Title: Pubs Code and Adjudicator Post Implementation Review	Post Implementation Review
PIR No: DBT-069-25-CMRR	**Date: 14/09/2026**
Original IA/RPC No: BIS0395	**Type of regulation: Domestic**
Lead department or agency: BIST	**Type of review: Non-statutory**
Other departments or agencies:	**Date measure came into force:** 21/07/2016
	Recommendation: Amend
Contact for enquiries: matthew.owen@businessandtrade.gov.uk	**RPC Opinion: Green**

1. What were the policy objectives of the measure? (Maximum 5 lines)

UK pubs operate under managed, tied, or independent models; tied agreements require the tenant to buy beer and other products from their pub company landlord usually in return for lower rent and other support. The Pubs Code was introduced to address issues including lack of transparency, unfair pricing, and poor compliance in tied arrangements. It aims to ensure fair and lawful treatment and that tied tenants are no worse off than if they were free-of-tie. Tenants have rights such as requesting a Market Rent Only (MRO) option in certain circumstances and receiving clear information on rent and contracts. The Pubs Code Adjudicator enforces the Code, issues guidance and advice, investigates suspected breaches, and arbitrates disputes between tenants and pub companies.

2. What evidence has informed the PIR? (Maximum 5 lines)

This PIR has mainly been informed by a Call for Inputs on the effectiveness of the Pubs Code and Adjudicator. The Call for Inputs ran for 12 weeks in over the summer of 2025 resulting in 36 responses. The Call for Inputs questions were designed around the requirements set out by the PIR guidance to ensure the most relevant information was captured. Additional sources of evidence that have been considered include the PCA's annual tied tenant survey, data purchased by the Department on the current structure of the pub industry, and the conclusions from two statutory reviews previously published by the Department.

3. To what extent have the policy objectives been achieved? (Maximum 5 lines)

Overall, tenant experiences and views provided as part of the Call for Inputs show that the Code has been broadly successful in achieving 'fair and lawful dealing' and ensuring that tied tenants are 'no worse-off' than they would be if they were free-of-tie, though views are mixed. The provision of information and pub-owning-business support, required by the Code, help to address some key market failures that were originally identified. However, there is also evidence that costs on the six pub-owning businesses remain high, and there could be scope for administrative savings.

There are also some descriptive statistics that illustrates other pub models are becoming more popular and tied agreements less popular. This could highlight potential unintended consequences resulting from the Pubs Code.

Sign-off for Post Implementation Review: Chief economist/Head of Analysis and Minister

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Signed: ***Siobhán Dennehy*** Date: 04/09/2026

Further information sheet

Please provide additional evidence in subsequent sheets, as required.

4. What were the original assumptions? (Maximum 5 lines)

The original Impact Assessment assumed that the Market Rent Only (MRO) option would incentivise pub owning businesses to offer fair tied deals. It was expected that the PCA would investigate regulated pub companies covered by the Code, investigating around 3 cases per year. There were several assumptions made relating to costs and it was also assumed that unintended consequences would be limited due to competition in the market. The original Impact Assessment assumed approximately 13,000 pubs would be in scope of the Code. This figure is around 8,000 pubs in 2025.

5. Were there any unintended consequences? (Maximum 5 lines)

Evidence suggests that unintended consequences have occurred. Lease lengths have shortened significantly, with agreements over 5 years falling from 62% to 35%, likely due in part to uncertainty created by the MRO option right. Hybrid agreements[1] have grown from 4% to 17%, reducing the number of traditional tied tenancies as POBs are favouring hybrid agreements.

6. Has the evidence identified any opportunities for reducing the burden on business? (Maximum 5 lines)

Some responses to the Call for Inputs have suggested reverting to a voluntary code, similar to the one covering pub owning businesses with fewer than 500 pubs. However, there are certain responses showing it may be necessary to protect the rights of tied tenants. This PIR has considered the Value for Money impacts of the Pubs Code. The cost of the Pubs Code Levy is equivalent to approximately £200 per pub which is broadly in line with the expected cost in the original Impact Assessment[2]. Evidence from the Call for Inputs has identified additional compliance costs incurred by Pub Owning Businesses which represents an opportunity to amend regulation and improve the Value for Money of the Code.

7. How does the UK approach compare with the implementation of similar measures internationally, including how EU member states implemented EU requirements that are comparable or now form part of retained EU law, or how other countries have implemented international agreements? (Maximum 5 lines)

International comparisons are not appropriate for this assessment. The Pubs Code applies only to England and Wales, whilst the Scottish government has recently introduced a Scottish Pubs code, but this has not been operational for sufficient time to make comparisons.

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[1] Hybrid agreements are operating models 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.

[2] Pubs Statutory Code and Adjudicator: Final Stage Impact Assessment

Further Information

Policy Background and Objectives

1. Pubs in the UK typically operated under one of three different models: managed, non-managed (leased and tenanted whether tied or free of tie) or free trade (free holders or small independents). The tied pub model refers to a condition in a lease which requires the tied tenant (someone who rents premises from a pub company landlord under a lease/tenancy agreement, which includes a tie) to buy beer and other products through their pub company landlord, rather than on the open market. In return for providing the pub company with this income stream, the tied tenant pays a reduced property rent and receives other benefits such as training, marketing support, legal advice reduced television sports subscriptions and promotions.

2. The Pubs Code in England and Wales, introduced in 2016, governs the relationship between pub-owning businesses with 500 or more tied pubs and their tied tenants. The Pubs Code was introduced to address several issues that tied tenants were facing, following stakeholder engagement with tenants, their representatives, and pub companies at the time. These were categorised as:

    - Lack of transparency: this included failure by pub-owning companies to provide evidence to support assumptions used in rent assessments - which are evaluations used to determine the rent a tied tenant should pay. There was also confusion about how the tie worked, such as how much the tenant would be paying for beer under the tie in comparison to the open market.
    - Compliance with agreements: A range of reported practices suggested pub owning companies were failing to comply with the terms of existing agreements with tenants. For example, not meeting deadlines or failure to fulfil maintenance obligations.
    - Levels of 'dry rent' which refers to rent paid for the premises itself: Tenants also suggested that rent was increased following improved trading which resulted from improvements they themselves had made to the business. This could be perceived as unfair and theoretically, disincentivise such investments.
    - Other reported practices that questioned the fairness of dealing by pub companies: The use of upward only rent review clauses[3] that did not take account of wider circumstances affecting trade; the sale of a pub freehold to another company with no notice so the tenant was faced with a new landlord and new tied arrangements and cases of infrequent and inconsistent communications from the pub company's business development manager.

3. The Pubs Code set out practices and procedures to be followed by pub-owning businesses in their dealings with their tied pub tenants, consistent with the principles of:

    i. **Fair and lawful dealing:** that pub-owning businesses treat their tied tenants fairly and lawfully in their business relationship.
    ii. **No worse off principle:** that tied tenants are no worse off than they would be if they were not subject to any product or service tie.

4. The Pubs Code Adjudicator oversees compliance and resolves disputes between tenants and pub companies. The Adjudicator's role includes:

    - Giving advice and guidance
    - Investigating non-compliance with the Code
    - Enforcement where non-compliance is found – which may involve requiring the publication of information, imposing financial penalties or making recommendations
    - Arbitrating disputes under the Code.

The Pubs Code and Pubs Code Adjudicator (PCA)

[3] A rent review provision within an agreement allows pub company and tenant to agree rent based on market rent value, taking into account genuine improvements to the business. An 'upward only' rent review clause prevents the rent from being decreased at the rent review, even where open market rental value is lower than the current rent.

7. The Pubs Code is found in the Pubs Code etc. Regulations 2016[4], and governs the relationship between large pub-owning businesses and their tied pub tenants.

8. The Pubs Code established a range of rights and protections for tied tenants in their commercial dealings with their pub-owning business related to their fair and lawful treatment. Key requirements set out by the Code are:

   - Greater transparency in pub-owning businesses' dealings with their tied tenants by requiring certain information - including on the tenancy, the rent, the premises, any Initial Works and the Code - to be provided to tenants before signing a contract.[5]
   - Requirements on rent proposals (which sets out the rent a pub-owning business suggests the tied tenant should pay) and rent assessments (a formal evaluation of rent, which can give the tenant the right to request an MRO)
   - Requirements for pub-owning businesses to make provision for the role of their Business Development Managers who support and negotiate with tied tenants - and to establish a Code Compliance Officer responsible for ensuring the company complies with the Pubs Code.

9. The Pubs Code also gives tenants the right, at certain times, to exercise a "Market Rent Only" (MRO) option, to change from a tied tenancy to a free-of-tie tenancy where the rent is set at the market level and the tenant is able to buy products on the open market.

10. The Pubs Code is enforced by the Pubs Code Adjudicator. The PCA is appointed by the Secretary of State for Business and Trade under the Small Business Employment and Enterprise Act 2015 (SBEE). The PCA is statutory office holder and is independent of Government.

11. Where necessary the PCA will enforce the Code where non-compliance is found which may involve requiring the publication of information, imposing financial penalties or making recommendations.

Methodology and evidence informing this PIR

12. This PIR will set out to examine the effectiveness of the Pubs Code since its introduction in 2016. It will use various sources of evidence to understand the extent to which the Code has delivered on its policy objectives; any background trends on the overall pub sector; existence of unintended consequences as well as other findings on specific areas, such as value for money. This PIR was produced following best practice guidance[6].

<u>Pubs Code and Adjudicator Final Stage Impact Assessment</u>

13. The Pubs Code was introduced alongside a published Impact Assessment[7] (IA) produced by the Department for Business, Innovation and Skills, now Department for Business and Trade. This IA set out the intended policy objectives as well as analysis of the costs and benefits associated with this legislation. This PIR will compare the information published in the IA to the current costs and benefits of the Code.

<u>Call for Inputs</u>

14. The Department for Business and Trade conducted a Call for Inputs[8] to gather stakeholder views on various aspects of the Pubs Code and Pubs Code Adjudicator. This process allows government to collect a wide range of evidence on the Pubs Code, its success against initial policy objectives, unintended consequences and proportionality of cost burdens. Findings help to inform understanding and potential policy options development.

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[4] The Pubs Code etc. Regulations 2016 - The Pubs Code etc. Regulations 2016

[5] See the PCA factsheet for more information: Pubs Code Adjudicator Factsheet New Agreements_1.pdf

[6] Producing post-implementation reviews: principles of best practice - GOV.UK

[7] Pubs Statutory Code and Adjudicator: Final Stage Impact Assessment

[8] Pubs Code and Pubs Code Adjudicator (PCA): statutory review and post-implementation review, 2022 to 2025 - GOV.UK

15. The Call for Inputs simultaneously gathered views for the third Statutory Review of the Pubs Code and Adjudicator as well as for the Post Implementation Review. Responses were collected between 22 May 2025 and 14 August 2025. 32 questions were categorised as Policy Objectives, Need for Government Intervention and Regulation, Unintended Consequences and Value for Money. Some of these questions were specifically targeted at tied tenants, regulated POBs and unregulated POBs. The full list of questions issued can be found in Annex 1. Responses to the Call for Inputs may not necessarily be representative of the wider population. Certain themes identified through the Call for Inputs are likely to require further, more detailed research.

16. Analysis of responses to certain questions has not been included in the main body of this PIR. This is because the responses highlight common themes or issues that are covered elsewhere in the PIR under sections that are more directly related to these themes. Full analysis of questions not included in the main body can be found in Annex 2.

