Department for
Business, Innovation,
Science and Trade

Statutory review of the Pubs Code and Pubs Code Adjudicator: 2022 – 2025

Department for
Business, Innovation,
Science and Trade

Statutory review of the Pubs Code and Pubs Code Adjudicator: 2022 – 2025

Presented to Parliament pursuant to sections 46(4) and 65(6) of the Small Business, Enterprise and Employment Act 2015

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at **MROEngagement@businessandtrade.gov.uk**.

ISBN 978-1-5286-6775-3

E03642690 09/26

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty’s Stationery Office

Contents

Ministerial foreword

I am pleased to publish this report on the third statutory review of the Pubs Code (the 'Code') and the Pubs Code Adjudicator (PCA). The Review considers the operation of the Code and the performance of the PCA over the three-year period from 1 April 2022 to 31 March 2025.

The Government invited views from interested parties to inform this Review, and I am grateful to the 36 respondents who contributed their perspectives. The Review has also drawn on publicly available evidence, including the Post-Implementation Review (PIR) of the Code and the PCA's annual reports.

Pubs play a vital role in supporting local communities and economies. As part of a wider hospitality sector comprising around 155,000 UK businesses, employing over 2 million people and contributing £55 billion to the economy, they are also important social spaces that bring people together and support wellbeing.

This summer highlighted the important role that pubs play during national moments, with extended opening hours and strong patronage across the country reflecting their significance as social and community hubs. While this is welcome, I recognise that running a pub has remained challenging, including in the context of ongoing cost-of-living pressures and wider global instability. I would like to express my sincere thanks to those working across the sector for their continued contribution to local economies and communities in the face of these challenges; challenges the Government is committed to helping the sector navigate, most recently through concrete action on business rates relief.

The Code has now been in force for over 10 years. It regulates the relationship between the largest pub-owning businesses and their tied tenants, with the aim of ensuring that tied tenants are treated fairly and are no worse off than if they were free of tie. In doing so, it seeks to strike a careful balance between the rights of tied tenants and those of pub-owning businesses, supporting a sustainable and thriving leased and tenanted sector.

Views expressed during the Review were mixed. Some stakeholders consider that the Code has been successful and that its objectives have largely been met, while others believe it continues to play an important role but should be strengthened further. Having considered the evidence, I am satisfied that the Code continues to meet the objectives set out in the Act.

However, changes in the composition of the market, alongside evidence relating to the operation of the Market Rent Only (MRO) provisions, indicate that targeted amendments may be appropriate. The Government will therefore develop proposals with stakeholders from across the sector to introduce additional MRO gateways and further MRO opt-out provisions, with the aim of strengthening the effectiveness of the Code. I look forward to setting out further detail in due course.

Finally, I would like to thank Fiona Dickie, the PCA, and her team for their continued commitment to ensuring that the Code is effectively enforced and that tied tenants' rights are protected. Whilst outside the timescales for this Review, the PCA have in June launched their latest annual survey results for 2026[1], which demonstrate the continued pressure on tenants and the need for support. This reiterates that the PCA's work remains central to maintaining confidence in the regulatory framework.

Kate Dearden MP

Minister of State for the Future of Work

[1] Results unveiled for the PCA's Tied Tenant Survey 2026 | PCA

Government’s review

1. The Pubs Code (the ‘Code’) and the Pubs Code Adjudicator (PCA) were established under Part 4 of and Schedule 1 to the Small Business, Enterprise and Employment Act 2015 (the ‘Act’) to regulate the relationship between large pub-owning businesses (‘POBs’) who own 500 or more tied pubs in England and Wales, and their tied tenants.

2. This report sets out the Government’s conclusions from the third statutory review covering the period from 1 April 2022 – 31 March 2025. On 22 May 2025, the Government invited stakeholders to contribute their views and evidence to the review through a 12-week call for inputs which received 36 responses from a range of stakeholders. The review also drew on published evidence such as the PCA’s Annual Reports, published arbitration data and the PCA’s Annual Tied Tenant Survey 2025 (‘PCA’s 2025 survey’) amongst others (see Annex A).

3. The statutory review has also considered the findings of Post Implementation Review (PIR) of the Code, which analysed the costs and benefits of the regulations since implementation.

Executive summary

The Pubs Code:

4. Views on the Code’s core principles of fair and lawful treatment and the ‘no worse off’ requirement were mixed and divided by stakeholder type. POBs and some business organisations/trade bodies generally considered the Code to be consistent with both principles, citing improved transparency, professionalisation, tenant satisfaction data, and low levels of formal dispute activity as evidence, while also arguing that broader market evolution, rather than the Code alone, had driven these improvements.

5. In contrast a wide variety of other groups including tenant and consumer focused groups raised concerns that, despite being embedded in legislation, the principles are not always realised in practice due to ongoing power imbalances, enforcement gaps, and complexity, particularly in relation to the Market Rent Only (MRO) process indicating the need for continued regulation.

6. While awareness of MRO has increased, take-up remains low, with respondents pointing to procedural complexity, cost, limited perceived financial benefit, and structural changes in the sector as key barriers. Evidence also suggests that MRO has influenced market behaviour, including shorter lease terms and a shift away from traditional tied models, prompting calls from POBs for reform such as MRO opt-outs, while tenant focused groups warn against weakening protections.

7. Overall, responses highlight fundamental differences in how the Code’s effectiveness is perceived between different stakeholder groups and the need to consider changes to certain provisions within the code due to changes in market dynamics.

PCA performance:

8. The Government found that awareness of and trust in the PCA remain relatively high among tenants. It welcomes the PCA’s improved communications, increased outreach, and greater use of digital platforms, while recognising concerns that some guidance materials are overly complex for some and that there is limited tenant understanding of the PCA’s statutory role, particularly its remit to provide advice. The Government encourages continued efforts to improve clarity, stakeholder engagement and proportionality in regulatory activity, including information requests.

9. While views differed on enforcement approaches such as the use of investigations, and supervised inquiries, the Government supports the PCA’s risk-based and proportionate approach, while suggesting ongoing monitoring of stakeholder perceptions. It also notes improvements in transparency, arbitration efficiency, and cost management, while acknowledging some concerns about arbitration quality and consistency, where it encourages the PCA to consider further reform. Overall, the Government concludes that many issues raised reflect differing stakeholder perspectives rather than systemic issues, and it supports the PCA’s continued evolution as an effective and proportionate regulator.

10. The Secretary of State does not believe he needs to issue new statutory guidance, but invites the PCA to consider the following areas to further improve its effectiveness:
    I. **Stakeholder outreach:** continue its efforts to review the effectiveness of its outreach and make adjustments accordingly including continuing engagement on understanding of hybrid agreements;
    II. **Factsheets:** consider feedback from tied tenants and other stakeholders to improve the practical clarity and accessibility of the PCA's factsheets and other published materials;
    III. **PCA's statutory remit:** consider increasing awareness of and communicating the statutory limits of the PCA's role with regards to providing general advice and guidance to tied tenants and other stakeholders;
    IV. **Requests to regulated businesses:** consider the proportionality of the requests PCA makes to POBs, both in terms of the content of the request and its timescale;
    V. **Use of informal resolutions:** consider monitoring the outcome of informal resolutions, where they are agreed, between parties, instead of formal enforcement measures, including stakeholders' perception of them; and
    VI. **Arbitration consultation:** encourages the PCA to act on feedback from its 2025 consultation on Code arbitration rules and any other concerns to further improve the arbitration service.

11. As the PCA has now been in existence for over a decade and the current PCA is reaching the end of her term in the role, the Government will also consider commissioning an independent review in early 2027 of how it protects tied tenants' rights and fair treatment under the Code, recognising the diversity of responses submitted to the Call for Inputs.

Fees, Costs and Financial Penalties:

12. The Government found that despite some concerns about regulatory costs and the risk of vexatious tenants wasting time and money, the Code must continue to ensure tied tenants have sufficient access to cost-effective dispute resolution. The Government therefore considers both the £200 referral fee to the PCA for arbitration, and the £2,000 cost cap on the exposure to POB costs to remain appropriate and proportionate.

13. The Government also found the 1% permitted maximum turnover penalty imposed by the PCA to remain proportionate and appropriate.

