



Department for
Business, Energy
& Industrial Strategy

Lord Callanan
Minister for Climate Change and Corporate
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29th May 2020

Our ref: **MCB2020/15143**

Dear Mike,

Thank you for your letter dated 7th May 2020 on behalf of the Pre-Pack Pool Oversight Group about the regulation of pre-pack sales.

I understand that the Group has been advised by officials that due to the unexpected Covid-19 emergency, it will not now be possible to publish the outcome of the Government review on measures to reform pre-pack sales, ahead of the expiry on the 25th May 2020 of the reserve power enabling the Secretary of State to regulate sales in administration. Therefore that power will now expire.

You have asked that the Corporate Insolvency and Governance Bill, introduced earlier this week should be used to introduce pre-pack regulations instead. The Bill is focused on measures to address the immediate problems posed by the Covid-19 emergency and provide businesses with new rescue and restructuring tools to help the UK economy bounce back from the pandemic. That is why it does not contain other measures.

I appreciate that not making an announcement at this time on the future of pre-pack regulation will be disappointing for the Oversight Group and thank you for bringing to my attention your concerns about the future operation of the Pre-Pack Pool. I understand that officials have offered to have a meeting with the members of the Pre-Pack Pool Oversight Group once the immediate impact of the pandemic has receded and I hope that will prove helpful.

Pre-pack sales are regulated activities and are an important rescue tool, helping to save businesses and preserve jobs. When carrying out any administration, including a pre-pack sale, an administrator is required to comply with statutory requirements to ensure the sale is in the best interests of creditors. They are also required to comply with regulatory requirements, which include sending to creditors a detailed narrative explanation and justification of why the pre-packed sale was undertaken. This is also sent to the administrator's regulatory body, which monitors the statements to ensure administrators comply with the spirit, as well as the letter, of this requirement. If an administrator fails to comply with the statutory and regulatory requirements, they may be liable to disciplinary action by their regulatory body.

The Government will continue to monitor the use of pre-pack sales and will work with the regulators in the insolvency industry to ensure that pre-packs work effectively for all stakeholders.

Thank you for taking the time to write on this important issue.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end.

Lord Callanan

Minister for Climate Change and Corporate Responsibility