



## Dear Tied Tenant

I have today published the findings of my survey into the experiences of tied tenants who have used the Market Rent Only (MRO) process since April 2019. This research has helped me to understand how the MRO process is working now. I am writing to you to let you know what I have learned. The [results](#) and a [short summary](#) of them can be found on my website.

I also want to tell you what I am doing to make the MRO process more accessible for you. I am currently inviting views on a number of my proposed changes. These changes would be set out in guidance, which the pub companies must then follow. Please let me have your views by responding to my [consultation](#) by 10 December 2021.

## Value of advice

Getting quality advice through the MRO process has helped tenants a great deal. Those who had a competent and neutral adviser were likely to have a much more positive experience. On my website you can find [information](#) about getting help and support with the Pubs Code and [factsheets](#) about the process.

I know that the cost of obtaining quality advice can be a barrier, particularly for small operators. Not everyone can afford advice and the research findings show that the complexity of the process could put tenants off. The MRO process needs to be as straightforward as possible, and this is why I am consulting on proposed changes.

## Value in negotiating tied deal

Only a small proportion of tenants who had chosen to go free of tie participated in the survey. From those who chose to remain tied, it is pleasing to see that the MRO process can be a very useful tool in negotiating a better tied deal. There can be big financial benefits. One tied tenant reported he was [£65,000 a year better off](#) after using the process.

So using the MRO process isn't just about going free of tie. You can also use it to compare if you are worse off than if you were free of tie - the Code is there to make sure you aren't. Remember, you can ask for a MRO option every time you renegotiate your rent under the Pubs Code.

## MRO rent offers and independent assessors

I have seen some large disparities between the rent offers pub companies make for MRO tenancies and the market rents when independently assessed. The research findings show the Independent Assessor process is working well for tenants. But this should be a last resort because it involves time and cost, as the tenant pays half the assessor's fees. Where initial rent offers are too high, it can make negotiations harder and put tenants off. In my consultation, to help ensure rent offers are realistic. I propose requiring pub companies to provide supporting evidence to justify any rent they offer, including detailed profits valuations and trading forecasts.

## MRO Terms and conditions

Concerns from tenants in the research included high up-front costs of taking the MRO option, such as deposits and the cost of terminal dilapidations where the MRO proposal was for a new tenancy. In my consultation I propose to prohibit pub companies from routinely charging for dilapidations as part of the MRO process. I also propose requiring pub companies to offer a minimum of 12 months to build up any additional deposit and rent in advance, so tenants would not have to find cash up-front for these things.

Stocking requirements were also an issue of concern for some tenants surveyed, which I already knew from arbitrations. You may be aware that I investigated Star in relation to non-compliant stocking requirements and found a number of Code breaches. You can read what I found and the actions I took in response [here](#).

## Pub Company relationship

Many tenants in the research had negative expectations of the MRO process and feared a negative impact on their relationship with their pub company. While in many cases no such impact was ultimately felt, it would be a breach of the Pubs Code for a pub company to subject you to detriment for exercising your legal right to use the MRO process.

In my consultation I emphasise that pub companies should be making accurate notes of any conversations with you about the MRO. I am also proposing that they record any decisions on whether to oppose renewal and take a pub into management. I want to give you confidence that any breach of the Pubs Code can be identified.

## My Focus

As well as my proposals for guidance to make the process more accessible for tenants, my team will use the survey results to inform how and where we talk about the Code. For example, the results show that the MRO has been used by more lessees than tenants and more so by experienced operators, particularly those in London and the South East. My office is also continuing its work to produce simplified information materials and case studies.

I want you to feel confident to use the MRO process if it is right for your business, and I am committed to ensuring you will be treated fairly if you do.

Yours sincerely

**Fiona Dickie**