Conclusion:

14. In conclusion, given the overall feedback, the Government considers the Code to be operating consistently with the two overarching principles[2] as set out in the Act, with improvements in the professionalisation of the support available to tied tenants. However, the Government recognise that there is some concern with tenants' ability

[2] The principles of 'fair and lawful dealing by POBs in relation to their tied pub tenants' and 'tied tenants should not be worse off than they would be if they were not subject to any product or service tie'.

to access the existing MRO gateways including due to changes in the length and type of tenancies, and that POBs also feel MRO hinders their ability to invest and plan for the future of pubs. In accordance with its conclusions, the Government will proceed as follows:

I. **MRO Gateways:** develop proposals with stakeholders input to revise the existing MRO gateway provisions in the Code;
II. **MRO opt-outs:** develop proposals with stakeholders to expand MRO opt-out criteria allow for greater certainty between POBs and their tenants over longer timescales;
III. **PCA effectiveness:** encourage the PCA to act on six areas identified in this statutory review to further improve its effectiveness; and

15. The Government considers the PCA to have been broadly effective in enforcing the Code over the review period, with particular success in reducing arbitration cases and successfully completing its first investigation. We note POBs’ continuing queries over the size of the PCA levy and are grateful for PCA for its continuing efforts to reduce this.

Pub market structure

Pub Trends over time

16. In England and Wales, managed pubs have grown steadily whilst non-managed pubs, which include tied arrangements captured by the Pubs Code, have sharply declined, falling from around 23,000 in 2015 to 15,000 in 2025, a reduction of 36%.

17. As of 31 March 2025, there were 8,438 tied pubs in England and Wales in scope of the Pubs Code. This is down from 8,669 in financial year 2021/22.[3]

18. The PIR also found that whilst non-managed pubs still represented the largest pub type in England and Wales in 2025, the proportion has continued to fall each year, with managed pub numbers increasing, and free trade pubs remaining constant. In 2015, 47% of all pubs in England and Wales were part of the non-managed ownership type, whereas in 2025, this was 37% of the total.

Hybrid arrangements

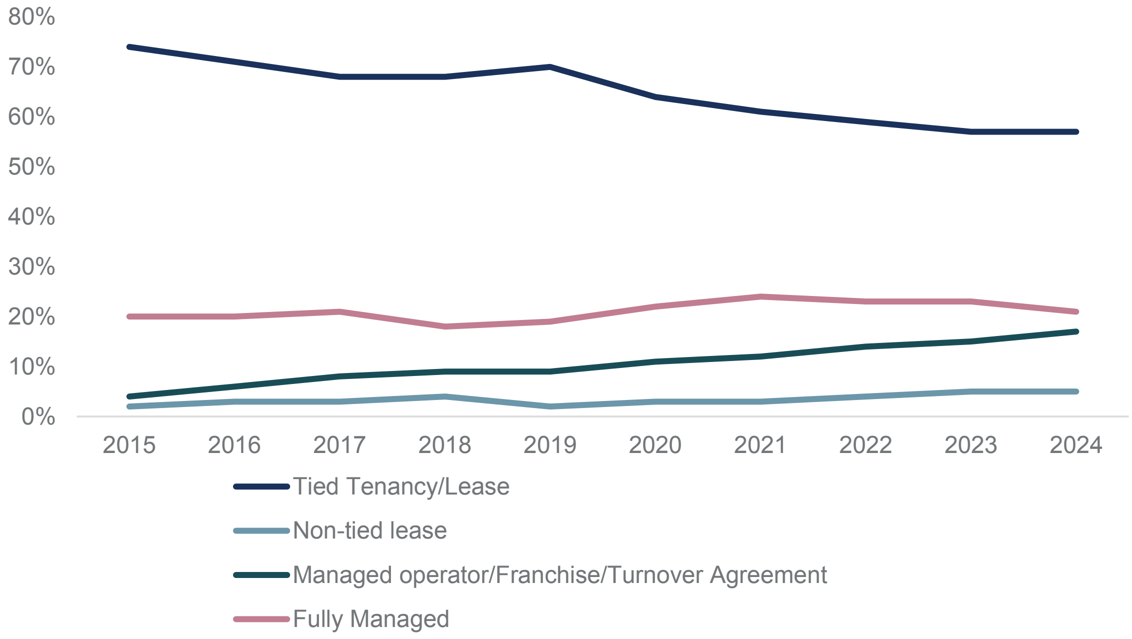
19. Using data submitted as part of the call for inputs, the PIR further found that whilst tied tenancies remained the most common operating model of the six POBs covered by the Code, representing around 57% of all operating models in 2024, this had steadily decreased over time, from around 74% in 2015 before the Pubs Code came into force.

20. It found that POBs were instead turning to turnover/hybrid agreements instead of tied tenant agreements. Managed operator models, which include franchises and turnover agreements/hybrid models[4], have increased in numbers over the same period, rising from 4% to around 17% of pub models by 2024.

[3] Data from PCA: 443

[4] Hybrid agreements are operating models which allow an operator of a pub to receive a percentage share of a pub's turnover to pay themselves and employ staff. The operator does not pay rent and is supplied with products by the Pub Owning Business.

Proportion of operating models within the estates of regulated pub companies[5]:



[5] Data submitted via the call for inputs, as illustrated in the PIR

Findings of the statutory review

Operation of the Pubs Code

Introduction

21. The Code is found in the Pubs Code etc. Regulations 2016[6]. It establishes a range of rights and protections for tied pub tenants in their commercial dealings with their POB related to their fair and lawful treatment.

22. The Code is a recognition of certain risks and issues which generally do not arise in other types of pub operating models. The Code does not aim to promote one pub operating model over another, whether tied, free-of-tie, managed etc; each is different, bringing different considerations for the parties, playing to the different strengths, objectives and personal circumstances of the individual and considering where the different contractual conditions may suit one tenant or operator more than another.

23. The Code is underpinned by two principles: 1) the fair and lawful dealing by POBs in relation to their tied tenants and 2) that tied tenants should not be worse off than they would be if they were not subject to any product or service tie. The Code aims to ensure greater transparency in POBs' dealings with their tied pub tenants and prospective tied pub tenants by:

    - requiring certain information to be provided to tenants prior to signing a contract;
    - creating requirements for rent proposals and rent assessments;
    - creating a process to appoint an independent assessor to determine the rent under an MRO tenancy, where this cannot be agreed;
    - prohibiting provisions in tied tenancies which only allow for rent increases;
    - preventing abuse of flow-monitoring devices;
    - preventing tied tenants being required to rent or purchase gaming machines;
    - requiring POBs to make provision for the role of their Business Development Managers (BDMs), including agreed written records of meetings with tied tenants;
    - requiring POBs to each establish a Code Compliance Officer (CCO) responsible for the POB's compliance with the Code;
    - allowing the right to price match premises insurance; and

[6] The Pubs Code etc. Regulations 2016

- ensuring protection from detriment for exercising or attempting to exercise Code rights

24. The Code also gives tenants the right, at certain times, to exercise an MRO option, to change from a tied tenancy to a free-of-tie tenancy where:

- the rent is set at the market level
- the tenant is able to buy products on the open market

25. This part of the report covers the main areas identified by stakeholders and from other available evidence relating to the operation of the Code. Respondents' views regarding the PCA performance are covered from paragraph 93 onwards.

How well respondents think the Pubs Code has operated between 1 April 2022 and 31 March 2025

26. Stakeholders provided a wide range of views. Responses reflected both perceived improvements and areas where the Code was viewed as insufficient or overly burdensome.

27. Some respondents reported that the Code had contributed to greater transparency in dealings between POBs and tied tenants, with some noting better recruitment processes, clearer information, and improved opportunities to negotiate outcomes that work for individual business circumstances. Some tenants indicated that, in certain cases, the option to seek an alternative rent structure had supported more balanced negotiations, and that awareness of rights and available processes had grown over time. A number of tenants also described receiving improved terms, such as reduced rents or increased discounts, through negotiation.

28. However, concerns were also raised. Some tenant and consumer focused respondents, including some individual tied tenants, reported the Code had not meaningfully altered the balance of power in practice. They described lengthy and complex negotiations, particularly around rent reviews and lease terms, and highlighted the challenges faced when dealing with large pub-owning businesses with extensive resources and legal support. Some tied tenants reported the use of increasingly complex or short-term agreements, alongside the growth of operating models that fall outside the current scope of regulation, which they felt undermined intended protections.

29. Several respondents also highlighted the absence of clear, practical guidance to help tenants understand how to exercise their rights. While the Code provides for certain protections in principle, some tied tenants said they found it difficult to understand how to apply the provisions in real-world scenarios without illustrative examples or accessible explanations. They suggested that clearer communication, improved guidance from the PCA and more consistent case studies would help tenants navigate the system and strengthen their ability to negotiate fairly.

