Pub tenants fear beer tie loophole

A draft of the Pubs Code has been criticised for allowing pub companies to avoid offering tenants the opportunity to end the tie

Every pub has a pet drunk, says American tourist Scott Waters Photo: Andrew Fox / Alamy

By Ben Martin

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The Government has been criticised for opening a loophole that means pub companies can avoid offering their tenants the option of breaking the beer tie.

A draft of the new Pubs Code, published today, caused consternation among tenants who believe it enables companies to side-step giving them the opportunity of ending the tie at rent reviews. Under new legislation, a tenant that does not want to be bound by the tie can choose what is called a Market Rent Only option (MRO).

The tie is a 400-year old system requiring pub tenants to buy beer from their landlords rather than on the open market. The price they pay is typically above market rates, but in return tenants receive benefits such as lower rent. The MRO, which is to be introduced next May, is designed to offer tenants who want it the option of a free of tie rent arrangement.

The document unveiled today said that a tenant “will gain the right to request an MRO offer following the receipt of [a] rent review proposal – so long as the rent proposed by the pub-owning business is higher than the existing rent that the tenant is paying”.

The clause was seized upon by Chris Wright, the head of the Pubs Advisory Service, which offers guidance to tenants, who claimed it meant firms could easily prevent their tenants from breaking the tie by not hiking rents.

“It’s only offering the MRO for higher rents, not for all rents,” he said. “It’s easily dodged, because every single pub company that wants to avoid it can keep their rents the same or drop them by a penny. My members are freaking out about this.”

Rents that rise in line with inflation would not trigger the MRO.

Tenants can request reviews if their rent has not been assessed for at least five years, if the price of beer they buy under the tie rises significantly, or if their trading changes.

Last November, MPs voted to amend the Small Business, Enterprise and Employment bill to include the MRO, a measure that means companies with more than 500 leased and tenanted pubs risk the tie being severed.

It has sent shockwaves through the industry, with Enterprise Inns and Punch Taverns, the two biggest leased and tenanted firms, considered the most vulnerable to the changes.

A spokeman for the Department of Business, Innovation & Skills said: “The Code has been drafted to try to strike a fair balance between pub companies and tenants but if there are areas that people feel could be changed or strengthened then we want to hear from them during this consultation period.”