



## **Pubs Code – Market Rent Only Frequently Asked Questions**

### **When you send an MRO Notice**

**Q. What happens once I have sent my MRO notice?**

A. We will acknowledge your MRO notice as soon as reasonably practicable and provide a full response to you within 28 days from the day after the receipt of your request. If we agree with your request, our MRO Full Response will contain our confirmation of agreement, a proposed MRO rent and details of a proposed MRO agreement. If we disagree with your request, we will explain why in our full response to you.

**Q. How will I receive my MRO proposal?**

A. Your MRO proposal Full Response will be sent by email to the email address you provide in your MRO notice.

### **Approach to MRO Proposal and Negotiations**

**Q. Will my MRO have to be via a new lease, or can it be a deed of variation?**

A. The form of MRO agreement will be viewed on a case-by-case basis and will be made clear to you in the full response you receive from us.

**Q. How long will my MRO tenancy be?**

A. This can vary and will be dependent on your particular circumstances i.e. if a MRO request is made following an agreement renewal, then the length of your MRO agreement will reflect the renewal term. Where a MRO request is made mid-agreement term, the length of the MRO agreement will be for at least the remaining term of your current tied agreement.

**Q. Will the terms in the MRO proposal be the same as those in my tied tenancy?**

A. The terms in the MRO agreement will differ from your current tied agreement. This is because you will be entering into a different commercial contract with Greene King, which will be free of the tie. The extent of the differences will depend on the terms and conditions of your current agreement.

**Q. How will MRO negotiations be carried out?**

A. Once a MRO Full Response has been sent to you containing details of the MRO proposal, a member of our Estates Team will make contact with you to arrange a meeting to discuss the proposal.

**Q. Who will manage my MRO negotiations? Will it be my BDM?**

A. Your MRO negotiations will be managed by a member of the Greene King Estates Team.

**Q. Will I be required to have a business plan?**

A. We do not require you to have a business plan to enter in to a free-of-tie agreement with Greene King. However, having a business plan is helpful in ensuring you get the most from your business and helps you to understand if your business is moving in the right direction.

**Q. Will I be required to change my rent and deposit payment dates? Will my deposit level change?**

A. We usually require a rent deposit equivalent to a quarter of the initial annual rent and payment of rent quarterly in advance. However, we recognise that a transitional period may be required to “build up” to the requirements of the MRO agreement, and therefore details of a transitional period will be included in the MRO proposal we send to you, which will take into consideration your individual circumstances.



## **Pubs Code – Market Rent Only Frequently Asked Questions**

**Q. Will my insurance level change?**

A. The property insurance level will remain the same.

**Q. Will my repairing liabilities and benefits change under an MRO agreement?**

A. Greene King's free-of-tie agreement is a 'fully, repairing and insuring' agreement, meaning that you will have the full responsibility for all repairs, decoration and maintenance of the whole property and grounds. In addition, where the new agreement is for more than five years you will be responsible for all statutory testing and certification for the property. These may be different to the obligations under your current tied agreement. Additionally, you should be aware that any benefits you currently enjoy as a Greene King tied tenant will no longer be available, such as, access to marketing and promotions, access to business development management consultancy advice, access to flexible credit control support and access to investment support.

**Q. Will there be any upfront costs if I go MRO?**

A. When entering into any new agreement with Greene King, you can expect to pay some upfront costs. These will likely include the following; payment of a quarters' rent deposit, which will be the balance between what is already held on deposit for your current tied agreement and any increased deposit under the new agreement; and, payment of a first quarters' rent. However, we recognise that a transitional period may be required to "build up" to the requirements of the MRO agreement, and therefore details of a transitional period will be included in the MRO proposal we send to you, which will take into consideration your individual circumstances.

You may also be liable to pay Stamp Duty Land Tax (SDLT) to HMRC in connection with the grant of a new agreement. We are not qualified to advise you on personal taxation and accounting matters and therefore we strongly advise you to obtain advice from a suitably qualified professional advisor. You should also set aside funds to pay for independent professional advice covering such matters as legal/grant of new agreement (solicitor), financial (accountant and taxation specialist), valuation (Chartered Surveyor/Licensed Property Valuer), structural survey (Chartered Building Surveyor) and checking/testing of services (Specialist Contractor).