30. POBs reported that complying with the Code had resulted in significant operational costs and taken up substantial administrative resources. Some POBs said these burdens had grown over time and were diverting investment away from pubs and local support. While acknowledging the importance of fair dealing, several POBs argued that the cumulative impact of ongoing compliance obligations had become disproportionate.

31. Some respondents said the Code had contributed to reduced investment, shorter tenancy terms and less appetite for longer-term agreements. They linked this to the difficulty of predicting returns on investment under current regulatory constraints. The Code may also have discouraged some pubs from being let or improved, particularly where commercial viability was marginal.

32. There were also comments saying the Code required significant reform. Suggested improvements included expanding the Code to include additional operating models, strengthening tenant protections to address perceived imbalances in negotiation power, increasing transparency in rent assessments and enhancing the ability of the PCA to specify compliant tenancy terms.

33. Others, including POBs stated the Code had served its purpose, with improvements in governance and transparency now being embedded in business practices. They argued that the sector now operates with higher standards and that a voluntary, industry-led code, combined with proportionate dispute resolution processes, may be more appropriate.

34. Overall, feedback demonstrated a diverse set of experiences. While some tenant and consumer focused respondents including some individual tied tenants and reported that the Code was functioning satisfactorily, others considered it too complex, unclear, or insufficiently robust to address structural imbalances. Conversely, some POBs considered the Code to be overly burdensome and disproportionate.

Scope

Threshold

35. Some tied tenants and a consumer group noted that tenants of pub-owning companies with estates below 500 (sub-500) do not have the same protections provided by the Code like tenants of the regulated pub-owning companies (the POBs) and suggested that Government consider extending the Code to them. Several sub-500 pub-owning companies spoke positively about the voluntary code, noting the low number of disputes, and advocating that the statutory Code should not be extended. A POB raised a different impact of the threshold, suggesting that it created an ‘uneven playing field’ as sub-500 pub companies do not have to pay the levy or other Code compliance costs and can instead invest this money into their estates.

36. There was a consensus among the POBs that replacing the Code with a voluntary code should be considered. They stated that Code standards are now fully embedded into working practices and the Code is no longer necessary to enforce them. The lower cost of a voluntary code was identified as a key benefit which would allow more

investment into pubs, for instance drawing comparisons to the low cost of arbitrations under the voluntary code compared to the statutory Code.

Types of Agreements

37. The PCA's response suggested Government may wish to assess whether the Code, or any of its exemptions, should apply to certain profit or turnover share agreements, where no rent is payable, often called 'hybrid' agreements. In March 2025 the PCA released a statement[7] saying that while it considered some of these agreements may fall under the definition of a tied pub, many Code rights are not applicable and it did not consider it appropriate to require their compliance with the Code at present, though it was keeping the matter under review. The PCA also noted it was not aware of evidence showing significant harm to operators from hybrid agreements.

38. In the call for inputs, POBs said they did not think it was necessary to include hybrid agreements in the Code, arguing that the Code was not designed to regulate them and that many of the Code's key provisions do not apply. They described hybrids as attractive to operators due to their low cost, low risk method of entry to the sector, with pub-owning businesses bearing the risks of rising costs. They cited high satisfaction rates from hybrid operators, and sometimes higher satisfaction rates than from tied tenants. One industry organisation noted a growing number of inquiries from people interested in entering a hybrid agreement.

39. A range of respondents including tenant and consumer focused groups, a valuer and a surveyor, felt that hybrid agreements should be regulated under the Code. One response argued that tenants in short term notice agreements needed some form of protection and recourse to arbitration when disputes occur. A number of responses suggested that hybrids are not 'true' self-employment, as there are extensive rules which mean operators have little say in the running of the pub. One response described them as 'managed pubs in all but name', and a current hybrid operator noted that product ties meant they could not source products from elsewhere, even though they could save money by doing so. Some respondents suggested hybrid numbers were increasing so POBs could avoid the Code. Several POBs denied this, highlighting that hybrids had existed before the Code.

40. While some stakeholders to the call for inputs raised some concerns regarding employment status, operational autonomy and access to redress under these agreement types, the current evidence base does not demonstrate clear or widespread harm that would justify amending the Pubs Code in relation to hybrid agreements. The Government notes that the PCA is continuing to keep these agreements under review, recognising the view that as no rent is payable in relation to these agreements, it is difficult to see how most of the provisions of the Pubs Code could apply[8].

---

[7] PCA considers innovative agreement types | PCA

[8] PCA considers innovative agreement types | PCA

Principles of the Code

Fair and lawful treatment

41. Comments on this principle were very mixed and largely divided on respondent category lines. POBs and some trade bodies generally felt that the Code operating consistently with this principle. They highlighted improvements in transparency, information provision, and professionalisation of business relationships. They also mentioned the consistently low number of referrals to the PCA for non-compliance, which, they argue, suggests tied tenants are being treated fairly and lawfully.

42. Several POBs stressed that the industry had significantly changed since the Code's introduction, and that this evolution had created a more transparent and ethical environment which embedded Code principles. Some POBs also referenced the PCA's 2025 survey[9], which showed that 61% of tenants were satisfied with their relationship with their POB and seven in ten were satisfied with their BDM[10] relationship.

43. However, some other respondents cautioned against attributing current standards of fair and lawful dealing solely to the statutory Pubs Code. Whilst they considered the Code consistent with this principle, they saw wider industry changes, including the voluntary code, increased professionalism and stronger competition for successful tenants, as key drivers of improved practice.

44. One respondent said they thought the MRO option arguably went beyond fair and lawful dealing, by allowing tenants to move to a different agreement by giving them more negotiating power.

45. Few tied tenants responded to this question. Responses did not provide a strong view and focused more on the continuing need of tenants to have protection. Several other respondents covering tenant, business and consumer interests did however respond and were more critical of the Code being consistent with fair and lawful dealing. Comments included that whilst the principle was embedded in the Code, it was not realised in practice due to enforcement gaps, power imbalances and practical barriers.

46. Some tenant focused groups said the Code had been weakened during the passage of the Act, and that power imbalances between POBs and tied tenants persist. A consumer group concurred about the continuing power imbalances and suggested Government should review whether tenants in the sub-500 sector are at a disadvantage and extend the statutory Code to them if necessary.

47. A business representative organisation/trade body said POBs had found other ways to retain power over tied tenants while continuing to receive rent and profits from the tie. These included prolonging and complicating the MRO process, converting tied tenancies to managed or franchise agreements and using upward-only rent reviews.

---

[9] [PCA Annual Tied Tenant Survey 2025 | PCA]
[10] Business Development Manager

48. More positive responses included a tenant focused group saying the Code had significantly improved commercial agreements for tied tenants. Another business representative group/trade body said the Code was broadly consistent with fair and lawful dealing. The respondents noted that its operation had improved over time and now mainly served as a rent negotiation tool, although some suggested dilapidation reports did not always reflect the spirit of the Code.

49. One respondent said it was difficult to assess whether the Code was consistent with fair and lawful dealing, as its application varied widely and depended on individual interpretation. They suggested clearer practical examples of good and bad POB behaviour would help tied tenants identify fair and lawful treatment more quickly.

No worse off principle

50. Views here were again very mixed and largely divided according to respondent type.

51. POBs generally said the Code was broadly consistent with this principle. They cited the low and declining number of MRO requests as evidence that tenants were content with the tied model. Some also highlighted the model's benefits, including pandemic support, training, lower risk and other SCORFA[11] benefits, as evidence that tied tenants were not worse off.

52. Some POBs cited tenant satisfaction surveys including from KAM Media[12] and the PCA's annual tied tenant survey[13] showing high satisfaction with POB relationships and tied-model support.

53. However, some POBs and a business representative group/trade body said the no-worse-off principle was difficult to measure against free-of-tie models, given differing risk/reward balances, support packages and obligations. Specific comments included:

- comparisons should cover the lifetime of an agreement, not a single point in time;
- quantifying the principle is complex due to limited data and analyses often focus on beer pricing and rent, overlooking wider SCORFA benefits;
- the assumption that regulation is needed to prevent tenants being worse off warrants closer scrutiny, and the value of the tied model, particularly in crises, is hard to capture through simple metrics;
- there is no formulaic way to assess whether a tenant is no worse off, as tied and free-of-tie markets involve different costs and benefits; and

---

[11] Special Commercial or Financial Advantages
[12] TLI: The Licensee Index - KAM. Results from the KAM Media Licensee Index are not publicly available.
[13] PCA Annual Tied Tenant Survey 2025 | PCA; PCA Annual Tied Tenant Survey 2024 | PCA; PCA's Annual Tied Tenants Survey Results 2023 | PCA; PCA Annual Tied Tenant Survey 2022

- the principle only partly reflects market realities, as tied-model benefits are often intangible and vary between tenants.