17. In total, 36 responses were received to the Call for Inputs, plus over 2000 responses from members of a consumer group. The responses received from this consumer group were near identical and part of a coordinated response. These responses provided wider views on the functioning of the Pubs Code as well as a view that the Pubs Code should include a guest beer provision. For the purposes of analysis, these responses are not included as individual responses but are treated as one grouped response from a consumer group.

18. The responses are categorised in Table 1. Not every response answered every question, and 6 responses did not provide answers to any questions. These responses came in the form of statements or letters with views that were not explicitly attributed to any of the questions asked.

Table 1: Call for Inputs Respondent Categories

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	7
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	6
Surveyor	1
Tenant representative group	1
Tied pub tenant	3
Total	**36**

<u>Pubs Code Adjudicator Annual Tied Tenant Survey</u>

19. Each year, the PCA commissions a survey that aims to measure awareness and familiarity with the Pubs Code and PCA among tied tenants, as well as explore the relationship with their pub company over time. The research is conducted through telephone interviews with tied tenants from the six pub-owning companies regulated by the Code. These are randomly selected within quotas to ensure a representative sample[9]. This year, 1,217 tied tenants were surveyed. The results are published on the PCA website[10].

[9] Full details of the PCA Tied Tenant Survey can be found here: PCA Tied Tenants Survey 2025 Technical Report
[10] The PCA's Annual Tied Tenant Survey | PCA

CGA Purchased Data

20. The Department has purchased data on the size and composition of the pubs sector in England, Wales and Scotland. The same data was purchased in 2015 to inform the original IA to give a view of the sector at the time of introducing legislation. This has been examined in comparison with the sector as it currently stands, showing the trends within the pubs industry over time in England and Wales, and in Scotland as a comparison. Data provided by CGA is for the period 2012 to 2025. The findings from this data are discussed in more detail in paragraphs 21-29, 56-60 and 67. Other data sources were considered however these did not provide granular enough information about the composition of the pubs sector (for example, they did not distinguish between different management types).

Statutory Reviews

21. Two statutory reviews have been conducted to assess the effectiveness of Pubs Code and the performance of the Pubs Code Adjudicator (PCA). The first review covered 2016 to 2019 and was published in 2020. The second review covered 2019 to 2022 and was published in 2023. The reviews draw on stakeholder views/feedback and published evidence to deliver guidance. These reviews represent important contributions to the evidence base and conclusions are drawn upon for this PIR, particularly references the Code's impact on the experiences of tied tenants and pub owning businesses over the years covered.

Background trends on the number of pubs over time

21. As part of this review, we have purchased data from CGA on the composition of pubs in England and Wales from 2012-2025. This represents a direct comparison with data used as part of the original impact Assessment, published in 2015.

22. As of 31 March 2025, there were 8,438 tied pubs in England and Wales in scope of the Code[11], but there is no strong comparable data available on the number of tied pubs not covered by the Pubs Code. Figures for pub numbers do not clearly distinguish between pubs by business model or arrangement.

23. Available data is split by ownership and tenure, consistent with the pubs market structure data included in the Impact Assessment. Table 1 shows the split by ownership and tenure type between pubs of three different types: Non-managed pubs, which includes, as a subset, tied pubs in scope of the Code, managed pubs, and free trade pubs. Updated data is shown in Table 1, is consistent with pubs market structure data included as part of the 2015 Impact Assessment.

Table 2: Proportion of pubs in England and Wales by ownership and tenure type

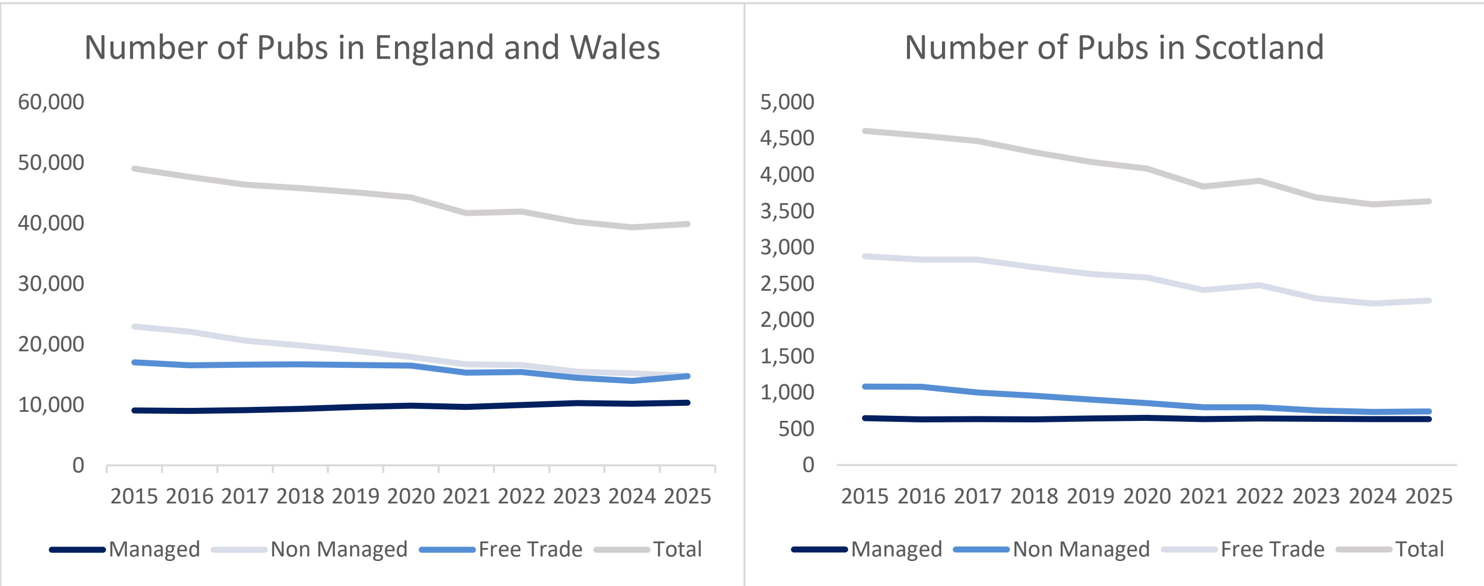
Type of Pub	Description	Proportion of Pubs in England and Wales – March 2015[12]	Proportion of Pubs in England and Wales – March 2025
Managed	- Managed arrangement where the manager acts as an employee or agent for the pub company - Franchise and retail agreements.	19%	26%
Non-Managed	- All tied tenancies -All tied leased agreements - Tenanted or leased agreements where the pub is owned by a	47%	37%

[11] Submission by the Office of the Pubs Code Adjudicator to Department for Business and Trade – Figure 1
[12] Figures may not sum to 100% due to rounding.

Free Trade	group or pub company but the agreement is offered ‘free of tie’ - All freeholders - Some small independents owned by a group but run independently	35%	37%

24. Figure 1 shows the time series of the number of pubs in England and Wales from 2015-2025, splitting pubs by ownership and tenure: Managed, non-managed and free trade from 2015. We compare to pubs in Scotland, which was not covered by the similar regulation, over most of the same period.

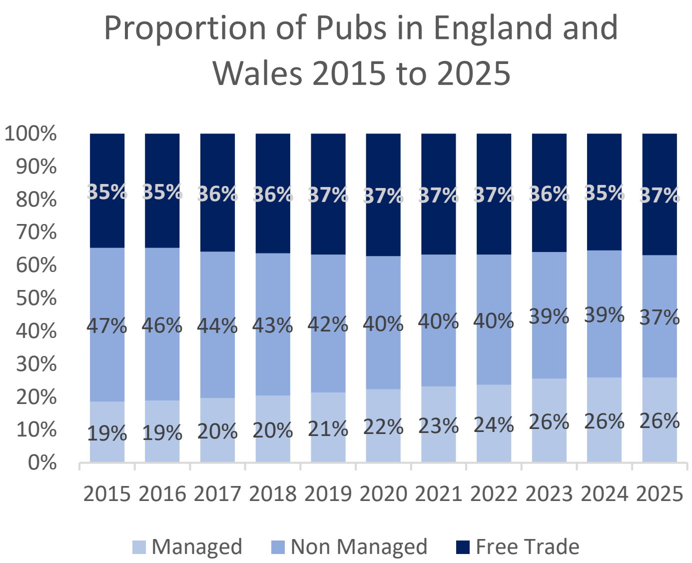
Figure 1: Number of pubs in England and Wales, and in Scotland, over time, by ownership and tenure type

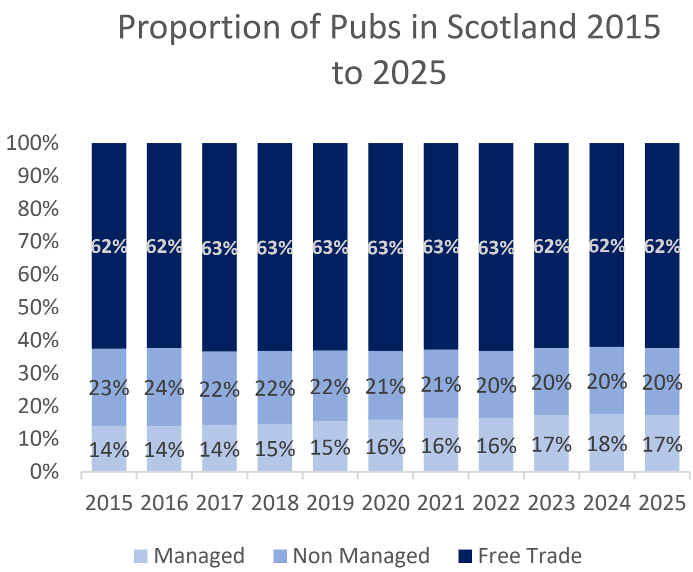


25. In both regions, the overall number of pubs has declined over time between 2015 and 2025, suggesting industry wide, non-regulatory factors affecting the decline. In England and Wales, the total number of pubs had fallen by 19% over the ten-year period, from around 49,000 to fewer than 40,000 pubs. In England and Wales, managed pubs grew steadily over the period. In contrast non-managed pubs show a sharp decline falling from around 23,000 to around 15,000, a reduction of 36%. Free trade pubs in England and Wales also declined over the period, from around 17,000 to around 14,700. Non-managed pubs in England and Wales, which includes tied arrangements captured by the Pubs Code, have continued to fall over the last ten years, both in absolute numbers and as a proportion versus other management models.

26. The total number of pubs in Scotland has also declined over time, by about 21% over the ten-year period. The distribution by ownership and tenure slightly different pattern. Free trade pubs make up a large proportion of the total in Scotland, in contrast to England and Wales, where non-managed pubs account for the majority. However, as in England and Wales, the proportion of free trade pubs and non-managed pubs has fallen over the period. Managed pubs have remained largely stable between 2015 and 2025. It’s important to acknowledge the wider challenges faced by the pubs industry, and the decline in all types of pubs, before referring to any impact created by regulation.

Figure 2: Proportion of pubs in England and Wales, and in Scotland, by ownership and tenure type





27. The proportion of pubs in England and Wales is presented in Figure 2. Compared to the data used in the Impact Assessment, and updated in the 2022 Statutory Review, non-managed pubs still represent the largest type in England and Wales, but the proportion has continued to fall each year, with the proportion of managed pubs rising (from 19% to 26%), and the proportion of free trade pubs remaining constant. In 2015, 47% of all pubs in England and Wales were part of the non-managed ownership type. In 2025, this figure is 37% of the total.

