



Update on Star's compliance with PCA recommendations to change its stocking terms in the market and existing Market Rent Only offers

In October 2020 the Pubs Code Adjudicator (PCA) [published the findings](#) of its investigation into Star's use of unreasonable stocking terms in proposed Market Rent Only (MRO) tenancies.

The PCA made eight recommendations and Star produced an [Action Plan](#) for completing these. All actions are now reported as closed. Further information on Star's actions in completing recommendations 3 and 8 and outcomes for tenants is provided below.

MRO tenancies in negotiation or arbitration (recommendation 3)

Star must consider whether MRO offers that are either being negotiated, or have been referred for arbitration, have non-compliant stocking terms. Where any existing offer is non-compliant, Star must inform the tenant and make a new compliant offer.

Outcomes for affected tenants: Total - 76

32 MRO Agreement

- 1 Agreed (terms)
- 4 Agreed (terms and rent)
- 27 Concluded and Documented

9 Other

- 1 Continuing existing tied lease
- 1 Lease disclaimed
- 7 Surrender

22 Tied Rent Review

- 2 Agreed
- 20 Concluded and Documented

13 New Tied Lease

- 4 Agreed
- 9 Concluded

*Data correct as of 10 November 2022

In MRO concluded cases, Star:

- Reduced the amount of Heineken UK product the pub must stock in all cases
- Changed the keg stocking requirement from a percentage to a number of initial keg taps at the property, which was either equivalent to or a reduction for the tenant on the percentage requirement.
- Removed the requirement to stock at least one landlord cask brand in 15 of the 17 cases where a cask stocking requirement existed
- Removed the packaged brand requirement that the tenant stocks two Heineken UK packaged beers and two Heineken UK packaged ciders (retaining in most cases a requirement for 50% shelf space and visibility to be given to Heineken UK packaged brands, but in two cases reducing this percentage to 25%)
- Inserted a clause to clarify that stocking obligations fall away if Star sells the pub

Example changes made – Existing MRO offers

From	To
Pub 1	
60% keg stocking requirement	2 of the initial 10 keg taps to stock Heineken UK products. Every fourth tap installed after the date of the lease to stock Heineken UK products.
At least one cask brand to be Heineken UK	No cask brand requirement
Packaged brand requirement for two Heineken UK packaged beers, two Heineken UK packaged ciders and 50% shelf space and visibility.	No packaged brand requirement
Pub 2	
60% keg stocking requirement (with a one-year build up period)	2 of the initial 14 keg taps to stock Heineken UK products. Every fourth tap installed after the date of the lease to stock Heineken UK products.
At least one cask brand to be Heineken UK	No cask brand requirement
Packaged brand requirement for two Heineken UK packaged beers, two Heineken UK packaged ciders and 50% shelf space and visibility.	No packaged brand requirement
Pub 3	
60% keg stocking requirement (with a one-year build up period)	5 of the initial 24 keg taps to stock Heineken UK products. Every fourth tap installed after the date of the lease to stock Heineken UK products.
At least one cask brand to be Heineken UK	No cask brand requirement
Packaged brand requirement for two Heineken UK packaged beers, two Heineken UK packaged ciders and 50% shelf space and visibility.	Requirement to stock two Heineken UK packaged beers and two Heineken UK packaged ciders removed. Requirement for 50% shelf space and visibility reduced to 25%.

MRO tenancies already in the market (recommendation 8)

Recommendation 8 required Star to identify non-compliant stocking terms in MRO tenancies that were already in effect. This meant that Star had to offer affected tenants to vary or remove those terms (such as through a Deed of Variation) or confirm to those tenants that it would not enforce those non-compliant terms.

Star had to do all of this without any cost to the tenant, whose legal fees it paid. All the tenants who responded to Star's offer and completed their new agreements now have improved stocking terms. These terms, which require the pub under a MRO tenancy to stock beer and cider produced by the brewer pub company, had been found by the PCA in the investigation to be unreasonable.

Outcomes for affected tenants: Total - 17

14 Deeds of Variation

- 3 Agreed
- 11 Concluded and Documented

2 Other

- 1 No response from tenant
- 1 No change

1 Ongoing

*Data correct as of 10 November 2022

In cases where the stocking requirement was changed, Star:

- Reduced the amount of Heineken UK product that the pub must stock in all cases
- Changed the keg stocking requirement from a percentage to a number of initial keg taps at the property, which was either equivalent to or a reduction for the tenant on the percentage requirement.
- Removed the cask stocking requirement in four out of the five cases where it existed.
- Removed the packaged brand requirement for the tenant to stock two Heineken UK packaged beers and two Heineken UK packaged ciders (in one case this was one of each). In five cases the requirement for shelf space and visibility was also removed (in four cases this had been 50% shelf space and in one case this had been 20%). In two further cases the 50% shelf space requirement was reduced to 25%.
- Inserted a clause to clarify that stocking obligations fall away if Star sells the pub

Example changes made – MRO tenancies already in the market

From	To
Pub 1	
100% keg stocking requirement	4 of the initial 7 keg taps to stock Heineken UK products. Every second tap installed after the date of the lease to stock Heineken UK products
60% of total cask brands to be Heineken UK	No cask stocking requirement
Packaged brand requirement to include that the tenant stocks two Heineken UK packaged beers and two Heineken UK packaged ciders (with 50% shelf space and visibility given to Heineken UK packaged brands)	Requirement to stock two Heineken UK packaged beers and two Heineken UK packaged ciders removed
Requirement to sell products at a 'reasonable market price'	Requirement removed
Pub 2	
75% keg stocking requirement	5 of the initial 10 keg taps to stock Heineken UK products. Every fourth tap installed after the date of the lease to stock Heineken UK products
Packaged brand requirement to include that the tenant stocks two Heineken UK packaged beers and two Heineken UK packaged ciders (with 50% shelf space and visibility given to Heineken UK packaged brands)	Requirement to stock two Heineken UK packaged beers and two Heineken UK packaged ciders removed Requirement for 50% shelf space and visibility reduced to 25%
Pub 3	
40% keg stocking requirement	2 of the initial 10 keg taps to stock Heineken UK products
Packaged brand requirement to include that the tenant stocks one Heineken UK packaged beer and one Heineken UK packaged cider (with 20% shelf space and visibility given to Heineken UK packaged brands).	Requirement removed