54. POBs and a business representative group/trade body said some tied tenants had misplaced expectations about what being free-of-tie involves. They said free-of-tie leases are usually more arm's-length, with tenants taking on greater repairing obligations, liabilities and risk than under the tied model. They described the tied model as closer to a partnership or franchise, with POBs taking on more risk and investing in tenant support. They argued that moving to an MRO agreement is therefore not as simple as removing a product or service tie.

55. Some POBs said the MRO right had caused unintended consequences, including shorter lease terms and reduced investment. They argued for repeal of the Code or an MRO opt-out, similar to provisions in other legislation[14], to facilitate longer or alternative leases without the risk of tenants changing the underlying economic model. Some cited the 2024 KAM Media Licensee Index[15], with one response noting that, of 1,460 tied tenants surveyed, more than three-quarters were interested in an MRO opt-out and over a quarter were "very interested".

56. Business representative group/trade bodies had mixed views on the no-worse-off principle. Some said feedback suggested the Code was consistent with it, while others argued free-of-tie pubs remained more profitable than tied pubs. One respondent said current arrangements had obscured how the market works and created an artificial profile that benefited neither POBs nor tied tenants.

57. Another respondent said the principle was clear and embedded in the Code but applied inconsistently. Some tenants valued MRO as leverage in rent reviews, but information asymmetry and complex rent calculations often required specialist support. They added that, while some tied tenants remained satisfied with their POB relationship, some felt disadvantaged by the tie.

58. A consumer group said significant improvements were needed to ensure tied tenants were truly no worse off than free-of-tie tenants. They cited a 2022[16] survey in which 73% of tied tenant respondents said the Code principles had not been met. They also argued for a statutory guest beer right to create a more level playing field with free-of-tie pubs, a point echoed by an individual who said tenants were restricted from stocking products customers wanted.

59. Only three current tied tenants responded to this question, all saying the Code was not consistent with the no-worse-off principle. Concerns included paying above-market prices for stock from specified distributors while taking on increasing property liabilities. A former tied tenant said the MRO option had left them better off, while a small pub company operating one tied and one free-of-tie pub said the tied model was unfair because of high rents.

---

[14] s38A Landlord and Tenant Act 1954
[15] The KAM Media Licensee Index is not publicly available, so DBT is not able to verify this statistic
[16] CAMRA calls for fundamental changes to the Pubs Code - CAMRA - The Campaign for Real Ale

60. A variety of other groups including tenant and consumer focused groups and a previous tied tenant also said the Code was not consistent with the no-worse-off principle. Reasons included:

- free-of-tie pubs remaining more profitable than tied pubs;
- more tied pubs closing and very few tenants pursuing or securing MRO;
- concerns that the PCA's interpretation of the legislation had left some former tied tenants on MRO agreements with worse terms than free-of-tie tenants;
- the MRO option not delivering its intended outcome: allowing tied tenants to achieve similar profitability to free-of-tie tenants on an independently assessed market rent; and
- anecdotal reports that most former tied tenants now on MRO agreements say they are better off, which tenant focused groups said explained why POBs discourage MRO.

Market Rent Only (MRO)

61. The MRO right in the Code allows for a tied tenant to decide whether they are 'no worse off' than if they would be if they were not subject to any product or service tie. The Code sets out four circumstances[17] ('MRO gateways') where a tied tenant can issue an MRO notice requiring the POB to issue its response, including with an MRO proposal setting out the terms and the rent for a 'free-of-tie' tenancy.

MRO Take-up

62. Tenants have the right to issue their POB with an MRO notice. The period under review, 1 April 2022 – 31 March 2025, saw 391 MRO notices received[18], of which 332 were accepted, meaning that over 80% of MRO notices were accepted. Of those notices which were received and accepted, 159 resulted in a free-of-tie arrangement by new agreement or by deed of variation[19].

63. In the nine years of the Code being in place (2016-2025), nearly all tenants with longer-term, more traditional, tenancy agreements will have had at least one (if not two) MRO events. Of these, as of June 2025 only 1,559 resulted in a valid MRO notice being submitted to a pub company[20]. This represents on average 173 valid applications per year since the Code came into force. This has fallen considerably in

---

[17] Pubs Code Adjudicator_Factsheet_Market Rent Only (MRO) Rights_0.pdf
[18] Pub Partnerships | BBPA Calculation using number of MRO notices received and accepted or rejected but not those withdrawn as per the green cells. Data includes some pending responses from POBs.
[19] Pub Partnerships | BBPA
[20] Data submitted via the call for inputs, as illustrated in the PIR and illustrated in: Pub Partnerships | BBPA. The 1,559 figure refers to valid MRO notices received and accepted or rejected but does not include those withdrawn. This only includes MRO notices where a full response has been issued by the POB, as per the blue cells.

the most recent years with just 88 in 2024 and 32 in the first six months of 2025. Of these valid notices, just 401 or 25% resulted in tenants completing an MRO (45 per year) with the majority ultimately choosing to continue with a tied agreement[21].

64. As at the end of September 2025, nearly 2,000 MRO notices**[22]** had been received, and 405 of those had resulted in free of tie arrangements, either by new agreement or by deed of variation.**[23]**

65. Despite the low MRO take up, data from the PCA's annual tied tenant surveys[24] showed that awareness of MRO right had increased over the review period:

Year	Percentage aware of MRO right
2025	70%
2024	63%
2023	63%
2022	61%

66. Respondents to the call for inputs suggested MRO demand may be low because of several factors, including:

67. <u>Complexity, cost and barriers in the MRO process:</u>
   - Procedural complexity: tenant representative groups reported that the MRO process is complex, time-consuming, and costly. The need for legal advice, the risk of arbitration costs and the technicalities involved also deter tied tenants from pursuing MRO.
   - Financial risks: even with cost caps, tied tenants can face unpredictable expenses, and the process can be daunting, especially for smaller operators.

68. <u>Delays and friction:</u> some respondents mentioned deliberate delays or procedural hurdles imposed by POBs, making the process unattractive or unviable.

69. <u>Perceived or actual limited financial advantage:</u> a perception that the financial benefits of going free-of-tie are not always clear-cut. The increase in rent under

[21] Pub Partnerships | BBPAs
[22] Pub Partnerships | BBPA Calculation using number of MRO notices received and accepted or rejected but not those withdrawn as per the green cells. Data includes some pending responses from POBs
[23] Pub Partnerships | BBPA Calculation using number of free tie arrangements by new agreement and agreed by deed of variation as per yellow cells.
[24] PCA Annual Tied Tenant Survey 2025 | PCA; PCA Annual Tied Tenant Survey 2024 | PCA; PCA's Annual Tied Tenants Survey Results 2023 | PCA; PCA Annual Tied Tenant Survey 2022

MRO, loss of support, and the need to source products and services independently can offset the savings from being untied.

70. Satisfaction with tied agreements: some POBs argue that tenants are no worse off under the tied model, and that the low take-up of MRO demonstrates satisfaction with the tied model.

71. Market and structural changes: shorter agreements resulting in few opportunities to use existing MRO gateways: the shift towards shorter, less secure agreements (often five years or less) and alternative operating models (such as managed or hybrid agreements) has reduced the number of tenants eligible for MRO.

72. Changing Sector Dynamics: some respondents noted that the overall decline in the number of tied pubs and the rise of alternative models had contributed to the reduced relevance and demand for MRO.

73. Awareness and information gaps: lack of awareness: some tenant representative and consumer groups pointed out that that not all tenants are fully aware of their rights or the practicalities of the MRO process, which may suppress demand.

Impact of MRO

74. Length of tied tenancy agreements: evidence submitted to the PIR shows a clear reduction in lease agreements greater than 5 years, from 62% to 35%. There has also been a reduction in the average length of tied agreement, from 10.55 years in 2015 to 8.18 in 2024.