**Q. Will I have to pay for any dilapidations if I request MRO?**

A. We would not ordinarily require you to complete dilapidations works as a condition of an MRO agreement unless there are exceptional circumstances, such as, a risk of Greene King becoming in breach of covenant, duty under contract, breach of criminal law or liability for any statutory penalty that might arise. If these circumstances arise this will be made clear to you.

However, you should be aware that your responsibility for any repairs and decorations that have arisen under your existing agreement will carry over to the new MRO compliant agreement and you should plan and budget accordingly.

In the ordinary course of our tied lease estate management, and outside of the MRO procedure, Greene King operates a programme of interim and terminal dilapidations inspections that are carried out by our externally appointed building surveyors. Interim dilapidation inspections are usually carried out during the same year as when a periodic rent review is due and terminal dilapidations between 12 and 24 months before the expiry of a lease agreement. In these circumstances, and where the terms of the agreement permit, we will charge the cost of the preparation and issue of the Schedule of Dilapidations. For more information, please see section 5.6 of our Running a Pub Information Guide and our Guide to Charges. These documents are available on our Partner portal at [www.pubpartners.net](http://www.pubpartners.net). The Schedule of Dilapidations will help you plan and budget for your repairing and decorating obligations during the term of the MRO compliant agreement.



## **Pubs Code – Market Rent Only Frequently Asked Questions**

**Q. Will there be a stocking requirement in the MRO option? If so, how will this be considered?**

A. As a producer of beer, Greene King is able to include a stocking requirement in its MRO agreement, as per section 68(7) of the Small Business, Enterprise and Employment Act 2015. This requires you to stock beer produced by Greene King as part of your product range. The terms of the stocking requirement will take into consideration the beer products you have purchased from us over a defined period of time and anticipated demand in the future. You will be able to purchase the beer specified in the stocking requirement from wherever you choose. Any stocking requirement will be unique to Greene King and will not be binding on you in the event that the pub is sold to a Landlord who is a producer of beer.

**Q. If I choose an MRO agreement, does any part of the tie remain?**

A. The MRO agreement will be free-of-tie for all products and gaming machines. However, we shall continue to insure the property as per our group insurance policy and hold the Premises Licence and re-charge the cost to you for these services.

**Q. I have a long lease at present what term do you have to offer me on renewal or at rent review if I opt for MRO?**

A. This can vary and will be dependent on your particular circumstances, however if a MRO request is made following an agreement renewal, then the length of your MRO agreement will reflect the renewal term. Where the MRO request is made following a rent review, the length of the MRO agreement will be for at least the remaining term of your current tied agreement.

**Q. Will I still be tied for Gaming Machines?**

A. The MRO agreement will be free-of-tie for all products and services, with the exception of buildings insurance and the management of our premises licence.

**Q. I have received my MRO proposal, but I am concerned about the terms on which it is being offered. What can I do?**

A. The MRO procedure provides a negotiation period for 3 months, known as the Resolution Period. During this time we have the opportunity to discuss the terms and conditions being offered. Where terms and conditions change as part of the negotiations, we may send you an updated MRO full response. If we are unable to agree the terms and conditions within the Resolution Period, you have the right to refer to the Pubs Code Adjudicator for arbitration. There are strict deadlines for an arbitration referral during the MRO procedure and so it is important that you or your advisor are aware of these.

### **Rent**

**Q. Will my rent change if I go MRO?**

A. Yes. A new rent figure will be agreed as part of the MRO procedure.

**Q. How will the MRO rent be assessed?**

A. The assessment of the MRO rent is conducted in accordance with RICS guidance for pub rental valuation using the profits method of valuation. The assessment will take into account the different product supply terms available under the MRO agreement and how this may impact on the operation of the business at the pub.



## **Pubs Code – Market Rent Only Frequently Asked Questions**

### **Q. What information can I expect to receive with my MRO rent proposal?**

To ensure you're able to understand how Greene King has calculated the MRO rent you will receive a MRO Rent Assessment Proposal and Shadow Profit and Loss Report. These documents will include the assessment of the Fair Maintainable Turnover; gross profit; details of operating costs; details of the volumes purchased from Greene King in the last 3 years; details of any comparable evidence, where available and relevant; and confirmation of whether the property has been valued in its existing configuration or should you have made improvements to the property, confirmation of what those improvements are and an explanation of how they affect the calculation of the Rent Assessment.