28. In Scotland, where pub agreements have not been subject to similar Pubs Code regulation for most of the period, the proportion of non-managed pubs has also fallen, from 24% in 2015 to around 20% in 2025. Free trade pubs represent a larger proportion of pubs in Scotland, and this has remained constant over time. The proportion of managed pubs in Scotland rose slightly, from 14% to 17%.

29. The change in the number of pubs of specific types can be explained by closures in the industry, but also by conversions or transfers from one type of pub to another.

To what extent have the policy objectives been achieved?

<u>Policy Objectives</u>

30. As identified in paragraph 3, the Pubs Code had two overarching explicit objectives. Firstly, to ensure fair and lawful dealing for tied tenants and secondly that tenants are no worse off than if they were free-of-tie.

31. As stated in paragraph 2, the original Impact Assessment considers problems experienced by tenants as a rationale for intervention. Resolving such problems can be considered policy objectives to be achieved through the introduction of the Code. These are grouped as lack of transparency, compliance with agreements, levels of dry rent, and other issues of fairness.

32. The Call for Inputs contained two questions (*PIR A.1.* and *PIR A.2.)* seeking views on how well the Code has performed in delivering these objectives. Respondents provided answers on a scale of strongly agree to strongly disagree and then provided reasons for their answers. Views on whether the Pubs Code has delivered on its objectives are mixed. The summary of responses to these questions can be seen in Figure 3 below.

Fair and lawful dealing

33. Respondents to Question PIR A.1 of the Call for Inputs were split in opinion, with 8 respondents that either agree or strongly agree that the objective of fair and lawful dealing has been achieved, and 11 respondents that either disagree or strongly disagree. A further 5 respondents neither agreed nor disagreed, and 12 did not respond.

Responses that agree the objective of fair and lawful dealing has been achieved gave the following reasons to support their answer:

- Improvements in the information provided to tenants and therefore better understanding of options.
- Good relationships with Business Development Managers (BDM). 7 in 10 tenants based on the separate 2025 PCA Tied Tenants Survey are satisfied with their relationship with their BDM[13].
- Low numbers of arbitration referrals. There has been 91 publicly posted arbitration decisions since 2017 but this is likely an underestimate as a public posting is subject to consent of the parties involved.[14]

34. Reasons for responses that did not agree with the statement noted there is a lack of transparency from Pub Owning Companies as well as a perception of unrealistic expectations of profits and business plans.

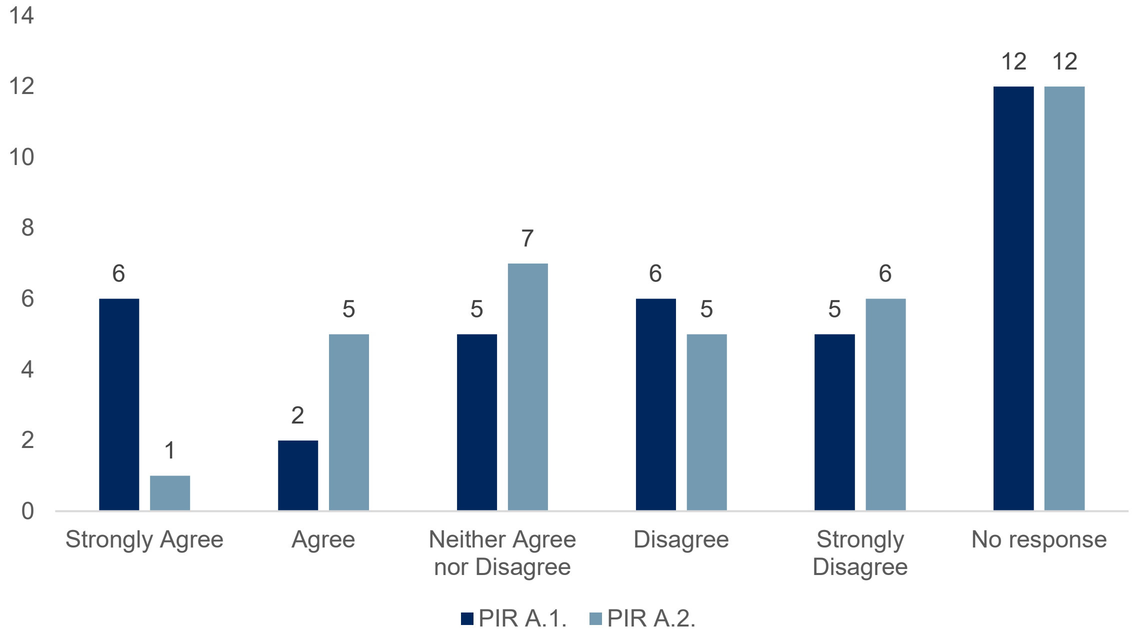
No worse off principle

35. Question *PIR A.2.* of the Call for Inputs was concerned with the effectiveness of the MRO option and no-worse off principle. 6 respondents either agree or strongly agree that this objective has been achieved, whereas 11 either disagree or strongly disagree. Seven respondents neither agreed nor disagreed, and 12 did not respond. Of those that agree/strongly agree, reasons given related to the MRO option's ability to provide tenants with greater bargaining power combined with low rates of MRO uptake.

36. Respondents that disagreed that the code was effective at meeting this objective, suggested that the lack of uptake of the MRO option is attributable to procedural barriers and a general lack of awareness of the MRO option. One response quotes that a third of licensees are not aware of the MRO option. This is consistent with the Annual Tied Tenant Survey which found 29% of respondents were either 'not very familiar' or 'not familiar at all' with their right to request an MRO option, down from 35% in 2024[15].

[13] Pubs Code Adjudicator Tied Tenants Survey 2025 - Headline Findings – Page 16
[14] Arbitration award search | PCA
[15] https://www.pubscodeadjudicator.org.uk/media/222 - Question C6.

Figure 3: Responses[16] to achievement of objectives (*PIR A.1: fair treatment and lawful dealing of tenants by pub companies and PIR A.2: MRO and option and 'no worse off' objective.*)



<u>Need for Government Invention and Regulation</u>

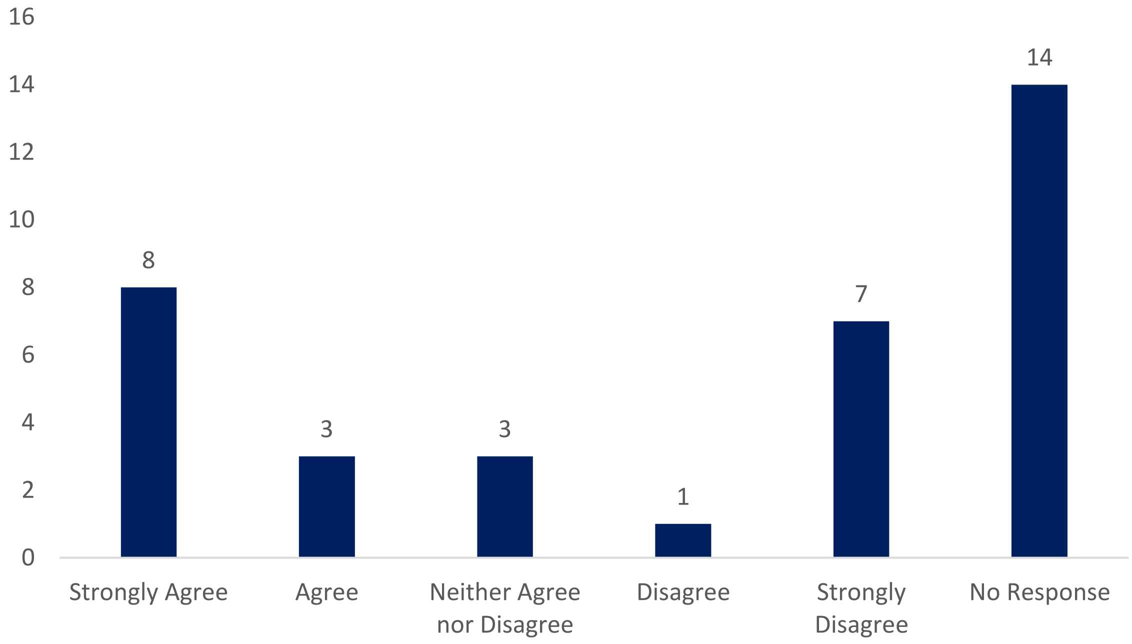
37. Question *PIR A.10.* asked for views on whether government intervention in the tied tenant market is still necessary. The results are shown in Figure 4 below. Views on the need for government intervention are mixed but slightly in favour that it is still necessary in this market, with 11 responses agreeing (strongly agree and agree) and 8 disagreeing (strongly disagree and disagree). Three respondents neither agreed nor disagreed and 14 did not respond. Three respondents neither agreed nor disagreed and 14 did not respond. Responses were polarised, with strongly agree (8) and strongly disagree (7) the two largest groups.

38. Those in favour of continued government intervention in this market state the Code is essential for ensuring fair treatment, including one response from a previously tied tenant emphasising the positive difference the Code has made.

39. Those who disagree often acknowledge the improvements the sector has seen as a result of the Code but state it is no longer needed as the Code has "done its job". Some responses offer areas where the Code could be amended to better serve its purpose, for example by removing the MRO option or moving to a voluntary code.

[16] Results summarising stakeholder responses to the Call for Inputs included over 2,000 identical responses from members of a consumer organisation. Responses have been counted as one response for the purpose of these summary results. These responses only relate to guest beer.

Figure 4: Responses to *PIR A.10: To what extent do you agree with the following statement: Government intervention through the Pubs Code is still necessary*



40. In summary, while the Call for Inputs did not receive a large selection of responses, there were mixed views from the stakeholders that did respond about the success of the Code in achieving its objectives of fair and lawful dealing, and also the success of MRO in achieving the 'no worse off' principle.

41. The Call for Inputs did not generate many responses from tied tenants themselves, but the PCA Annual Tied Tenant Survey provides useful insights that can be drawn upon. Overall, tied tenants' awareness of the Code is strong, although depth of awareness could be improved[17]. Around 80% of surveyed tenants found the Pubs Code information received before their current agreement began useful[18].

What were the original assumptions?

42. As set out in the Pubs Code and Adjudicator Impact Assessment, the main assumptions of the Pubs Code were linked to how the Code would change the relationship between tied pubs and the pub owning companies. Mainly, it was assumed as part of the analysis that the threat of a tenant being able to use their Market Rent Only option and go free-of-tie would be enough of an incentive for pub owning companies to offer a fair tied deal.

43. Several assumptions were made relating to cost in order to attempt to estimate the expected costs and benefits of legislation. These will be explored in more detail as part of the Value for Money section of this PIR.

44. One of the key assumptions regarding the role of the PCA was that it would conduct investigations into regulated pub companies covered by the Code. Paragraph 81 of the impact assessment[19] highlights that it is assumed that the PCA would investigate 3 cases per year (with a low estimate of 1, and high estimate of 5). This assumption was set out prior to the Code coming into force, so there was no precedent evidence to base the assumption on. There was much disagreement about the scale of abuse in the pubs sector and was therefore difficult to deduce how many investigations per year would be likely. Since the introduction of the Pubs Code, there has been 1 investigation in total between 2016 - 2025.