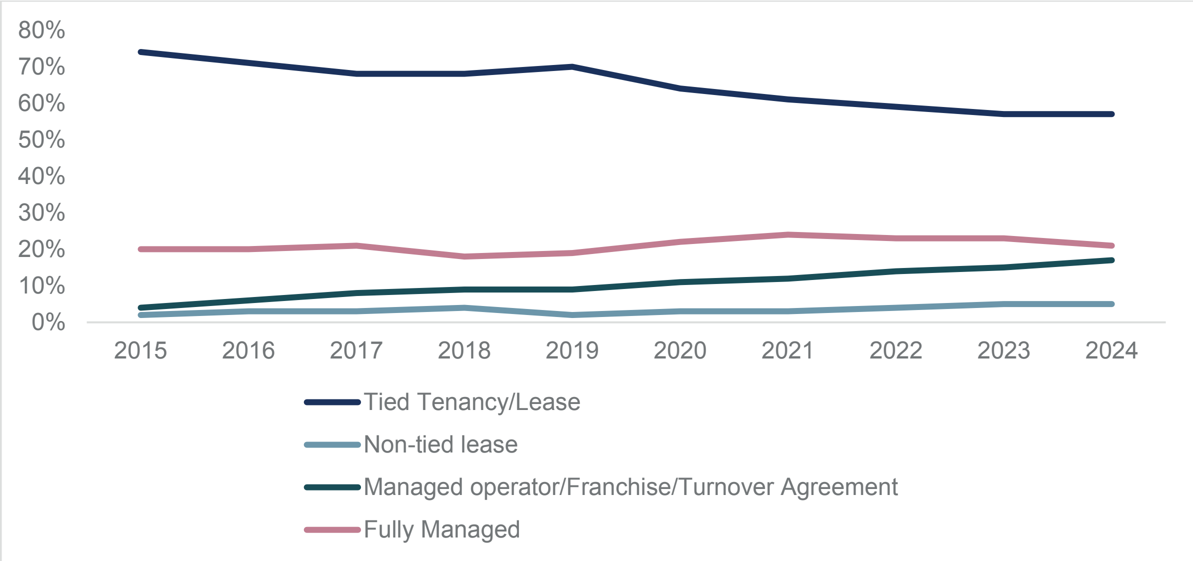
75. Call for inputs responses suggested that, while commercial tenancy agreements have generally reduced in length, the MRO option is increasing this trend in the tied pub sector. They argue this is because POBs are less incentivised to sign longer leases as they would be required to include a rent review which is an MRO event, which could lead to a tenant going free-of-tie agreement and POBs losing income.

76. Responses also suggested the existence of the MRO option is the cause for this reduction in tied agreement lengths, as POBs are less incentivised to sign longer leases when a tenant could move to a free-of-tie agreement and pay market rent only.

77. Lower numbers of tied tenancies: as shown below, tied pubs have reduced in number, and hybrids[25] have increased. The data shows a steady decline in tied tenant agreements, regulated under the code, since 2015, from 74% to 57% in 2024, and an increase in hybrids from 4% to 17% over the same period. Call for inputs responses again suggest MRO is the main reason, with tied tenancies having become less attractive to POBs to invest in because of the uncertainty caused by the MRO right.

[25] Called managed operator/franchise/turnover agreements in the graph

Proportion of operating models within the estates of regulated pub companies[26]



78. POBs and a business representative organisation/trade body therefore argued that the Code should allow tenants to opt out of MRO rights for a fixed period in return for greater POB investment and/or a longer tied agreement. POBs said this would give them more certainty to invest. One response cited the October 2024 KAM Licensee Index[27], which found 77% of publicans were interested in opting out of certain MRO rights for increased investment or a longer agreement term.

79. Some POBs said the MRO right had created a two-tier system between POBs regulated by the statutory Code and those with fewer than 500 tied tenancies under the voluntary code, which has no MRO right. They argued that moving to a voluntary Code would improve fairness and consistency across the tied pubs sector.

80. Tenant and consumer focused respondents were cautious about an MRO opt-out, warning it could weaken tenant rights and reduce the Code's effectiveness. They said tenants who had opted out under the current investment exception were often dissatisfied, with expected sales and profit gains not materialising and some feeling financially trapped in POB-favourable agreements

---

[26] Data provided via the Call for Inputs
[27] The KAM Media Licensee Index is not publicly available, so DBT is not able to verify this statistic.

Guest Beer

81. Although the call for inputs did not ask about a guest beer right[28], some respondents raised it. A consumer group[29] and an individual supported adding one to the Code, arguing it would let tenants' stock at least one beer of their choice from a smaller or local brewery, increasing consumer choice, supporting small brewers and helping rebalance the tenant - POB relationship.

82. A brewery owner noted difficulties selling keg beer to tied and non-tied pubs because many guest beer arrangements cover only cask beer. An MP supported an agreement similar to that in the Scottish Tied Pubs Code[30], giving tied tenants the right to request a guest beer agreement[31].

83. By contrast, some family brewers and pub-owning companies with fewer than 500 tied pubs had reservations, including:
    - mandatory guest beer rights could undermine traditional brewery-tied models, which rely on exclusive supply to support pub and brewery investment;
    - such a right could favour large international brands over local brewers or reduce investment, as some respondents claim has happened in Scotland; and
    - mandatory intervention could have unintended consequences, resulting in lower investment, weaker pubs and faster closures.

84. Other comments included that whilst the principle was positive, its implementation would need to ensure it did not harm investment or the viability of the tied model.

85. Most POBs argued that the market already offers sufficient choice and further regulation is unnecessary. They said many tied agreements already allow guest beers where there is demand, with product ranges driven by consumer preference.

86. The six POBs covered by the Code already voluntarily allow for a guest beer to be sold by their tied tenants, five of which use SIBA's commercial operation, Beerflex. The sixth, Stonegate, while not operating Beerflex, works with the Beer Company[32], who manage the tendering process and ordering and consolidating invoicing of craft beers and ciders on behalf of several pub-operating companies.

[28] In the 2024 autumn budget, the Government announced it would consult on ways to ensure small brewers could retain and expand their access to UK pubs, and maximise drinkers' choice, including through provision to enable more 'guest beers'. The guest beer consultation was conducted separately to the Pubs Code call for inputs.
[29] Several members from the same consumer group responded with the same comments.
[30] Introduced by the Tied Pubs (Scotland) Act 2021 and The Scottish Pubs Code Regulations 2024 The Scottish Code applies to all pub-owning companies and their tied tenants in Scotland and does not have a 500 pub de minimis threshold.
[31] The agreement allows tied tenants to sell at least one beer of their choice at a price they set. The guest beer must come from a brand that produced 5,000 hectolitres or less annually. Guidance.
[32] The Beer Company - The Beer Company!

Government assessment: operation of the Code

87. Based on the responses to the call for inputs and associated evidence used, the Government concludes that the Code has broadly met the core principles required by the Act. The Code has offered a degree of protection to ensure the fair treatment of tied tenants, although certain areas such as MRO rights could work more effectively. The Government will continue to carry out the Code's three-yearly statutory review as required by legislation, to assess how the Code needs to adapt to changing market conditions.

88. The no worse off principle is largely tied to the availability of the MRO option. Stakeholder opinion was divided regarding MRO, and whether it provided tenants with greater bargaining power. Evidence suggested that only a quarter of MRO notices resulted in a free-of-tie agreement. This might suggest that the majority of tenants are satisfied with their tenancies and the option allowed them to negotiate a better deal. Other respondents disagreed and believed the lack of uptake was down to practical complexities and a general lack of awareness. This indicates that the MRO gateways and opt out provisions set out within the Code may require amending. The Government will therefore develop proposals with stakeholders to introduce additional MRO gateways and further opt-out provisions, with the aim of strengthening the effectiveness of the Code.

89. The Code may also have created unintended consequences, limiting potential investment in the sector. Uncertainty created by MRO rights is said by POBs to have reduced their incentive to invest in tied pubs and resulted in shorter agreements being offered to tenants. This reduced investment from POBs may be deterring tenants from maintaining their existing tied agreements.

90. POBs also suggest that the MRO right has exacerbated the move away from the tied model towards hybrid agreements. Operators in hybrid arrangements usually act as a self-employed partner rather than a tenant, receiving a percentage of turnover to cover staff and living costs while the pub company covers repairs, utilities and stock. Despite this, some respondents to the call for inputs suggested hybrids were 'managed pubs in all but name', with operators having little say in running the pub. This, and as most hybrid agreements are not currently regulated under the Code, has led to concern that hybrid operators are disadvantaged when compared to tied tenants.