### **Q. What can I do if I do not agree with the MRO rent provided?**

A. The MRO procedure provides a negotiation period for 3 months, known as the Resolution Period. During this time we have the opportunity to discuss the terms and conditions, including the MRO rent being offered. In the event that we cannot agree an MRO rent, you have the opportunity to refer the MRO rent to an Independent Assessor as part of the MRO procedure. There are strict deadlines for referral and so it is important that you or your advisor are aware of these. It is also important to understand that the Independent Assessor fees will be split 50/50 between us and you.

### **Q. I have an outstanding rent review. What will happen with that?**

A. Greene King understands that you may wish to compare your tied rent review with the MRO option before deciding on which is best for you and your business. While the MRO procedure is running, we can still continue to discuss and negotiate your tied rent if you wish, however the application and recovery of any additional tied rent, as a result of a tied rent review or indexation, will be suspended until the MRO procedure has ended. If you enter an MRO agreement, we will not seek to recover any additional tied rent that may have become payable under the tied agreement during the period of negotiation.

## **Steps following negotiation**

### **Q. What do I do if I do not agree with the rent being offered? What will happen if I ask for the MRO rent to be sent to an Independent Assessor?**

A. If you do not agree with the MRO rent, you may choose to refer the proposed MRO rent to an Independent Assessor by sending a notice of your intent to Greene King. Your notice will be acknowledged by us and together we will jointly agree on the appointment of an Independent Assessor. If we cannot agree on an Independent Assessor, we will be required to notify the Pubs Code Adjudicator who will appoint an assessor on our behalf. There are strict deadlines for referral and so it is important that you or your advisor are aware of these. It is also important to understand that the independent assessor fees will be split 50/50 between us and you.

### **Q. Do I have to take a MRO option if I request it?**

A. No. If you make an MRO request you are not obligated to enter into an MRO option.

### **Q. What happens if I want to accept the MRO option?**

A. If you choose to accept the MRO option you must confirm this in writing to us. Once you have confirmed your acceptance of the MRO option, we will instruct our solicitors to draw up the free-of-tie agreement. There are strict deadlines under the MRO procedure and so it is important that you or your advisor are aware of these.

### **Q. What happens if I do not want to accept the MRO option?**

A. If you decide not to accept the MRO option we would ask that you confirm this in writing to us so that the MRO procedure can be concluded. Once the MRO procedure has come to an end, you will no longer be able to enter into an MRO agreement until such time as another MRO event occurs and, you will remain on the terms of your current tied agreement.

# Pubs Code – Market Rent Only

## Frequently Asked Questions

**Q. What can I do if I disagree with any of these points?**

- A. If you believe that we have not complied with the Pubs Code regulations you have the right to make a referral for arbitration to the Pubs Code Adjudicator. You must notify us of your intention in writing prior to referring your matter to the Pubs Code Adjudicator. There are strict deadlines for referral and so it is important that you or your advisor are aware of these in your considerations.

## CCOs and BDM roles

**Q. How can the CCO help? / When and how to contact the CCO?**

- A. Under the Pubs Code regulations, Greene King has a duty to appoint a Code Compliance Officer (CCO). The CCO is required to ensure that Greene King is compliant with the Code and is reasonably available to you and your advisors should you have any Code queries. Greene King's CCO can be contacted by emailing [pubscode@greeneking.co.uk](mailto:pubscode@greeneking.co.uk).

**Q. When I request an MRO agreement will my relationship with my BDM change?**

- A. During the MRO procedure the relationship with your business development manager will not change. If you choose to accept an MRO agreement you will no longer have access to a business development manager in the same way as you currently enjoy.

## Advisors

**Q. Do I need to appoint an independent advisor to help me with the MRO procedure?**

- A. The MRO procedure can be complex and therefore we would strongly recommend you take independent professional advice throughout the process.

**Q. Can you recommend any independent professional advisors?**

- A. We believe that advisors should remain completely independent of Greene King to ensure you get the impartial advice you need in your decision-making.

When selecting an advisor to support you, it's important to ensure they are suitably qualified to assist you and that they have an understanding of the industry. We would encourage you to check that they hold professional indemnity insurance and that they are accredited by an appropriate professional association, such as The Law Society, RICS, IFA or CIMA, which you can rely on if something goes wrong.

Greene King provides you with membership of the British Institute of Innkeeping (the BII). Through the BII you can access their accredited panel of advisors who specialise in the licensed trade. See details at [www.bii.org](http://www.bii.org).