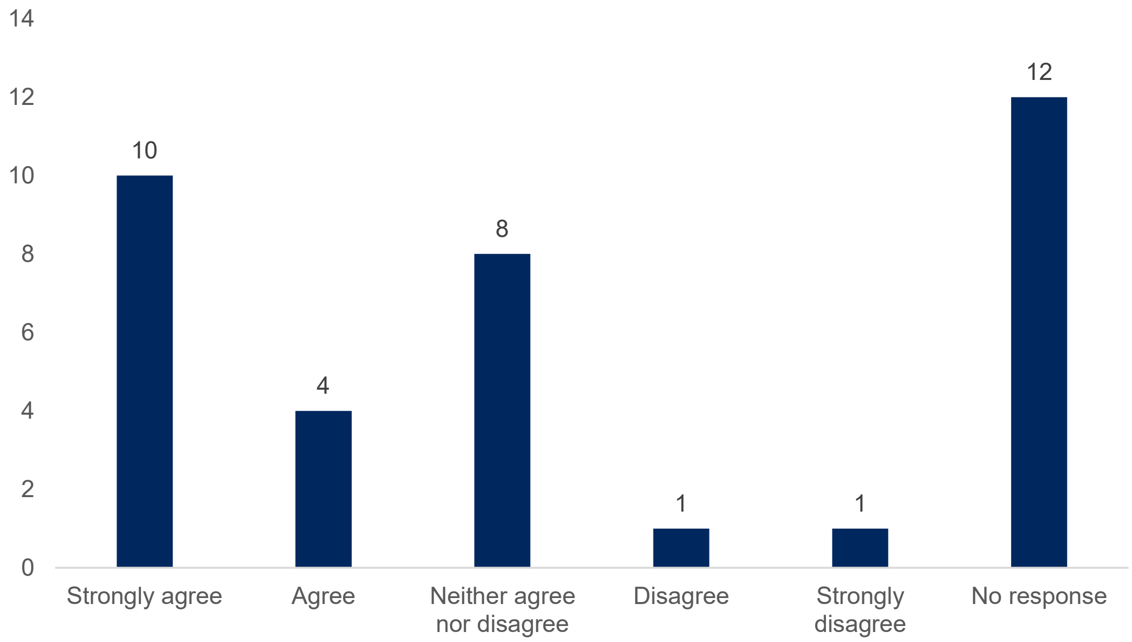
[17] Pubs Code Adjudicator Tied Tenants Survey 2025 - Headline Findings – Page 22
[18] Pubs Code Adjudicator Tied Tenants Survey 2025 - Headline Findings – Page 25
[19] Pubs Statutory Code and Adjudicator: Final Stage Impact Assessment

45. The original Impact Assessment assumed that unintended consequences would be limited due to the competitive nature of the pub market and the various existing ownership structures would mitigate the risks identified. The extent to which this is true will be considered, specifically considering the evidence on changes in the number and type of pub operating model and the extent to which they are associated with the design and operation of the Code.

Were there any unintended consequences?

46. Question *PIR A.14.* sought to understand the existence of unintended consequences borne out of this legislation. Respondents were asked to indicate the extent to which they agree that there have been unintended consequences. Figure 5 below shows the responses to *PIR A.14.* Out of those responding, most stakeholders did believe that there were unintended consequences following the introduction of the Pubs Code, with 10 respondents that strongly agreed. A further 4 agreed, 8 neither agreed nor disagreed, 1 disagreed and 1 strongly disagreed, while 12 did not respond, giving 14 respondents in total who agreed there had been unintended consequences.

Figure 5: Responses to *PIR A.14. Do you think there have been unintended consequences following the introduction of the Pubs Code?*



47. A common response to the question about unintended consequences highlighted changes to typical length of lease between POBs and tied tenants. Evidence submitted to the Call for Inputs shows there is 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. Whilst it is difficult to isolate whether these impacts can be attributed to the introduction of the Pubs Code, the Call for Inputs has identified some views on the trends towards shorter lease agreements. Some responses to Question *PIR A.14. – summarised in the annex* - suggest that the existence of the MRO option is the cause for the reduction in the length of leases, 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, once the POB has already incurred costs of the tied agreement through investment or compliance with the Code. Shorter leases represent a source of uncertainty and an opportunity for a change in terms, so tied tenants view this trend as a negative consequence. POBs and representatives may also view the type of agreement as a commercial risk relative to other types of agreement.

48. The Call for Inputs also gathered opinions on the potential for an MRO opt-out option (see question *PIR B.8.)* when a tenant is signing an agreement. This would allow a tenant to waive their right to an MRO option in return for investment and/or a longer lease. Responses to the question suggest some wariness towards an MRO opt-out, with several responses stating that tenants who have

agreed to the existing, more limited, MRO investment exemption have often expressed regret, due to anticipated upsides not materialising from the investment. Given the number of responses, it is not possible to draw wider conclusions about the effectiveness of MRO investment exceptions and so further research in this area would be needed.

49. Responses to *PIR C.1.,* which concerns typical length of lease offered by regulated POBs, further supports typical tenancy lengths of 5 years. Four responses stated typical tenancy agreements are 5 years. The other two responses did not qualify which of their agreement offerings was most common in terms of length of contract.

50. The Call for Inputs asked specific questions on hybrid agreements[20] due to the increase in popularity in these agreements in recent years. Hybrid agreements, sometimes called managed-operator or turnover-share agreements, have often been discussed in relation to the Pubs Code. These agreements are typically between the POB and the pub operator. These operating models 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 POB. There is some uncertainty about whether these agreements are legally covered by the Pubs Code[21], but it is suggested by some stakeholders responding to the Call for Inputs that their favourability is an unintended consequence of the legislation as they cannot, in practical terms, be offered on a Market Rent Only basis as rent is not paid. Therefore, the increase in popularity of such hybrid agreements could be interpreted as an alternative to tied agreements, particularly where the attributes of tied agreements, through MRO or code compliance, could mean that there exists a disincentive to prioritise tied estates.

51. Views on hybrid agreements are strong and mixed. Many responses advocate for this operating model stating that these are fundamentally different to a tied tenant operating model and that hybrids existed before the Code was introduced. Other responses suggest that these are exploitative, but there were limited responses providing specific evidence on detriment. More work should be undertaken to understand if these are causing detriment across the sector, and whether this is reason to expand or clarify the scope of the Code.

52. There is clear evidence that the number of regulated tied pubs is declining, as well as the overall number of pubs in the market. As part of this assessment, we draw on data from multiple sources to comment on the composition of regulated tied pubs, and whether the introduction of the Code itself has impacted on this trend in comparison. These are discussed in turn.

- CGA data – Purchased data showing the number of pubs by ownership and tenure type.
- Call for Inputs evidence– Data provided by stakeholder responses showing the proportion of pubs of different operating types.
- PCA data – On number of Code covered tied tenancies.
- Hybrids trends.

CGA data – Closures and Transfers

53. Paragraphs 21-29 above outline the background trends in the pubs industry in England and Wales, as defined by data purchased from CGA. The total number of pubs has declined over time. When assessing whether the Code itself has had any unintended consequences, it is important to consider the extent to which tied agreements have declined at a faster rate versus the wider industry, and the reasons where possible.

54. Using data from CGA, the best proxy for tied agreements is the non-managed pubs category. We have already outlined that the number of non-managed pubs has decreased over time. This can be explained by a combination of closures and conversions or transfers to other types of pub.

[20] See question *PIR A.13.* in Annex A.
[21] PCA considers innovative agreement types | PCA

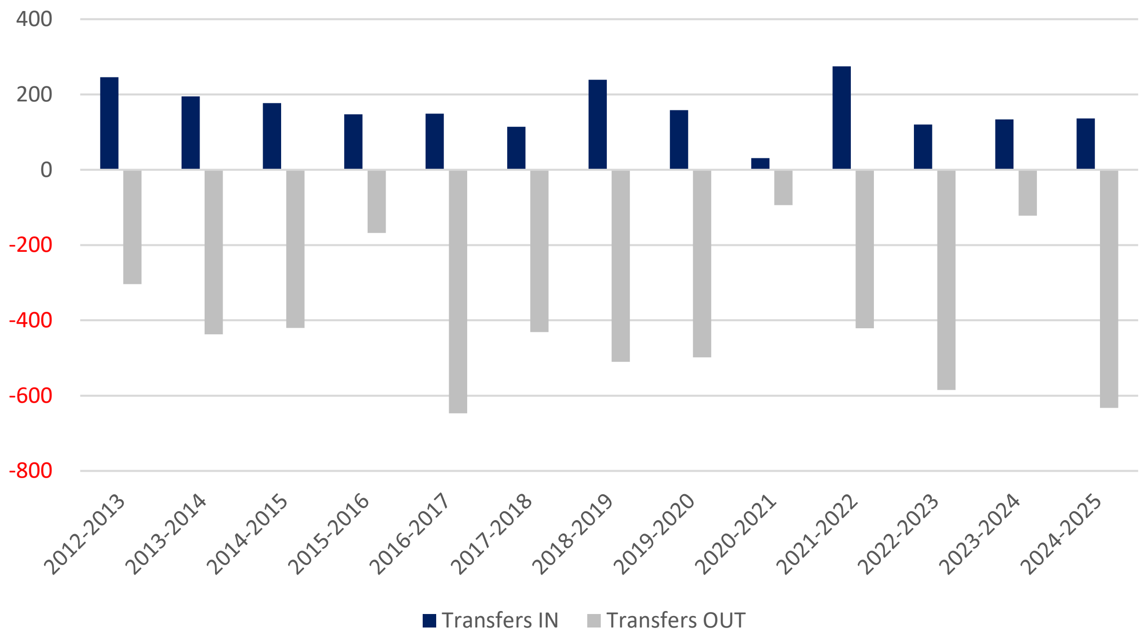
55. The original Impact Assessment commented on the potential for unintended consequences, including closures and the decision that POBs may take to 'manage more pubs'. The data shows a rise in managed models relative to a decline in the number of non-managed arrangements.

Transfers

56. One cause of the change in the number of non-managed arrangements is those that 'transfer' to managed arrangements[22] , which is tracked by CGA data and taken as evidence of pub models being converted. Figure 6 shows the number of pubs transferred from non-managed arrangements to managed arrangements each year from 2012 to 2025. The number of pubs converting from non-managed to managed arrangements has, each year, consistently outpaced the number converting in the other direction, with net closures averaging 242 pubs per year since 2012.

57. There is some evidence from stakeholders that managed arrangements are becoming more attractive as an option. Consistent with the assumption quoted above from the Impact Assessment, the trend in conversions from non-managed to managed arrangements could, in part, be an unintended consequence of the Code, as the offering for tied arrangements has likely declined over time due to potential investment uncertainty or the threat of MRO. It is important to note that these are descriptive statistics[23] and do not represent causal inference that the Code is causing conversions from non-managed arrangements to managed models. For example, other market factors could influence preferences for pub companies to manage their pubs.

Figure 6: Transfers In/Out of Non-managed pubs



Closures

58. Across all types of pubs, there have been more closures than openings over the period from 2012 to 2025. Figure 7 shows the number of permanent closures of non-managed pubs, which averages almost 800 pubs each year. While the number of closures has slowed over the last three years, non-managed pubs are still closing at a faster rate than those opening.