91. The Government's view is that the current evidence base does not demonstrate clear or widespread harm that would justify amending the Pubs Code in relation to hybrid agreements but notes that the PCA is committed to continuing to keep these agreement types under review[33]. It is right that the PCA continues to monitor different agreement types, in line with their statutory responsibilities.

92. Based on these findings, the Government will develop proposals with stakeholders to introduce additional MRO gateways and further MRO opt-out provisions in the

[33] PCA considers innovative agreement types | PCA

coming months. The Government aims to conclude engagement and provide updates on the progress of the Pubs Code amendments in 2027.

Pubs Code Adjudicator (PCA)

Introduction

93. The PCA's role is to enforce the Code and to encourage and monitor compliance. The PCA has a duty to arbitrate disputes where a tied tenant or a POB make a referral and can appoint a third party to do so on its behalf. The PCA is a separate statutory entity independent of Government and is wholly funded by an annual levy imposed on POBs. To safeguard its independence, the PCA cannot be directed how to discharge its functions but operates in accordance with a broad governance framework agreed by the PCA and Government. Fiona Dickie was appointed as the second PCA in May 2020 and has remained in post for the entirety of this review period.

General comments on PCA effectiveness

94. Comments to the call for inputs were mixed across a range of stakeholders. Some respondents felt the PCA's effectiveness had been limited, with recurring concerns about slow responses, lack of practical guidance and a tendency to repeat the Code's wording without meaningful clarification.

95. Some respondents noted recent improvements, particularly the PCA's new website and more regular meetings, which helped present information more clearly and improve accessibility. Its guidance, advice and factsheets were welcomed, though some said factsheets often restated existing practice rather than offering new interpretations.

96. Some respondents were frustrated by the low number and limited scope of formal investigations, calling for the PCA to be more proactive and transparent in tackling unfair or unlawful Code practices.

97. The PCA's outsourcing of arbitration to the Chartered Institute of Arbitrators (CIArb) raised concerns about consistency, cost and tenant accessibility. Some found the process complex and intimidating and wanted a simpler, lower-cost route. Although some stakeholders noted that the PCA had met arbitration performance measures, others felt the process was too remote. The Review notes that falling arbitration numbers allowed the PCA to bring arbitration management back in-house at the end of 2025.

98. Respondents recognised improved PCA engagement and awareness, particularly through social media and the new website. The PCA's 2025 survey[34] showed tenant awareness remained relatively high and rose by five percentage points from 2024 to

[34] PCA Annual Tied Tenant Survey 2025 | PCA

2025. Trust also remained stable, with around two thirds of tenants trusting the PCA to be independent of government (62%) and pub companies (65%). However, some tenants still did not fully understand the Code or how to exercise their rights, prompting calls for clearer, more practical support.

99. Some POBs felt the PCA focused too much on tenants and not enough on supporting businesses, despite POBs funding it through the levy. They also raised concerns about 'scope creep' beyond the Code, possibly because faster referrals and arbitrations had freed up PCA time. Examples included involvement in commercial terms and aspects of free-of-tie tenancies outside the Code. POBs saw this as regulatory overreach, while the PCA notes it sometimes addresses broader issues where intelligence indicated concern.

100. POBs also viewed the PCA levy as disproportionate and poor value for money, given low arbitration and investigation numbers and limited handling of general enquiries. They said office costs had grown since the Code was introduced, the levy added to wider regulatory burdens and funds could be better invested in pubs. They also said annual changes to the levy structure made costs hard to forecast and suggested the levy should better reward compliant POBs.

101. Respondents acknowledged the PCA's challenging role, given the complexity of the legislation and high expectations from both parties.

Communication and engagement

102. The last Review noted concerns about the PCA's approach to communication. Its August 2022[35] three-year strategy committed to stronger stakeholder relationships through regular engagement. During the review period, the PCA reported that they had deepened and widened their stakeholder engagement. This included meetings with different tenant representative bodies, holding round tables for tenants and those who support then, and visiting tenant at their pubs with POB representatives and the Society for Independent Brewers (SIBA).

103. Responses to the call for inputs showed that there has been some improvement since the last Review, including the PCA's improved responsiveness in handling enquiries and correspondence and more regular communication. One respondent stated they were grateful to the PCA for their consistent engagement and dialogue about making sure the Code is accessible and effective.

104. However, some respondents, including POBs, still found engagement burdensome and said there were few simple, informal ways to resolve issues quickly.

105. Most POBs said the PCA set short response deadlines and requested detailed information, followed by long periods with little communication or feedback. Some respondents, including a tied tenant and an arbitrator, said the PCA was slow to respond or did not respond. The PCA said deadlines were good regulatory practice, helping clarify expectations and maintain progress. It also said POBs could request

[35] Pubs Code Adjudicator launches its three-year strategy | PCA

extensions and that information requests were carefully considered to ensure reasonableness.

106. The PCA highlighted their quarterly roundtables with POB CCOs, introduced in 2024, which support good practice sharing and led to agreed minimum standards for short agreements. It also pointed to wider tenant and representative engagement through roundtables, pub visits and industry events.

107. The PCA's 2025 Survey[36] period showed tenant awareness of the PCA remained relatively high during the review period and rose by five percentage points from 2024 to 2025:

Year	Very or quite aware of the PCA
2025	60%
2024	55%
2023	54%
2022	54%

108. Tenants' trust in the PCA remained stable in 2025: 62% trusted it to be independent of government and 65% of pub companies. Those who distrusted it cited perceived bias towards pub companies, limited action on some issues and scepticism that any such organisation could be fully independent. Overall trust in the PCA's independence[37] increased over the review period, although progress stalled slightly between 2022 and 2023:

Year	Trust PCA to be independent of Government	Trust PCA to be independent of Pub Companies
2025	62%	65%
2024	64%	61%
2023	57%	56%
2022	57%	58%

[36] PCA Annual Tied Tenant Survey 2025 | PCA
[37] PCA Annual Tied Tenant Survey 2024 | PCA; PCA's Annual Tied Tenants Survey Results 2023 | PCA; PCA Annual Tied Tenant Survey 2022

Giving advice and guidance

109. The PCA has the power to issue statutory guidance under s61(3) of the Act and statutory advice under s60. During the review period, the PCA exercised, statutory guidance powers three times[38]:

- In April 2022, the PCA issued advice clarifying how the Fees Regulations[39] apply to disputes about Independent Assessor determinations, following documentation from a PCA-appointed external arbitrator;

- In March 2023, the PCA issued statutory guidance to POBs after arbitration disputes and tenant concerns about barriers to accessing MRO, aiming to improve access, consistency and transparency; and

- In June 2023, the PCA updated its advice on non-MRO arbitration referral timings to clarify time limits for tenants.

110. In addition to statutory advice and guidance, the PCA continued to provide and update tenant factsheets on the Code and related processes, the most accessed part of its website. During the review period, it published five new factsheets on arbitration disputes, franchise agreements, short agreements, repairs and dilapidations, and assignments.

111. The PCA launched its independently hosted website in March 2025, with a more user-friendly layout, improved functionality and better search facility. It received over 8,000 visits in its first three months. Alongside the launch, the PCA updated all 20 factsheets to explain key Code rights more clearly and accessibly.

112. Across the reporting period, around a quarter to a third of tied tenants surveyed had visited the PCA's old website. Of those visiting between 2022 and 2024, around three quarters found it helpful, with helpfulness increasing each year:

- 2022 – 32% surveyed visited in last 2 years (71% of those found it helpful);

- 2023 – 24% surveyed visited in past year (77% found it helpful);

- 2024 – 26% surveyed visited in past year (80% found it helpful);

- 2025 – Q not asked

113. Throughout the review period, the PCA used more social media and online publications to raise awareness of its role and support for pub tenants and the wider industry. In 2023, it also published videos with tied tenants from different POBs explaining how tenants can use their Pubs Code rights.

114. Respondents had mixed views on the PCA's advice and guidance. Several said its products, including factsheets, were over-complicated and lacked practical clarity,

---

[38] The Pubs Code Adjudicator - Annual Report and Accounts 2022 – 2023 and PCA_Annual_Report_and_Accounts_2023_-2024.pdf
[39] The Pubs Code (Fees, Costs and Financial Penalties) Regulations 2016

calling for clearer plain English. Others recognised improvements and the challenge of making complex legislation accessible while meeting high stakeholder expectations.

115. Most respondents found the PCA's new website useful for accessing advice and guidance, although some questioned how much it would benefit tied tenants and saw it as more focused on promoting the PCA.

