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## Tesco 'Prioritised Finances' Over Suppl

Tesco deliberately delayed payments to suppliers "to improve its own financial position", an industry watchdog finds.



Video: Tesco Rapped For Payment Delays



found.







Britain's largest supermarket Tesco has "seriously breached" a legally-

By Poppy Trowbridge, Consumer Affairs Correspondent

The Groceries Code Adjudicator (GCA) ruled the supermarket chain must introduce "significant changes" as a result of the breaches - some of which were found to be "intentional".

binding code to protect grocery producers by prioritising its own

finances over the fair treatment of its suppliers, a new report has

However, no financial penalty could be imposed because that power was only granted after the failures took place.

The investigation was launched in February last year after a historic Tesco accounting error, linked to its handling of suppliers under the tenure of former chief executive Philip Clarke, came to light.

Tesco revealed a £250m profit overstatement - a figure that was later

upwardly revised to £326m and the accounting issue remains subject to an investigation by the Serious Fraud Office.



It is also facing the prospect of legal action on behalf of shareholders linked to share price falls which followed the disclosure.

decision to lower an agreed price.

and behaviours towards suppliers concerned me."

Adjudicator, Christine Tacon, said today: "The length of the delays, their widespread nature and the range of Tesco's unreasonable practices

The investigation concluded that Tesco acted unreasonably when it delayed payments to suppliers "for lengthy periods of time" in a bid to improve its margins.

The code breaches were widespread, according to the adjudicator's report, with every supplier spoken to by the adjudicator having evidence of delayed payments.

As a result, the supermarket is now banned from deducting money

It must also give suppliers 30 days to challenge any proposed deduction and correct pricing errors within seven days and improve its invoicing - with some disputes being found to take years to resolve.

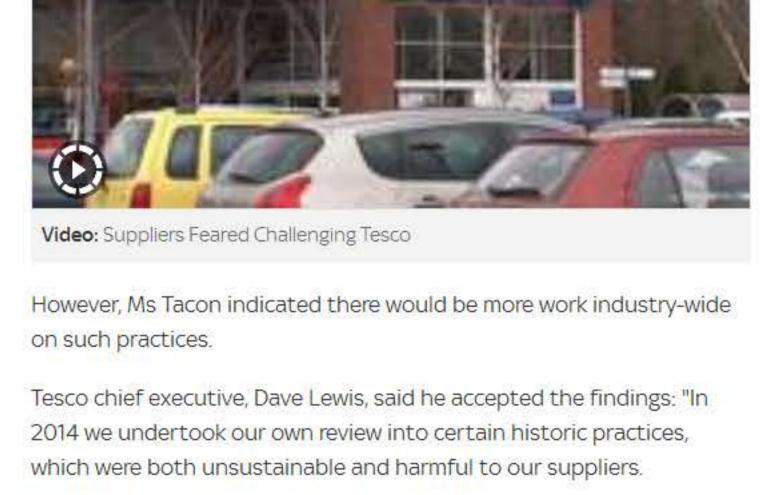
owed for goods supplied - so it could not just make a unilateral

While the adjudicator found Tesco guilty of delaying payments, it said the chain had not breached the code in relation to payments from suppliers in return for better positioning of goods on shelves.

One supplier was owed a multi million pound sum by Tesco which the

supermarket took more than two years to repay, the report said.

TESCO



"Today, I would like to apologise again. We are sorry."

apologised.

very different company from the one described in the GCA report.

"We shared these practices with the adjudicator, and publicly

"The absolute focus on operating margin had damaging consequences for the business and our relationship with suppliers. This has now been fundamentally changed."

He added: "Over the last year we have worked hard to make Tesco a

Duncan Swift, head of the food advisory group at accountancy firm
Moore Stephens, said the report made a statement but did not go
further than that - with the prospect of a supplier taking legal action

"Can suppliers expect any redress? No. Also, the review only covers the second half of Tesco's mis-statement period and is silent on the

probability that these bad behaviours went on much earlier."