



Pubs Code Technical Guide

Pub Franchise Agreements

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Pub Franchise Agreements

OVERVIEW

1. A 'pub franchise agreement' is a specific and defined type of agreement between a landlord and tied tenant for the occupancy of a tied pub.
2. Most of the provisions of the Pubs Code do not apply to these agreements. For example, unless the tenancy agreement permits it, the tied tenant is not entitled to go free of tie.
3. To be a pub franchise agreement it must meet specific criteria, including the following:
 - Grant the tied tenant a fixed share of the pub's turnover or a share that varies according to thresholds set out in the agreement;
 - Offer the tied-tenant marketing, training and other business support; and,
 - Grant a right for the tied tenant to use the landlord's franchise business model.

DETAILED TECHNICAL GUIDE

1. What is a pub franchise agreement?

1.1. A “pub franchise agreement” is a form of agreement between a pub-owning business (POB) and a tied pub tenant (TPT) for the occupancy of a tied pub. Most of the provisions of the Pubs Code do not apply to such a pub franchise agreement.

12A A pub franchise agreement is one that meets **all** of the following criteria¹ – that it:

- grants the TPT either a fixed share of the pub’s turnover; or a share that varies according to turnover thresholds set out in the agreement;
- must offer the TPT marketing, training and other business support;
- grants the TPT the right to use the POB’s franchise business model (with or without a fee for use). Such a relevant business model is one that:
 - has been used by the POB at 2 or more pubs for at least 12 months;
 - the POB can demonstrate has the potential to succeed at the pub in question – by generating a reasonable profit for both the TPT and the POB;
 - includes details of the POB’s intellectual property rights and how it is to be used.

1.3. A franchise agreement cannot require the TPT to pay any other amount to occupy the pub; or to pay anything further for the supply of products or services – although a TPT will be **free to choose** an offer from the POB to supply, at cost price, goods and services that are not covered by the franchise agreement itself.²

2. What information rights apply?

2.1. The POB must provide a TPT in advance of entering into a pub franchise agreement with the information that the Code requires to be provided in relation to a [new tenancy \(see technical guide 1 for further details\)](#)³ – but with some exceptions (see paragraph 3 below).

¹ See regulation 55(2) - 55(7) of the Code

² See regulation 55(2)(e) of the Code

³ <https://www.gov.uk/government/publications/pubs-code-landlords-and-new-tenants>

2.2. The POB must additionally provide a TPT in advance of entering into a pub franchise agreement with:⁴

- information about initial and ongoing fees payable to the POB;
- details of the share(s) of turnover granted to the TPT;
- evidence that the agreement is a pub franchise; and
- a forecast Profit & Loss statement – based on the model for tied rent proposals under the Code⁵ – for the first 12 months of the franchise agreement.

2.3. Disputes under the Code may be referred to the PCA for arbitration ([see technical guide 12 for further details](#))⁶.

3. What exclusions apply to pub franchise agreements?

3.1. Unless the tenancy agreement permits it, a TPT with a pub franchise agreement does not have the right to:⁷

- receive a tied rent proposal⁸ or a tied rent assessment;⁹
- pursue a market rent only (free-of-tie) tenancy option;¹⁰

3.2. In addition, there is no prohibition on the POB in respect of a requirement for the rent or purchase of gaming machines¹¹.

3.3. The POB is not required to provide the TPT with:

- the current price list for products or services supplied under the agreement; or to notify the TPT of any imminent changes to that list;¹² or
- information on any discounts that may be available to the TPT in connection with the purchase of those products or services.¹³

3.4. A TPT with a pub franchise agreement does not have the right to refer disputes on any of these issues to the PCA.¹⁴

⁴ See paragraph 33 of Schedule 1 to the Code

⁵ See regulation 55 of the Code

⁶ <https://www.gov.uk/government/publications/pubs-code-disputes>

⁷ See regulation 55(1) of the Code

⁸ See Part 3 of the Code

⁹ See Part 4 of the Code

¹⁰ See Parts 5 to 8 of the Code

¹¹ See regulation 47 of the Code

¹² See paragraph 20(a) of Schedule 1 to the Code

¹³ See paragraph 20(b) of Schedule 1 to the Code

¹⁴ See section 71 of the Small Business, Enterprise and Employment Act 2015