Figure 7: Closures in Non-managed pubs

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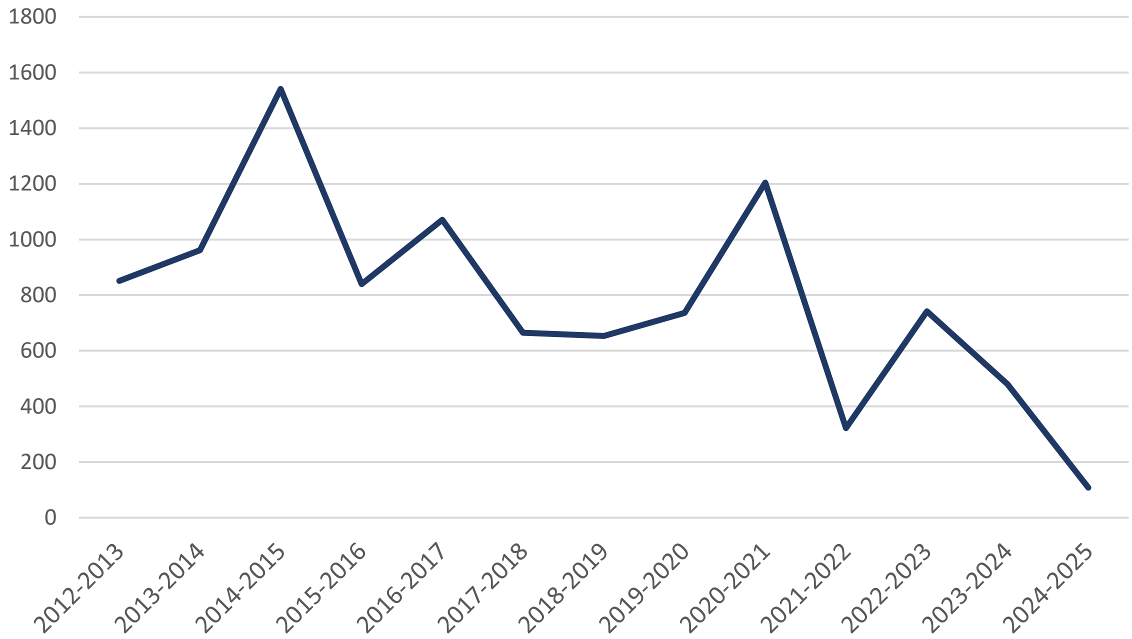
[22] That is, pubs recorded as

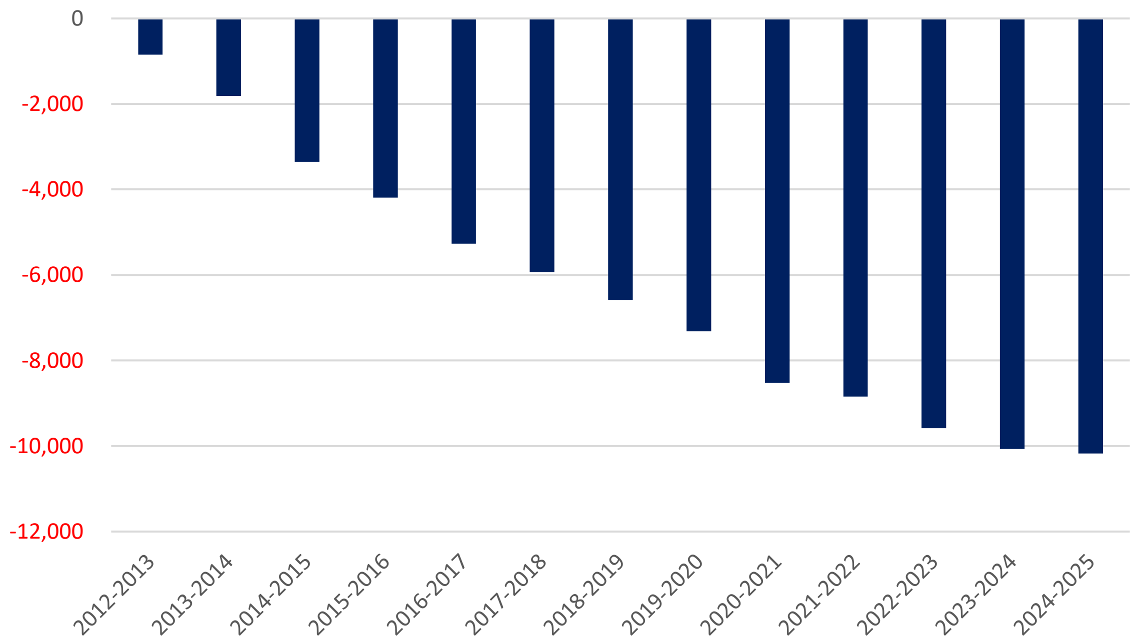
[23] Descriptive statistics summarise and describe patterns in observed data such as counts, averages, proportions, or trends without testing hypotheses or establishing cause-and-effect relationships between variables.



Overall change in the number of non-managed pubs

59. Overall, data purchased from CGA, presented in Figure 8 shows that the number of non-managed pubs in England and Wales has shown a consistent decline from April 2012 to March 2025, from around 27,000 in 2012 prior to the Code, to around 15,000 in 2025. This is made up of closures, which affect the wider industry regardless of the type of pub, and conversions, where we see non-managed pubs transferring to managed types. This trend could also indicate non-managed pubs converting to hybrid agreements, which are brand specific agreements with similarities to managed arrangements, becoming more popular. In line with the risks highlighted in the Impact Assessment, the trend could be evidence of an unintended consequence, if tied arrangements are seen as less favourable models and if tied tenants suffer as a result of lower investment. We cannot establish a causal relationship between the Pubs Code regulation and the decline in the number of non-managed arrangements. Further research would be required to fully understand if there are unintended consequences here.

Figure 8: Cumulative change in closures on non-managed pubs



60. The cumulative closures of non-managed pubs in England and Wales shows a steady downward trend over the 13-year period. By the end of this period the cumulative closures stand at over 10,000 non-managed pubs. The closures show the growing dominance of managed and hybrid models.

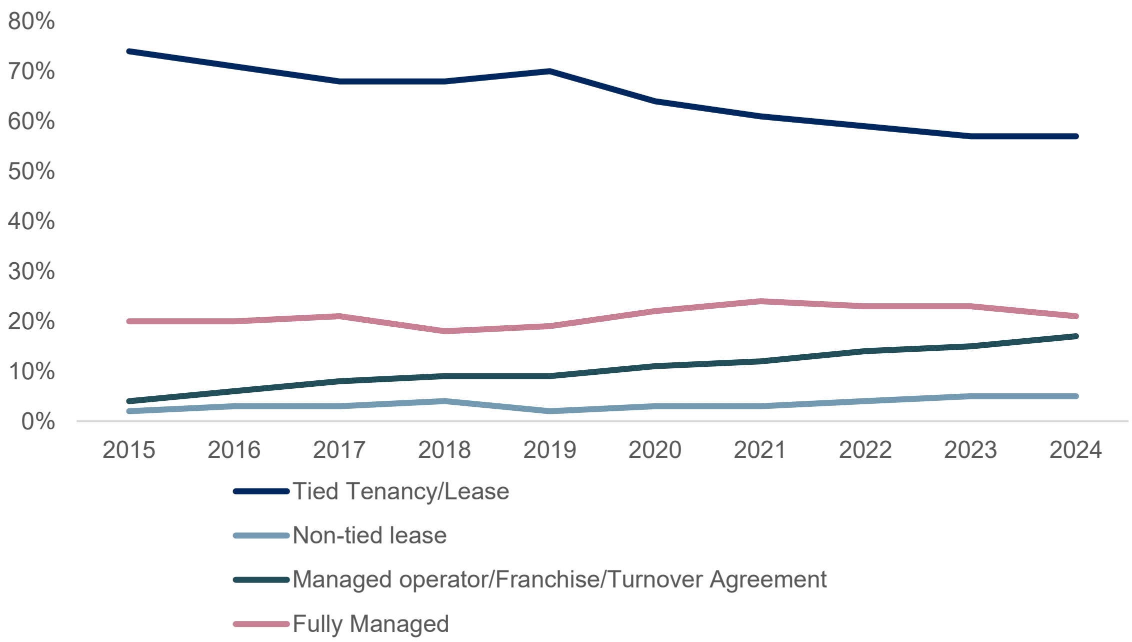
Call for Inputs Evidence – Proportion of pubs by different operating models

61. To support the findings presented above, we also draw upon data received as part of the Call for Inputs. Figure 9 shows the proportion of operating models specifically within the estates of regulated pub companies. In other words, the six pub owning businesses in scope of the Pubs Code. This allows us to explore the trends associated with non-managed arrangements more widely, with the estates of the six pub companies covered by the Code.

62. Evidence suggests that among the six pub owning businesses, tied tenancies remain the most common operating model, representing around 57% of all operating models in 2024, but this has steadily decreased over time, from around 74% in 2015 before the Pubs Code came into force.

63. POBs are favouring hybrid agreements over tied tenant agreements. Managed operator models, which include franchises and turnover agreements/hybrid models, have increased in numbers over the same period, rising from 4% to around 17% of pub models by 2024. Fully managed pubs remained broadly stable at around 20–21% across the period, while non-tied leases stayed small, rising modestly from 2% to 5%.

Figure 9: Proportion of operating models within the estates of regulated pub companies[24]



PCA data – Number of Code covered tied tenancies

64. Data from the PCA's Office[25] shows that there is a decline in the number of tied pubs specifically covered by the Code in absolute terms as well as a proportion of estates. As of 31 March 2017, there were 11,142 tied pubs under the Code which has fallen to 8,438 as of 31 March 2025. This is a decline of 24%.

Hybrid Trends

[24] Data provided via the Call for Inputs
[25] Submission by the Office of the Pubs Code Adjudicator to Department for Business and Trade

65. The growth in the number managed arrangements as evidenced by the data above suggests a growing preference for new types of models. Managed operator agreements give pub companies more direct control over the running of a pub. As discussed in paragraph 50, some stakeholders suggest that the potential increase in the number of newer, hybrid arrangements is an unintended consequence of the Code, indicating that they are sometimes favoured over tied arrangements as they be offered on a Market Rent Only basis.

66. Hybrid agreements are difficult to track in the same way as other ownership types because the exact offering differs by pub company landlord. Typically, hybrid arrangements are a subset of managed operator models in datasets, so there is a lack of robust available data showing the change in the number of hybrid agreements over time.

67. We have however presented an estimate of the number of hybrid models, drawing on desk-based research conducted by CGA, compared to submissions from POBs to Code compliance reports, published by the PCA. CGA's research is less robust than the data provided for managed, non-managed and free trade models due to the difficulties tracking hybrid models. They have drawn on publicly available sources, industry publications, and information from the CGAbyNIQ to provide an estimate of a snapshot for one point in time rather than a comparable time series. This puts the number of hybrids in England and Wales at around 2,000 pubs across the six POBs covered by the Code. This is consistent with the Code compliance reports published by the PCA[26]. This would account for around 5% of all pubs in England and Wales. Along with the data showing a rise in the number of managed operating models more generally, there is evidence that these types of arrangement are becoming more common in place of tied arrangements since 2015, which could in turn be a result of the Code.

