

## Frequently Asked Questions regarding the Market Rent Only process

### When you send an MRO Notice

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

A. We will write to you to acknowledge receipt of your MRO notice as soon as reasonably practicable. If there are any problems with the content of the MRO notice then we will try to engage with you to correct your notice.

Within 28 days of receipt of the MRO notice we will write to you by letter of recorded delivery or by email to advise whether your request for an MRO proposal is accepted as valid or not. If it is accepted as valid then the acceptance letter will contain your MRO offer which will, as a minimum, consist of the MRO rent proposal (in the form of a profit and loss account together with other supporting information to allow you to understand how the proposed MRO rent has been arrived at), proposed MRO agreement and where you request a copy an MRO Compliance Record and Declaration which will provide justification for our proposed MRO agreement terms.

If it is not accepted, then we will explain why and that you have the right to challenge the refusal through the Pubs Code Adjudicator's office.

If you have any queries throughout this initial process or indeed relating to the Pubs Code itself at any time then either your BDM, our Pubs Code Compliance Officer (contactable at [pubscodecompliance@admiraltaverns.co.uk](mailto:pubscodecompliance@admiraltaverns.co.uk)) or the Pubs Code Adjudicator will all be able to assist.

### Approach to MRO Proposal and Negotiations

**Q. Will my MRO agreement have to be via a new agreement, or can it be a Deed of Variation?**

A. Our initial proposal is a full repairing and insuring commercial lease which we believe reflects what is commonly offered in the free of tie pub market. However, this is an evolving area and in some cases it may be appropriate for the MRO vehicle to be created through a Deed of Variation which would be on the same or similar terms as the full repairing and insuring commercial MRO lease.

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

A. This can vary. If your MRO right is triggered by a rent assessment then under the Pubs Code you are entitled to an MRO agreement at least as long as the unexpired term on your current agreement. If the MRO right is triggered at a lease renewal then it is for us to decide on the term we wish to offer, however, you may choose to argue that the length of your current agreement should be a considering factor as to the length of the MRO agreement.

In both instances our current policy is to offer a 20 year term but we are happy to discuss this with you to see what suits both parties best. There may be circumstances when this is not appropriate and if so, we would explain that to you at the outset.

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

A. No. The terms of the MRO agreement will reflect the terms commonly seen in commercial free of tie pub leases, as required by the Pubs Code. We will provide a copy of the draft MRO agreement as part of your MRO offer.

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

A. Your BDM will contact you within 7 days of you receiving your MRO offer to arrange an appointment to discuss both the MRO proposal and the tied offer. We would encourage you to agree an early appointment as the MRO process is time sensitive. A 3 month resolution period is available to allow negotiations to take place. You can end the resolution period early by serving us with 7 days notice, but the resolution period must last for a minimum of 21 days. This information will be set out in our MRO offer.

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

A. It will be your BDM and the Estates Manager for your region.

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

A. A business plan is not required as part of the MRO process albeit you may still wish to consider preparing one as good practice.

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

A. The MRO agreement is based upon a deposit equal to a quarter's rent as well as ongoing quarterly rental payments, therefore any change will depend upon the terms of your current agreement. We will discuss this with you as part of the MRO negotiations. We will discuss the various options available to you to achieve these ultimate requirements, including the option of a transitional build up to meet these payments. Details of the transitional build up will be included in our MRO offer.

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

A. This will remain unchanged from the level payable under your tied agreement.

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

A. The MRO agreement is based upon a full repairing obligation which may be different to your current tenancy agreement. We would recommend that you take professional advice in this respect to satisfy yourself.

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

A. This will depend on a number of factors including the terms of your current agreement.

It is likely that you will incur legal costs, stamp duty charges (dependent on the level of rent and the extent of the term), dilapidation survey costs and potential dilapidations as part of the process. We will usually work with you to agree that dilapidations are carried out as a programme of works under the new MRO lease. There may also be an increase in deposit and quarterly rent payments, but as detailed above these payments will be subject to a transitional build up where appropriate.

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

A. This will depend on the condition of the property and your repairing obligations under your current agreement. Typically we would not insist on dilapidations being carried out as a condition of an MRO offer but where the grant of an MRO agreement would result in Admiral breaching the law, our duty under contract, being in breach of covenant or being at risk of liability for any statutory penalty, we reserve the right to require dilapidations to be carried out. If there are dilapidations to be undertaken we will make this clear to as part of our MRO offer work with you to agree an achievable timescale.