116. Some respondents, including POBs, a business representative organisation/trade body and a surveyor, said the PCA was reluctant or refused to give general Code advice, leaving enquirers to seek legal advice at extra cost. Tied tenants also said they struggled to get support because their experience is that the PCA does not handle individual enquiries or complaints, instead signposting them to bodies such as the BII[40] and Licensed Trade Charity.

117. POBs said the PCA's reluctance to advise them could lead to differing Code interpretations. They also felt the PCA was too tenant-focused, despite POBs funding it through the levy. The Review notes that the statutory framework does not make the PCA a complaint-handling body, suggesting limited awareness of its role and limits. It also notes that all regulated POBs fund BII membership for tied tenants, giving them access to BII advice.

118. Respondents across several categories said the PCA was slow to respond to enquiries, often with long periods of silence. POBs contrasted this with the PCA's short deadlines for detailed responses, which they said diverted resources from core business priorities.

Investigating non-compliance with the Pubs Code

119. The PCA did not carry out any new statutory investigations during the review period. It continued monitoring recommendations to Star Pubs from its first formal investigation until the end of 2023. Star Pubs' High Court appeal against financial penalties was settled in April 2023, and it paid a £1.25m penalty and the PCA's costs of the investigation.

120. Some respondents were frustrated by the low number of formal investigations, suggesting this may reflect the PCA's rigid application of the Code. A tenant representative group, an arbitrator and a consultant/adviser said there was ongoing evidence of Code breaches. A consumer group called for resources freed up by faster referrals and arbitrations to be used to investigate unfair or unlawful Code practices.

121. One POB said the low number of investigations showed a maturing regulatory environment, with many Code-related practices now well established. The PCA said it follows the Regulators' Code[41], by taking the most proportionate approach to driving compliance and preventing non-compliance.

[40] British Institute of Innkeeping
[41] [Regulators' Code - GOV.UK]

122.During the review period, the PCA developed and piloted ‘supervised inquiries’, which it describes as a collaborative, voluntary regulatory approach short of a statutory investigation. They provide structured PCA oversight to help resolve breaches proportionately and effectively.

123.The PCA conducted two supervised inquiries involving two POBs. One led a POB to amend tenant correspondence on pub insurance arrangements. The other concerned historic breaches of rent proposal regulations for new tenants ; the POB notified affected tenants and gave them an opportunity to raise concerns.

124.The PCA has committed to refining supervised inquiries to ensure proportionate and effective use. Some POBs criticised the use of supervised inquiries, arguing that because they are not defined in the statutory framework, their status, procedure and POB obligations remain unclear.

Enforcing the Code where non-compliance is found

125.As the PCA conducted no investigations during the review period, no Code breaches were found through formal investigation.

126.Respondents again noted the lack of formal investigations and limited opportunities for PCA enforcement. Some said enforcement felt limited and reactive, financial penalties were rarely used and the PCA’s preference for negotiated settlements allowed POBs to delay or avoid meaningful compliance.

127.The PCA continued its online breach reporting process and updated the related policy. Under the Pubs Code Regulations[42], each POB must ensure its CCO submits an annual compliance report to the Adjudicator within four months of the relevant financial year-end.

128.In addition to this, the PCA has since 2022 operated a voluntary self-reporting breach tool, for POBs to report Code breaches and mitigation action. This helps the PCA monitor live compliance and lets POBs demonstrate effective self-monitoring and timely action. The PCA also established an online Breaches Register in April 2022, now searchable on its new website to improve transparency and accessibility.

Arbitrating disputes under the Pubs Code

129.The PCA outsourced the arbitration management service to the Chartered Institute of Arbitrators (CIArb) between December 2021 and November 2025. The process worked by CIArb recommending suitable arbitrators to the PCA for appointment under the Adjudicator’s statutory powers. The PCA said they were pleased to have improved their performance measure for appointing an arbitrator, reducing the time within which 90% of appointments are made from 25 working days to 20[43].

---

[42] The Pubs Code etc. Regulations 2016
[43] PCA Annual Report & Accounts 2024 – 2025 page 22

130. The PCA worked with CIArb to improve arbitration recruitment, appointment, training and monitoring. From September 2022, arbitrators had to complete specialist training and pass an assessment on Pubs Code knowledge, alongside meeting PCA standards. Arbitration took almost six months on average during the review period, excluding mutually agreed stays.

131. Arbitration numbers continued to reduce over the review period, going from 43 open arbitration cases in March 2022 to just 5 in March 2025[44]. This compares to 118 open cases at their peak in mid-2018.[45]

132. Some respondents noted that the PCA does not conduct arbitrations itself, raising concerns about visibility, accountability, arbitrator consistency and confidence in the system. As arbitration numbers fell, the PCA brought arbitration management back in-house in late 2025, concluding this offered better value for service users and supporting it with new case management software.

133. Some respondents, including POBs, saw low arbitration numbers as evidence of good compliance and informal resolution. Tenant focused respondents instead said the process was too daunting, complex, costly and intimidating, especially compared with PICAS[46], and called for a simpler, cheaper route. They welcomed the revised 2022 MRO process, which streamlined relevant cases. The Review notes that, outside the review period, the PCA launched a July 2025 consultation[47] on whether simpler arbitration rules are needed to improve access and reduce costs.

134. There was also concern from some POBs that some tenants were making vexatious arbitrations as there is no cost to them. They further commented that the current process did not incentivise tenants to settle and may even be encouraging certain advisors to prolong proceedings, knowing the POBs will ultimately bear the costs. They cited the apparently automatic acceptance of referrals without sufficient regard to supporting information.

135. The PCA continued publishing arbitration awards and findings summaries. Its new website includes a searchable arbitration database, making it easier to find arbitration outcomes. A consumer group especially appreciated the PCA's transparency and considered it essential for understanding Code interpretation.

Government's assessment: PCA performance

136. The Government welcomes continued high tenant awareness of the PCA and stable levels of trust, with most tenants viewing it as independent of Government and POBs. We recognise this view is not universal, and that perceptions of independence will vary with individual experience.

[44] PCA Annual Report & Accounts 2024 – 2025 page 26
[45] PCA-Annual_Report_2018-19_WEBSITE.pdf page 20 and The Pubs Code Adjudicator Annual Report and Accounts 2020-2021 page 18
[46] PICAS: The Pubs Independent Conciliation and Arbitration Service
[47] PCA launches consultation on arbitration process | PCA

137. The Government welcomes the PCA's efforts to make communications less formal, including greater use of social media, online publications, roundtables with CCOs, pub visits and industry events. We encourage the PCA to review the effectiveness of this outreach and adjust where needed.

138. The Review noted that some respondents found the PCA's factsheets over-complicated and lacking practical clarity, while recognising the challenge of balancing accuracy with accessibility and acknowledging the complexity of the legislation. We invite the PCA to continue seeking feedback from tied tenants and other stakeholders.

139. The Review noted concerns that the PCA is reluctant to provide general advice. The Government recognises that the statutory framework does not make the PCA a complaints body, and that POBs fund BII membership for tenants to access advice. The PCA may wish to clarify the limits of its remit through its communications.

140. The Government recognises POB concerns about the burden of PCA information requests and short deadlines and agrees that it is important for the PCA to act proportionately in line with the Regulators' Code[48].

141. The Government acknowledges there are mixed views on the PCA's lack of formal investigations. We do not consider investigation numbers alone a useful measure of the Code's or PCA's effectiveness and note investigations are a final course of action. We also recognise the PCA's duty to take an evidence-based, risk-led approach to prioritising resources.

142. The Government notes the PCA's use of supervised inquiries and POB concerns about their unclear legal status. We welcome their use where appropriate as a proportionate regulatory tool, and the PCA's commitment to refine the process. We encourage POBs to continue raising concerns with the PCA, including where they consider a statutory investigation more suitable.

143. The Review identified concerns that the PCA may prefer negotiated settlements over formal enforcement, creating perceptions that POBs can delay or avoid compliance. While fully respecting the Adjudicator's independence, the Government suggests the PCA may wish to monitor the use of settlements and stakeholder perceptions of them. We welcome the continued use of the self-reporting breach tool to monitor live Code compliance, as well as the more transparent, searchable Breaches Register on the PCA's website.

144. The Government welcomes the continued fall in arbitration numbers and CIArb's appointment of arbitrators within 20 working days for 90% of appointments. The Government encourages the PCA to act on feedback from its July 2025 consultation and other any concerns to improve the arbitration service, now that arbitration has been brought back in-house, a move that the Government welcomes to support the PCA's focus on cost efficiency.