Other Issues Identified

68. Concerns regarding repairs, maintenance and investment were also covered in the Call for Inputs. 4 responses argued that the uncertainty that exists through the MRO option has meant less investment in tied premises. The 2025 PCA Annual Tied Tenants Survey had a specific set of questions focusing on repairs and dilapidations but does not cover investment on general improvements that fall outside of these categories. Overall, only 45% of surveyed tenants reported being satisfied with how their POB handled repairs that they were responsible for, 41% reported that they were dissatisfied. Performance between POBs is contrasting. The top performer scored 68% of tenants reported satisfaction, whereas the lowest performer scored 22%. However, we cannot conclude from this information whether these trends are as a result of the MRO option or caused by other reasons.

69. Regarding dilapidations, surveyed tenants (2025 PCA survey) were overall more satisfied than not about information provided by the POB concerning dilapidations. Again, differences between POBs were stark with the highest performer scoring 64% and lowest scoring 31%. Whilst tied tenants generally seem more satisfied than dissatisfied with repairs, maintenance and investment[27], there are some concerns that the Government should continue to monitor in future reviews.

70. Other responses to question *PIR A.14.* have suggested that there are no unintended consequences from the legislation. They state that issues identified in this space existed prior to the introduction of this legislation, and that the Code has been successful in reforming the sector and instilling best practice through behaviour change.

71. The evidence considered highlights the potential existence of unintended consequences of the Pubs Code however the strength of the evidence is limited. Further research would be required on all of the areas identified here so that the full extent of these issues can be understood, and further policy options developed.

Has the evidence identified any opportunities to reduce the burden on businesses?

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[26] Self-reported data provided by each of the six POBs, subject to their own definitions of hybrid arrangements. In 2025, this was recorded as 1,992 – broadly similar to that provided by the CGA research.
[27] This includes dilapidations.

72. Some responses to the Call for Inputs suggested to revert to the voluntary code and assume that regulated POBs would operate in the same way that POBs with fewer than 500 tied tenants currently do. We would therefore assume that a voluntary code would act as the counterfactual in the absence of Pubs Code regulation. This option's opportunities centre around value for money, by reducing the compliance burden. There is also an argument that the Pubs Code has already caused a positive shift in behaviour and that many of the positive experiences of tied tenants, as evidenced by the PCA Tied Tenants' Survey, could persist on a voluntary basis without the formal obligations of the Code. Evidence submitted to the Call for Inputs estimates that the cost of the voluntary code is £16 - £18 per pub, significantly less than the £40 per pub, provided as evidence to the Impact Assessment.[28]

73. These are early estimates. The true cost would depend on the exact scope and requirements of such a voluntary code, and further options analysis would need to be carried out. However, any form of a voluntary code is likely to result in a significant reduction in business costs compared to the Pubs Code. Additionally, certain responses emphasise that the Code has been successful in delivering its policy objective and instilling best practice.

74. Whilst there is strong support for removing the Code amongst some stakeholders, others stress the need for legislation to remain. Certain responses to the Call for Inputs are clear that the Code is necessary for protecting the rights of tied tenants, with some responses suggesting the Code should be expanded to POBs with less than 500 tied tenants.

Other Findings

Value for Money

75. The original impact assessment set out the expected costs of setting up and running the Pubs Code. As outlined in the Impact Assessment, the Code would be funded through a levy that would be paid by the regulated POBs.

76. When the Pubs Code was introduced, it was estimated that the cost of the adjudicator would be £120 per pub[29]. When adjusted for inflation, this is equivalent to approximately £168[30] per pub in 2025. Using the levy for the 2025/26 financial year, the actual cost per pub of the adjudicator is approximately £313. This does not account for any levy underspend, which when unspent, is returned to the POBs, effectively reducing the cost burden. While it is too early to observe the underspend for this financial year, we estimate based on previous years that it could be up to £1million returned to POBs. Taking estimated underspend into account would reduce the estimate for actual cost per pub for the levy to around £200 per pub.

77. While cost per pub was presented in the original Impact Assessment, it is based on an estimate of around 13,000 pubs assumed to be in scope of the Code. In 2025, the number of pubs in scope is approximately 8,000. Some annual running costs of the adjudicator are fixed, so a direct comparison by number of pubs is not sufficient. The best estimate for comparison after adjusting for inflation is around £2.2million[31] in the original Impact Assessment. This compares to the best estimate for the actual cost in 2025/26 after accounting for an estimate of the returned underspend of £1.6m.[32]

78. While the reduction in the number of pubs in scope should, in theory, lead to levy savings, the cost of the adjudicator is broadly in line with that estimated as part of the Impact Assessment.

[28] Estimate used as part to the 2015 Impact Assessment, cited BBPA. This includes costs for compliance, training and other.

[29] Pubs Statutory Code and Adjudicator: Final Stage Impact Assessment – page 25.
[30] £120 x (103.18 / 73.66) = £168
figure from original IA x (2025 price index/2013 price index) = levy cost per pub in 2025 prices
Price index sourced from: GDP Deflators Qtrly National Accounts June 2025
[31] £168 x 13,000 pubs.
[32] £200 x 8000 pubs.

79. POBs will also incur further costs resulting from compliance with the Code. These will include administrative costs as well as costs for independent and parallel rent assessments. These were initially estimated to equate to an additional £252[33] per pub on top of the levy. Again, this was estimated based on an assumption at the time that 13,000 pubs could be in scope of the Code. The best estimate for comparison after adjusting for inflation is around £3.3million[34].

80. The Call for Inputs sought to understand more about what these additional costs have been since the introduction of Code. The evidence received estimates that total costs to comply with the Code are over £580 per pub. This is broken down as follows:

Table 3: Statutory Code: Average annual costs for 2024[35]

	Cost
PCA annual levy: current year	£2,640,019
Arbitration/legal/admin costs	£765,987
Staff costs[36]	£1,270,936
Annual total	**£4,676,942**

81. Excluding the costs of the Adjudicator paid through the PCA levy, the further costs of compliance with the Code are around £2million, made up of arbitration, legal, administrative costs, and additional staff costs directly required to comply with the Code. This would sit under the most comparable figure from the Impact Assessment, but we note again that some compliance costs will be fixed and would therefore not be expected to reduce as the number of pubs in scope declines. With the evidence provided, it is likely that the costs of compliance are broadly in line with that originally estimated as part of the Impact Assessment, but there may be scope for further savings, should the Code have achieved some of its objectives.

82. The Department has attempted to look at similar legislation that places similar requirements on businesses in terms of compliance, with the intention of comparing the associated cost of compliance to see if those of the Pubs Code could be deemed reasonable. The Department considered a number of regulations however the regulations themselves or industries in which they were imposed were too different to the Pubs Code for it to be reasonable to make comparisons.

83. Question *PIR A.7.* of the Call for Inputs asked respondents whether they believed the Pubs Code and its enforcement provide value for money. The responses are summarised in Figure 10. Of those that provided a response, 9% agree or strongly agree that the Code offers value for money, 17% neither agree nor disagree with the remaining 39% disagree or strongly disagree that the code offer value for money. 13 responses did not directly answer this question. Strong disagreement was the single largest response, accounting for 11 of the 36 responses.

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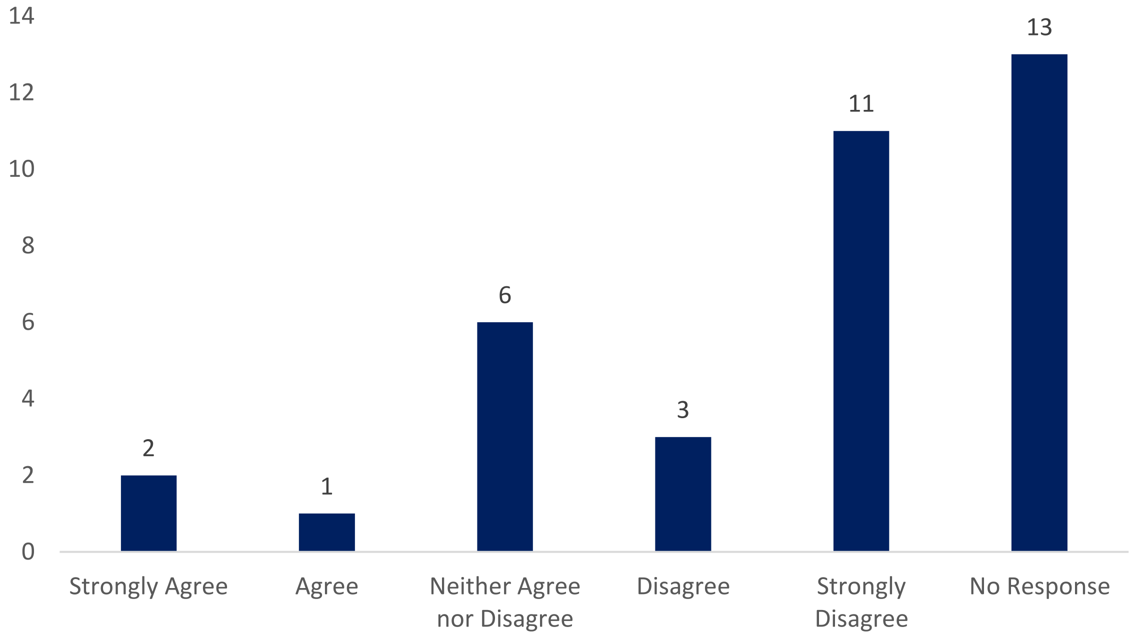
[33] This figure was £180 in the original impact assessment but becomes £252 in 2025 prices when adjusted for inflation.
£180 x (103.18 / 73.66) = £252
Price index sourced from: GDP Deflators Quarterly National Accounts June 2025

[34] £252 * 13,000 pubs.

[35] Estimates provided via the Call for Inputs

[36] Staff costs encountered by the six pub-owning businesses covered by the Code. This estimate is assumed to account only for staff costs necessary for Code compliance, over and above business-as-usual running costs.

Figure 10: PIR A.7. Do you think the Pubs Code and its enforcement provides value for money?



84. Part C of the PIR Call for Inputs was directed at the regulated Pub Owning Companies. Question *PIR C.2.* asked whether respondents felt the PCA levy was proportionate. 100% of responses disagree with this statement. Reasons given question the methodology suggesting it places too much weighting on certain aspects when apportioning the levy.

<u>Views of PCA effectiveness</u>

85. Some responses questioned the effectiveness of the PCA itself. Responses have often expressed a desire for the PCA to do more, or to respond to requests within a shorter timeframe. Whilst the Department acknowledges these views, the PCA must only act on matters within its remit. Conclusions about whether the Pubs Code and Adjudicator deliver value for money must only be drawn based on what is required of the PCA under the legislation.

<u>Views on benefits of the code</u>

86. Responses to the Call for Inputs and evidence from the PCA's tied tenants survey imply that the Code has improved the relationship between tied tenants and pub owning businesses since its introduction in 2016.

87. While the Call for Inputs received mixed views on the extent to which the Code has achieved the objectives of 'fair and lawful dealing' and ensuring that tied tenants are 'no worse off than they would be if they were free-of-tie', there is evidence that the Code has improved the provision of information provided to tied tenants. Tenants' relationships with pub companies, business development managers, and tenant satisfaction with their agreement remains relatively high, having increased since the introduction of the Code. The original Impact Assessment noted, as part of the rationale for intervention, issues with asymmetric information, and an imbalance of bargaining power between the pub tenant and pub company. As part of the Code, there is a responsibility on POBs to provide information, particularly to new prospective tenants, and ongoing business support. To that extent, the provisions of the Code and experiences of tenants provide some evidence that the Code has been successful in reducing the market failures outlined in the Impact Assessment.

