (it was not clear whether this meant from Arcadia or from the wider group) in the event of a BHS insolvency and therefore in his view there was no risk of the BHS falling into the Pension Protection Fund.

Despite the rather aggressive nature of the exchanges, I listened with respect to the argument and said that I would look into whether the rules allowed the PPF to take proper account of any valid / valuable guarantees from beyond BHS which would help to underpin the pension scheme in the event of BHS's insolvency. However, detailed examination of the nature of the commitment on offer subsequently made me satisfied that the PPF had been right to be concerned about the strength of the covenant to the BHS scheme, and no concessions were made to BHS as a result.

I hope that this information is helpful to the Committee in its inquiries.

With best wishes,

A handwritten signature in black ink, appearing to read 'Steve Webb', written over a light blue horizontal line.

Steve Webb

Minister for Pensions 2010-2015