[48] Regulators' Code

145.The Review revealed POB concerns about perceived PCA 'scope creep' beyond the Code but the Government did not find these concerns justified. The Government agree that the PCA should be considering issues for tied tenants based on intelligence received.

146.The Review noted the POBs' frustrations about the level of PCA levy, as well as the levy structure changing annually, which make payments difficult to plan. As illustrated by the table below, the Review noted that the annual levy imposed had fallen during the review period.

Annual PCA levy imposed during the review period:

Year	Levy imposed	Net levy
2024 - 25	£2,650,000.00	£1,812,581.00[49]
2023 - 24[50]	£2,969,507.00	£1,859,659.00[51]
2022 - 23[52] [53]	£4,523,118.00	£2,059,376.00[54]

147.Overall, the Government considers that the PCA has been broadly effective in enforcing the Code over the review period, with particular success in reducing arbitration cases and successfully completing its first investigation. We note POBs' existing frustrations around the PCA levy and are grateful for PCA for its continuing efforts to reduce this.

148.Whilst the Secretary of State does not believe he needs to issue new guidance under the legislation[55], the Government invites the PCA to consider the following areas to further improve its effectiveness:

I. **Stakeholder outreach:** continue its efforts to review the effectiveness of its outreach and make adjustments accordingly, including continuing engagement on understanding of hybrid agreements;

II. **Factsheets:** consider feedback from tied tenants and other stakeholders to improve the practical clarity and accessibility of the PCA's factsheets and other published materials;

---

[49] PCA Annual Report & Accounts 2024 – 2025 page 72
[50] Pubs Code Adjudicator (PCA) Levy Methodology for 2023-24 - GOV.UK
[51] PCA Annual Report & Accounts 2024 – 2025 page 72
[52] In 2020-21 the PCA received a loan and assistance from BEIS due to the COVID19 pandemic. The loan was repaid via the levy in 2021/22 and 2022/23 (19.97% in 21/22 and 80.03% in 22/23).
[53] Pubs Code Adjudicator (PCA) Levy Methodology for 2022-23 - GOV.UK
[54] The PCA - Annual Report and Accounts 2023 – 2024 page 72
[55] s65 Small Business, Enterprise and Employment Act 2015

III. **PCA's statutory remit:** consider increasing awareness of and communicating the statutory limits of the PCA's role with regards to providing general advice and guidance to tied tenants and other stakeholders;

IV. **Requests to regulated businesses:** consider monitoring the proportionality of the requests PCA makes to POBs, both in terms of the content of the request and its timescale;

V. **Use of informal resolutions:** consider monitoring the outcome of informal resolutions, where they are agreed, between parties, instead of formal enforcement measures, including stakeholders' perception of them; and

VI. **Arbitration consultation:** encourages the PCA to act on feedback from its 2025 consultation on Code arbitration rules and any other concerns to further improve the arbitration service.

149. Additionally, as the PCA has now been in existence for over a decade and the current PCA is reaching the end of her term in the role, the Government will also consider commissioning an independent review in early 2027 of how it protects tied tenants' rights and fair treatment under the Code.

Fees, Costs and Financial Penalties

Introduction:

150. Code and PCA related fees, costs and penalties are set out in associated legislation[56]. The referral cost of a dispute to the PCA by the tenant or the POB is £200 and, unless the arbitrator finds the complaint to be vexatious, or the tenant to have unreasonably increased the costs of the arbitration, the Code limits the tenant's liability for the POB's costs in the arbitration to £2,000. Furthermore, the liability for the arbitrator's fee lies with the POB, unless the complaint was vexatious. As a result of an investigation, where the POB failed to comply with the Code or follow the PCA's recommendations, the PCA may impose a maximum financial penalty not exceeding 1% of the POB's group UK annual turnover.

What the Review found:

151. The call for inputs asked if respondents thought the regulations relating to costs, fees and financial penalties remained appropriate or if they should be adjusted. Responses to the question were very mixed and are summarised below.

152. Comments from business representative organisation/trade bodies and a surveyor said that despite the Code's intent to provide low-cost dispute resolution, tenants faced high and unpredictable costs. Examples include tenants paying far beyond the capped limits due to arbitrator decisions, with some costs only remedied after

[56] The Pubs Code (Fees, Costs and Financial Penalties) Regulations 2016

intervention. They felt such experiences discouraged tenants from pursuing arbitration referrals.

153.Tenant and consumer focused respondents stressed the need for cost-effective dispute resolution and opposed higher charges or liabilities for tenants. Some supported increasing maximum POB penalties to strengthen deterrence. A consumer group said arbitration costs, including the £200 referral fee and potential liability for POB costs, deterred some tenants from completing the MRO process. Suggested improvements included publishing typical arbitration cost bands and introducing presumptive cost shifting where parties miss statutory timelines. The PCA said it had seen no evidence that the £200 fee was inappropriate or a barrier, noting that tenants made 96% of referrals during the review period.

154.Most POBs said the Code imposed significant costs, well above original impact assessment estimates when the Code was introduced. They called for reduced complexity and ambiguity, with some favouring a voluntary code to lower burdens. One POB considered the current rules on costs, fees and penalties appropriate.

155.Some POBs were concerned they could recover only up to £2,000 from tenants for dispute costs, unless a case was vexatious, meaning financial risk was uneven. They said this could encourage tenants to start disputes, particularly around MRO requests, without first seeking resolution with the POB. Some also reported tenants raising arguments already found by the High Court to have no prospect of success.

156.One POB suggested raising tenant liability for POB arbitration costs to £5,000 to encourage settlement; another suggested £2,500 to reflect inflation. The latter also proposed a Small Claims Track-style test, allowing costs where a party acted unreasonably, giving arbitrators more discretion while maintaining a high bar.

157.Another POB said the ‘vexatious’ threshold for requiring tenants to pay arbitration fees was too high, as it required strong evidence of intent or malice. They argued it should include referrals with no realistic prospect of success, as tenants face little cost risk while POBs may incur layered costs. They suggested costs should be decided case by case, with a standard fee scale across arbitrators.

158.Further comments echoed earlier points in this report, including high regulatory costs, calls for more proportionate regulation, criticism of outsourced arbitration and support for an MRO opt-out to encourage long-term investment and growth.

159.Tenant and consumer focused respondents including some individual tied tenants as well as a surveyor, argued that the PCA’s maximum penalty of 1% of turnover was too low to deter breaches. Suggestions included higher penalties for larger operators, raising the ceiling for systematic or repeated breaches and allowing cumulative penalties for different breach types. They also noted the PCA’s limited use of penalties.

160.On the other hand, POBs focused on fairness and proportionality of how penalties are calculated. A suggestion was that the maximum penalty should apply only to turnover from the leased and tenanted pub business, not the wider group, to create a more level playing field between POBs.

Government assessment:

161. The Review noted diverse views and the need to balance the interests of all parties, particularly concerns about regulatory costs and vexatious tenants. The Government recognises that tenants generally have fewer resources than larger businesses such as POBs, and that the Code must continue to protect tenants' ability to seek redress. It therefore considers the £200 arbitration referral fee appropriate and proportionate.

162. The Government recognises the importance of all parties' time and expenses not being wasted on cases which have little to no prospect of winning. The Pubs Code (Fees, Costs and Financial) Regulations 2016 therefore allow arbitrators to order tenants to pay POB costs where their conduct unreasonably increases arbitration costs. The Government considers the £2,000 cap on the exposure to POB costs to remain appropriate.

163. The Government notes the differing views on the PCA's 1% maximum penalty. We are mindful of the need to ensure penalties remain proportionate, and that a 1% of turnover is a common benchmark for calculating permitted maximum penalties in several other regimes. We also note that financial penalties are not the PCA's only enforcement method if it finds a Code breach. As per s55 of the Act, the PCA can also make recommendations or require information to be published. The Government therefore believes the 1% turnover maximum penalty threshold remains proportionate and appropriate.

Annex A - respondents to the review

Respondent category	**Count**
Arbitrator	2
Business representative organisation/trade body	5
Consultant/adviser	1
Consumer group	1
Individual	2
Non-tied pub tenant (please indicate if you have previously been a tied pub tenant and when)	2
Other	6
Other pub-owning companies (please describe, including the number of tied pubs in England and Wales)	5
Pub-owning businesses with 500 or more tied pubs in England and Wales (POBs)	6
Surveyor	1
Tenant representative group	1
Tied pub tenant	3
No respondent category provided	1
Total	**36**

E03642690

978-1-5286-6775-3