88. Another market failure highlighted as part of the rationale for intervention was the potential for tenants to be locked-in to the tie, which could in-turn reduce the tenant's ability to apply bargaining pressure on their pub company, and make it difficult to assess whether they are no worse off than they would be if they were free-of-tie. The Market Rent Only option was included as part of the

Code to provide an incentive for pub companies to ensure that a tied tenancy is as attractive as possible, given the threat of tenants going free-of-tie. As discussed above, there are some negative stakeholder views on the effectiveness of MRO, with the low take-up argued as attributable to procedural barriers limiting use. There are also some views that the existence of MRO has reduced the length of lease offered or contributed to the increase in popularity of other models, such as managed operating models or hybrid models. This could be evidence either of a potential unintended consequence of this part of the Code, or an inability for this to address the market failure in its entirety as far as the MRO option can be avoided by choosing other models.

Conclusions on Value for Money

89. Overall, there has been some evidence that the Code has been successful in achieving its objectives and has made for better experiences for tied tenants. Costs of complying with the Code, falling on six pub-owning businesses, while broadly consistent with original estimates, remain relatively high.

90. The number of tied tenancies has declined over time since the introduction of the Code, including among tied tenancies specifically in scope of the Code, and similar models in the wider industry. At the same time, there has been an increase in popularity of managed arrangements not in scope of the Pubs Code, and newer hybrid models. The negative stakeholder views about MRO highlight potential issues with the current Code, which could be causing unintended consequences, making tied tenancies less attractive relative to other models.

91. As the number of tied tenancies declines and overall costs remain relatively stable, there could be scope for a reduced administrative burden to ensure value for money. Options could vary from MRO opt-out to a more significant scale back of the Code's scope. Any further options analysis should consider the likely costs and benefits of any change, including whether the benefits brought about by the Code so far would persist in its absence, for example under a voluntary code.

Conclusions and Considerations

92. This PIR has considered the performance of the Pubs Code and Adjudicator against the policy objectives originally set out in the legislation. It has also considered the extent to which there is a need for government to continue to intervene in this market; any unintended consequences that have resulted; opportunities to remove burdens to businesses; as well as overall Value for Money.

93. Based on the evidence that we have available, stakeholders largely agree that the Code has met its objectives but there are mixed views around the potential unintended consequences caused by the MRO. There is also evidence that the Department should continue to assess the Value for Money of the current code in comparison to making adjustments in some aspects. This evidence includes the strength of stakeholder views, increases in relative cost per pub of the levy versus the original Impact Assessment and new information on the cost savings of a voluntary code.

94. The evidence has identified areas where the Code has successfully instilled best practice where tied tenancy operating models are concerned. Surveyed tied tenants are typically more satisfied than dissatisfied with their agreement, although there are variations between the POBs. This assessment recognises the role the Code has played since its introduction in protecting and ensuring fair treatment of tied tenants. Since its introduction, there has been an improvement in tenant experiences and the relationships between tenant and pub company.

95. When considering data on the size and composition of the industry in relation to tied tenancies, there is some evidence that tied tenancy agreements are in decline and other operating models are increasing in popularity. Stakeholder views on the extent that this has been an unintended consequence, or behavioural change in response to the Code, are mixed. However, evidence from industry data does support the hypothesis of tied tenancies, as proxied by non-managed pubs, closing at a faster rate than other types of pub in England and Wales. The evidence also suggests the existence of a trend to convert tied tenancies covered by the Code to managed, or new hybrid

arrangements. The growth in hybrid management models and fall in tied tenancies could in part represent an unintended consequence of the Code.

96. Likewise, there has been some evidence from stakeholders that the MRO right is a source of existing uncertainty, resulting in shorter leases and in some cases, lower investment in the type of pub agreement covered by the Code. There is a clear appetite from some stakeholders to remove the MRO option as this may have led to unintended consequences, particularly shorter lease agreements driven by the uncertainty the MRO right brings. Other responses have warned strongly against removing the MRO option as this provides a vital right for tied tenants in delivering the no worse off principle. The evidence clearly suggests that the existing MRO right has led to business uncertainty, as an unintended consequence, and this is an area the Department should consider encouraging investment in this part of the industry. For example, where MRO represents a source of uncertainty for pub-owning businesses, options to change the Code could focus on scaling back rights related to MRO, or removing the Code altogether.

97. Several responses have suggested that the Pubs Code should be removed, and the sector should move to a voluntary code. This option would lead to a cost savings from the removal of the levy, in addition to ongoing regulatory cost savings related to administration, legal costs and staffing.

98. Overall, the Code has been successful in improving tenants' rights and treatment but there is still scope for improvement in some areas. There is some evidence that the Code has achieved its intended objectives to improve the provision of information between tied tenants and pub-owning businesses, and as such ensures that tenants are in the best position to ensure that a tied agreement is the right agreement for their business. The Code provides important protections for tied tenants but continues to cause uncertainty in the industry, regulatory compliance costs for pub-owning businesses and unintended consequences in the form of a move away from tied arrangements. Concerns about value for money remain, and consistent with the Government's aim to reduce regulatory burdens to business, further work from the Department is needed to explore opportunities to reduce burdens while protecting the interests of tied tenants.

99. The Department will consider options to amend the Pubs Code to ensure that it better serves its purpose. This will include seeking to identify areas where the value for money of the policy can be improved, and financial burdens placed on Pub Owning Businesses reduced. In doing so, the Department will only consider amendments that ensure the necessary protections for tied tenants remain in place. It is vital that the best practice that has been instilled in the industry remains through the fair treatment of tied tenants. Where necessary, the Department will engage in further research to support policy decisions, this could be in relation to improving awareness and effectiveness of the MRO option or reasons for the decline in non-managed pubs.

Annex 1: Call for Inputs Questions

Part A: Questions for all

Policy objective

The Pubs Code was introduced to address problems between tenants and pub owning companies. Specific evidence submitted to Select Committees by publicans cited a number of issues in the way they were treated by their pub owning company. These problems were grouped into five categories:

- **Lack of transparency:** A failure to provide evidence to support the pub owning company rent assessment assumptions e.g. on likely trade, which later proved to be overestimated.
- **Compliance with agreements:** A range of reported practices which suggest the pub owning company is abusing the relationship.
- **Levels of 'dry' rent:** Tenants complained that rent increases took into account increases in trade following improvements they themselves had made to the business.
- **Other issues of fairness:** For example, the use of upward only rent review clauses that do not take account of wider circumstances affecting trade; the sale of a pub freehold to another company with no notice so the tenant is faced with a new landlord and new tied arrangements

and cases of infrequent and inconsistent communications from the pub company's business development manager.

PIR A.1. One of the objectives of the Pubs Code was to ensure fair treatment and lawful dealing of tenants by pub companies. To what extent do you believe this has been achieved? Give reasons for your answer.

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.1a. Give reasons for your answer:

PIR A.2. The Market Rent Only option intended to provide tenants with greater bargaining power by allowing tenants the option of a free-of-tie agreement to enable them to make a straightforward comparison and choice between the tied and free of tie business model in certain circumstances. This also gave more of an incentive for pub companies to work harder so that a tenant will remain tied. This meant that one of the objectives of the Pubs Code was to ensure that tied tenants were no worse off than they would be if they were not subject to any product or service tie. To what extent do you believe this has been achieved?

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.2a. Give reasons for your answer:

PIR A.3. How has the Pubs Code and the work of the Pubs Code Adjudicator impacted tied pub tenants? Can you provide any specific examples?

PIR A.4. Have there been any areas where the Pubs Code and/or its enforcement by the Pubs Code Adjudicator has fallen short of its objectives? If so, elaborate.

PIR A.5. How has the Pubs Code and/or the Pubs Code Adjudicator influenced the relationship between pub-owning companies and tenants?

PIR A.6. To what extent do you think that the MRO right has led to a change in behaviour by pub owning companies in their relationship with tied tenants and more broadly? Provide any evidence you have to support your view.

PIR A.7. The following table is adapted from the Impact Assessment[37] published alongside the Pubs Code regulation in 2016.

[37] Table 11 'Summary of costs and benefits' https://assets.publishing.service.gov.uk/media/5a7f860bed915d74e622afcb/bis-15-64-pubs-statutory-code-and-adjudicator-final-stage-impact-assessment.pdf

Summary of costs and benefits

Cost	Type	Amount (£million)	One off or Recurring
Adjudicator set up costs	Direct Cost to Business	0.54	One off
Adjudicator Operating Costs	Direct Cost to Business	1.60	Recurring annually
Other Compliance and Familiarisation Costs	Zero Net Cost	0.00	Recurring annually
Cost of Independent Assessments for MRO	Direct Cost to Business	2.00	Recurring annually
Free of Tie Rent Assessments for Pub Owning Companies	Direct Cost to Business	0.30	Recurring annually
Free of Tie Rent Assessments for Tenants	Direct Cost to Business	0.06	Recurring annually
Closures	Indirect Cost to Business	16.70	Recurring annually

The above table summarises the main costs associated with setting up, maintaining and enforcing the Pubs Code. These values are presented in 2013 prices and have **not** been adjusted for inflation. The costs presented above are an estimation of what costs would be prior to implementation of the Pubs Code. More details about these costs and how they are calculated can be found in the Impact Assessment[38].

Do you think the Pubs Code and its enforcement provides value for money?

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.8. Provide details of any areas where you think there is scope for savings to compliance costs.

PIR A.9. The Regulators Code is a set of principles that supports and enables regulators to design their service and enforcement policies in a manner that best suits the needs of businesses and other regulated entities. The principles of the Regulators Code are:

- regulators should carry out their activities in a way that supports those they regulate to comply and grow
- regulators should provide simple and straightforward ways to engage with those they regulate and hear their views
- regulators should base their regulatory activities on risk
- regulators should share information about compliance and risk
- regulators should ensure clear information, guidance and advice is available to help those they regulate meet their responsibilities to comply
- regulators should ensure that their approach to their regulatory activities is transparent

[38] Pub companies and tenants: Pubs Code and adjudicator - GOV.UK

How well do you think the Pubs Code and its enforcement has followed the principles set out in the Regulators Code[39]?

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.9a. Give reasons for your answer:

Need for government intervention and regulation

*PIR A.*10. To what extent do you agree with the following statement: Government intervention through the Pubs Code is still necessary.

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.10a. Give reasons for your answer:

PIR A.11. In your opinion, what would be the potential consequences of removing some or all of the Pubs Code regulation? Give reasons for your answer.

PIR A.12. Are there any aspects of the Pubs Code that you believe should be revised or updated to better serve its purpose?

PIR A.13. Management-operator agreements, also called turnover-share agreements and hybrid agreements are agreements where the operator receives a percentage share of the pub's turnover to pay themselves and employ staff, but does not pay rent, and is supplied with products from the pub-owning business. The PCA has said that some of these agreements may meet the definition of tied pub for the purposes of the Pubs Code but does not plan to enforce compliance at this time.

Do you wish to share any views on the use of hybrid agreements across the sector, including any actual or potential risks of harm to operators associated with these agreements? Provide any evidence you have to support your view.

Unintended consequences

PIR A.14 Do you think there have been unintended consequences following the introduction of the Pubs Code. Give reasons for your answer.

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR A.14a. Give reasons for your answer:

Part B: Questions for tied tenants

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[39] Regulators' Code 2014 https://www.gov.uk/government/publications/regulators-code
https://www.gov.uk/government/publications/regulators-code

PIR B.1. How has your experience as a pub tenant changed since the implementation of the Pubs Code and to what extent do you think this is as a result of the Code?