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

A. No. The MRO agreement is free of tie for everything save for insurance. You may if you wish try to negotiate a blended agreement with some products free of tie and some tied depending on what best suits your business.

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

A. No. You will be free to source machines from any lawful supplier you select.

**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 proposal is our offer, you are entitled to negotiate as you are on any rent review or lease negotiation. You may wish to appoint an adviser to assist you or negotiate directly with your BDM.

## Rent

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

A. Commonly yes. MRO rents are usually higher than equivalent tied rents at the same site as you might expect.

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

A. As with tied rents, free of tie rents are assessed applying the guidance set out by the Royal Institute of Chartered Surveyors (RICS). An RICS qualified surveyor will approve and certify the offer. The assessing surveyor will compare other comparable free of tie rents in the locality where applicable and available and balance this with an assessment using something called the profits method.

As part of our MRO offer, we will provide the following minimum information to allow you to understand how the proposed MRO rent has been arrived at:

- The information as set out in Schedule 3 of the Pubs Code;
- A detailed profits valuation showing heads of income, staffing and other costs, allowance for tenant's capital and tenant's bid;
- Barrelage assumptions together with an explanation where these materially differ from actual barrelage figures;
- A breakdown and justification of any additional turnover;
- Details of any comparable evidence used; and
- Confirmation as to whether we have valued the property in its existing condition or whether any tenant improvements have been disregarded.

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

A. Again, you are fully entitled to negotiate as you would do with any rental offer. If ultimately you do not feel that the negotiations are likely to be successful, then the Pubs Code provides you with the opportunity to have the rent determined by an Independent Assessor, with the costs of assessment being split equally between us. There are statutory time requirements to apply for this process which we will be happy to advise you on as part of the rent negotiations.

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

A. There are a number of options available to you.

You can if you wish resolve the tied rent review alongside the MRO process using either a contractual process or if you prefer, the Pubs Independent Rent Review Scheme (PIRRS). This will be at your insistence as we will not enforce resolution of the tied rent negotiations during the MRO process unless requested.

Alternatively, you can complete the MRO negotiations and then investigate the tied rent further before you enter into any agreement. This is very much your choice and we are happy to be flexible in that respect.

## 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. See above

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

A. No, once you receive your MRO offer you will be able to compare the tied and free of tie offers and decide which one works best for your business.

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

A. We will prepare the legal documentation and forward the same to yourself or your legal advisers as requested to enable us to move towards completion of the MRO agreement.

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

A. That is your right also. You are entitled to challenge the MRO rent as advised above and the terms of the MRO agreement if you wish. The tied offer that is made at the outset will also remain in place should you wish to explore that option further.

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

A. You should initially speak to your BDM or the Estates Manager conducting the negotiations and explain your concern. If you remain unsatisfied they will signpost you to our Pubs Code Compliance Officer and/or the Pubs Code Adjudicator.

We would recommend that you appoint your own independent adviser to assist you with the MRO process. The Royal Institute of Chartered Surveyors, the BII, the Law Society or the PCA may be able to assist in that regard. As part of this process you should ensure your adviser has suitable professional indemnity cover to meet your needs.

## Code Compliance Officers (CCOs) and BDM roles

**Q. How can the CCO help? When and how do I contact the CCO?**

A. Our CCO has a strong knowledge and understanding of the workings of the Pubs Code and is there to answer your questions on the Pubs Code to the extent that they are able. If they feel like the question is straying

beyond the mechanics of the Pubs Code they may signpost you to the Pubs Code Adjudicator's office, a trade body or your adviser if you have one. You may contact the CCO on [pubscodecompliance@admiraltaverns.co.uk](mailto:pubscodecompliance@admiraltaverns.co.uk)

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

**A.** No.

You will continue to operate on your current tied agreement on a business as usual basis. The MRO negotiations may involve an Estates Manager but the day to day relationship will not change.

If you ultimately decide to take on an MRO agreement then you will become part of our free of tie estate and will be managed by an Estates Manager and not a BDM. This is a much more distant relationship and the day to day support offered under your tied agreement will not be available to you.

## Useful links

[www.bii.org](http://www.bii.org)

[www.RICS.org.uk](http://www.RICS.org.uk)

[www.gov.uk/government/organisations/pubs-code-adjudicator](http://www.gov.uk/government/organisations/pubs-code-adjudicator)