

Mr Clive Betts MP
Chairman, Housing, Communities and Local Government Select Committee
House of Commons,
London,
SW1A 0AA

24 May 2018

Dear Mr Betts,

Company Voluntary Arrangements (CVA)

Revo is the single body that represents and unites all stakeholders in the UK's £340 billion retail and leisure property sector, including owners, occupiers, local councils and advisors.

Our 2,300 members range from sole traders to FTSE 100 companies, and are organisations in the private and public sectors, including local councils.

The Government set up a Taskforce in 2012 to make clear recommendations on the property related issues impacting our town and city centres. Revo took a lead on that initiative, and clear action was put forward that again was uniquely supported by a wide range of organisations representing all stakeholders.

We are very supportive of your Committee's further intention to investigate the long term future of retail and wider commerce in our town centres, which we will shortly be responding to in full.

However, we feel compelled to immediately draw your urgent attention to the damage that is being caused to local communities and the retail industry across the UK by Company Voluntary Arrangements (CVAs).

Every section of our membership has grave concerns about the advice being given to parties seeking to enter into such arrangements, and the detrimental effects felt not only by retail landlords, but by retailers not using this tactic, high streets and retail parks across the UK, and ultimately the wider economy.

We acknowledge that the intent of the legislation behind these agreements was valid allowing a 'solvent restructuring' of distressed businesses, akin to Chapter 11 arrangements in the United States, and we support the underlying intention to preserve jobs and ensure the equitable repayment, in part, to all creditors.

However, it is beyond doubt that the process is being abused, with CVAs now being used solely to reduce rental liabilities and

terminate lease agreements entered into by owners in good faith.

The principle of fairness which underpinned the original legislation has been completely lost in allowing all creditors to vote on a process which in fact targets a single creditor group.

Furthermore, the misuse of CVAs, which as stated are voted upon by many creditors who are not directly subject to the immediate implications, has a number of adverse consequences for our members and the towns and cities they are invested and operate in:

- Their ease of use leads to an unlevel playing field, penalising solvent retailers who cannot, or will not, re-adjust their cost base in this way;
- In the case of insolvent landlords, the result is a drop in non-domestic rates receipts for local authorities;
- Retail vacancies cause social blight and undermine the Government's efforts to rejuvenate town centres; and
- Pension funds are among the primary investors in retail property, meaning CVAs have the potential to impact the long term financial wellbeing of a large proportion of the UK population.

We believe that many of the recent CVA proposals fall well outside of the intentions of the original legislation, and indeed could be open to legal challenge.

It is our opinion that CVAs are being aggressively marketed to retailers by consultants and advisors in a way that runs contrary to the legislation's intention and is not in the wider interests of society.

We argue that the financial assumptions made by some advisers and consultants to justify CVA proposals must be scrutinised and challenged.

Therefore, we are calling upon you to thoroughly investigate the recent use of CVAs and to call nominees before the Select Committee you Chair as part of your Inquiry, to ascertain:

- How CVAs as currently marketed fit within the 'spirit' of the original legislation; and
- Evidence of the long term success of the CVA process, through a review of previous cases.

We would like to take this opportunity to reiterate that there is much our industry is doing to improve our towns and cities to make them more vibrant and successful places, and we are fully committed to that end. However, Government support and intervention is needed to help

address the issues which threaten the health of our town and cities, namely:

- The use, impact and accountability of the CVA process;
- Property tax (business rates), which is directly causing the closure of units as the biggest occupational cost for many occupiers;
- The tax treatment of internet companies, who benefit from the services that business rates pay for, but do not contribute to them; and
- Further support to local authorities who are trying to drive change in their towns and cities.

To help the Committee in its deliberations Revo, and indeed a number of experts within our membership, would be happy to present further oral evidence.

Yours faithfully,



Edward Cooke
Chief Executive Officer,
Revo



Mark Williams
President, Revo
Director, The Hark Group