PIR B.2. Can you describe any specific instances where the Pubs Code has directly benefited you as a tenant? This might include:

- protection from significant beer price increases
- moderated rent increases as a result of regulation
- other benefits the non-regulated sector may not have received

PIR B.3. Have you encountered any challenges or difficulties as a result of the Pubs Code or which you feel the Pubs Code has failed to address? If so, elaborate.

PIR B.4. Do you feel that the Pubs Code has provided you with greater negotiating power and fairness in your dealings?

PIR B.5. What changes, if any, would you suggest to enhance the effectiveness of the Pubs Code for tenants?

PIR B.6. Have you considered exercising your Market Rent Only (MRO) option? Provide reasons for why you have or have not considered doing so.

PIR B.7. Have you experienced changes to the length of leases and/or the level of Pub Company investment in your pub(s) since the introduction of the Pubs Code?

PIR B.8. To what extent do you think that tied tenants would benefit from an 'MRO opt-out' where at the tied tenant's request, they could forego their MRO rights for an agreed period in return for a longer lease and/or greater investment? Provide any evidence you have to support your view.

Part C: Questions for pub-owning businesses (regulated)

Contracts

PIR C.1. What is the typical length of contract offered under your tied model? How does this compare with any other models you offer? Has this changed since prior to 2016?

Pubs Code levy

PIR C.2. To what extent do you feel the levy is proportionate?

a) strongly agree
b) agree
c) neither agree nor disagree
d) disagree
e) strongly disagree

PIR C.2a. If you disagree that the levy is proportionate, how could this be made more proportionate?

PIR C.3. Are you able to plan and effectively estimate levy payments?

PIR C.4. How do you feel about the viability of levy amount in the context of your wider businesses?

Repairs and Code related investment

PIR C.5. Do you hold any data on the type and cost of repairs, maintenance and investment into tied pubs?

PIR C.6. Do you keep a record of the proportion of agreements where there is split/sole responsibility for repairs and maintenance?

Part D: Questions for pub owning businesses (unregulated)

Contracts

PIR D.1. What is the typical length of contract offered under your tied model? How does this compare with any other models you offer?

Repairs and Code related investment

PIR D.2. Do you hold any data on the type and cost of repairs, maintenance and investment into tied pubs?

PIR D.3. Do you keep a record of the proportion of agreements where there is split/sole responsibility for repairs and maintenance?

If you have any other comments which have not been captured in the sections above, share them here:

Annex 2 – Analysis of responses not in main body

Part A: Questions for all

Question	Response Summary
PIR A.3. How has the Pubs Code and the work of the Pubs Code Adjudicator impacted tied pub tenants? Can you provide any specific examples?	20 responses in total. Responses are as follows: • 5 negative • 10 positive • 3 mixture of positive and negative • 2 no impact or unsure Those who responded stating positive impacts provided examples such as improvements to relationships between tied tenants and POBs; better information sharing and improved practices in the industry. Those who responded stating negative impacts provided examples such as a reduction in pubs under a tied tenancy operating model and ineffectiveness of the PCA.
PIR A.4. Have there been any areas where the Pubs Code and/or its enforcement by the Pubs Code Adjudicator has fallen short of its objectives? If so, elaborate.	20 responses. Responses that provided examples stated reasons such as existence of unintended consequences (like shorter leases); lack of information provided to tenants by POBs and large burdens to provide information placed on POBs.
PIR A.5. How has the Pubs Code and/or the Pubs Code Adjudicator influenced the relationship between pub-owning companies and tenants?	21 responses. • 9 identified a positive influence • 5 identified a negative influence • 5 suggest the influence in mixed • 2 suggest no influence. • Those reporting a positive influence often refer to the role the Code has played in instilling best practice in the industry with regard to how POBs interact with their tied tenants. Those reporting negative influence have referred to worsening of relationships between tied tenants and POBs. Other responses have commented on the role and effectiveness of the PCA.
PIR A.6. To what extent do you think that the MRO right has led to a change in behaviour by pub owning companies in their relationship with tied tenants and more broadly? Provide any evidence you have to support your view.	21 responses. Of which • 4 suggest a positive change • 8 suggest a negative change • 3 suggest a mixture of positive and negative change • 4 suggest no change • 2 are unclear 1 response which suggested positive change was a previously tied tenant who has gone free of tie. They stated the MRO option gave them greater bargaining power.

	Negative responses cited the unintended consequences explored in the main body of the PIR. These include the existence of shorter leases and concerns about investment in premises.
PIR A.8. Provide details of any areas where you think there is scope for savings to compliance costs.	19 responses. Details of areas where the scope for savings to compliance costs included: 1. reducing the amount of administration required of POBs under the Code. 2. reducing the amount of administration carried out by the PCA. 3. Simplifying of processes. Other responses suggested that the government should not be looking to reduce costs here and the Code should continue to function in its current state.
PIR A.9. The Regulators Code is a set of principles that supports and enables regulators to design their service and enforcement policies in a manner that best suits the needs of businesses and other regulated entities. The principles of the Regulators Code are: • regulators should carry out their activities in a way that supports those they regulate to comply and grow • regulators should provide simple and straightforward ways to engage with those they regulate and hear their views • regulators should base their regulatory activities on risk • regulators should share information about compliance and risk • regulators should ensure clear information, guidance and advice is available to help those they regulate meet their responsibilities to comply • regulators should ensure that their approach to their regulatory activities is transparent How well do you think the Pubs Code and its enforcement has followed the principles set out in the Regulators Code ? a) strongly agree b) agree c) neither agree nor disagree d) disagree e) strongly disagree *PIR A.9a.* Give reasons for your answer:	21 responses. Of which: • Strongly Agree: 0 • Agree: 2 • Neither Agree nor Disagree: 10 • Disagree: 6 • Strongly Disagree: 3 Responses in agreement did not provide detail on reasons for this answer. Those that disagree often say this is because of delays in decision making and communication. Reasons given also suggest lack of clear guidance from the PCA.
PIR A.11. In your opinion, what would be the potential consequences of removing some or all of the Pubs Code regulation? Give reasons for your answer.	22 responses. Of which: • 11 stated positive consequences • 2 stated no consequences • 8 stated negative consequences • 1 stated consequences would be mixed. Those who stated consequences would be positive, reasons given often refer to moving to a voluntary code, that would allow best practice to

	remain in the industry but removing the cost burden that comes with the Code. Those who stated negative consequences often suggest that a voluntary code will not be sufficient for preventing bad practices from returning to the industry.
PIR A.12. Are there any aspects of the Pubs Code that you believe should be revised or updated to better serve its purpose?	25 responses. This question received many suggestions for areas for revisions or updates to the code. These suggestions are contrasting and range from complete removal of the Code to expansion of the Code to POBs with less than 500 tied tenants. Other frequent suggestions include the addition of a guest beer provision as part of the Code and removal of the MRO option or to include an MRO opt-out option.

Part B: Questions for tied tenants

Part B of the PIR Call for Inputs sought views from tied tenants. These questions did not receive many responses and often were not detailed. It is therefore difficult to draw wider conclusions from these responses. They are summarised below.

Question	**Response Summary**
PIR B.1. How has your experience as a pub tenant changed since the implementation of the Pubs Code and to what extent do you think this is as a result of the Code?	3 responses. None provide much detail. One response credits the Pubs Code with improvements to their relationship with their POB.
PIR B.2. Can you describe any specific instances where the Pubs Code has directly benefited you as a tenant? This might include: • protection from significant beer price increases • moderated rent increases as a result of regulation • other benefits the non-regulated sector may not have received	3 responses where benefits are mentioned. These referred to price paid for beer (in terms of stock) and rent.
PIR B.3. Have you encountered any challenges or difficulties as a result of the Pubs Code or which you feel the Pubs Code has failed to address? If so, elaborate.	1 response where challenges or difficulties are mentioned. This response highlighted lengthy MRO proceedings as a challenge.
PIR B.4. Do you feel that the Pubs Code has provided you with greater negotiating power and fairness in your dealings?	3 responses. 2 felt the Code had provided better negotiating power. 1 did not.
PIR B.5. What changes, if any, would you suggest to enhance the effectiveness of the Pubs Code for tenants?	3 responses. Suggested changes include expanding the Code to those POBs below 500 tied tenancies, introducing an advisory to support rent reviews before arbitration and a “more direct approach” from the PCA.
PIR B.6. Have you considered exercising your Market Rent Only (MRO) option? Provide reasons for why you have or have not considered doing so.	3 responses. 1 response confirmed they have now gone free-of-tie.
PIR B.7. Have you experienced changes to the length of leases and/or the level of Pub Company investment in your pub(s) since the introduction of the Pubs Code?	3 responses. 2 responses stated less investment. The other was unclear.
PIR B.8. To what extent do you think that tied tenants would benefit from an ‘MRO opt-out’ where at the tied tenant’s request, they could forego their MRO rights for an agreed period in return for a longer lease and/or greater investment? Provide any evidence you have to support your view.	14 responses. Of those, 4 believe an MRO opt-out option would be beneficial; 1 was neutral; 1 offered mixed views; 6 believe it would not be beneficial. The remaining 2 were unclear. Reasons in support state that this could result in longer agreements. Responses who stated this would not be beneficial cautioned that tenants would be giving up some of their protections. Other responses stated that tenants who had opted out of their MRO rights in exchanged for investment waivers had expressed regret.

Part C: Questions for Pub Owning Businesses (regulated)

Part C of the PIR Call for Inputs was directed at the 6 regulated Pub Owning Businesses. All 6 responded to every question. Analysis of responses not included in the main body is summarised here.

Question	Response Summary
PIR C.3. How do you feel about the viability of levy amount in the context of your wider businesses?	All 6 responses stated they have had difficulty in being able to effectively plan for or estimate the levy.
PIR C.4. How do you feel about the viability of levy amount in the context of your wider businesses?	Only 3 responses directly answered on the viability of the levy in the context of their wider business, of which 2 responses said the levy was somewhat viable. The other responses offered wider views on the levy.
PIR C.5. Do you hold any data on the type and cost of repairs, maintenance and investment into tied pubs?	All 6 POBs confirmed they maintain a record of type and cost of repairs, maintenance and investment into tied pubs.
PIR C.6. Do you keep a record of the proportion of agreements where there is split/sole responsibility for repairs and maintenance?	All 6 POBs confirmed they maintain a record of the proportion of agreements where there is split/sole responsibility for repairs and maintenance.

Part D: Questions for Pub Owning Businesses (unregulated)

Three questions were asked specifically to unregulated pub owning businesses. The purpose of this was to understand how the unregulated tied pub market operates to enable comparisons with those that are regulated by the Code. For each of these questions, only one response was received. This means it is not possible to draw robust conclusions on this section of the industry itself. The responses are summarised in the table below.

Question	Response Summary
PIR D.1. What is the typical length of contract offered under your tied model? How does this compare with any other models you offer?	Most common agreement is a 5-year rolling contract.
PIR D.2. Do you hold any data on the type and cost of repairs, maintenance and investment into tied pubs?	Summary table of recent investments provided with response.
PIR D.3. Do you keep a record of the proportion of agreements where there is split/sole responsibility for repairs and maintenance?	Responsibility for repair is shared between tenants and POB with division of responsibilities included in response.