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Tesco seriously breached industry code by delaying payments to suppliers, says report



Tesco "seriously" breached an industry code by intentionally delaying payments to suppliers, a long-awaited report by the Groceries Code Adjudicator has said.

A **long-awaited report** on the supermarket giant's practices revealed it had "intentionally delayed" paying suppliers "in order to improve its own financial position".

One supplier was owed a multimillion-pound sum because of price changes being incorrectly applied to Tesco systems.

The money was eventually paid back by Tesco more than two years after the incorrect charging had started, said the Adjudicator.

GCA Christine Tacon said she found delay in payments arising from data input errors, duplicate invoicing, deductions to maintain Tesco's margins and unilateral deductions.



"The sums were often significant and the length of time taken to repay them was too long," she said.

Her 84-page report said Tesco had breached the legally binding code aimed at protecting groceries suppliers.

"I found that Tesco knowingly delayed paying money to suppliers in order to improve its own financial position.

The length of delays, their widespread nature and the range of Tesco's unreasonable practices and behaviours towards suppliers concerned me.

I was also troubled to see Tesco at times prioritising its own finances over treating suppliers fairly.

– THE REPORT

Ms Tacon launched the investigation last February following Tesco's announcement about its profit overstatement.

Ms Tacon made a series of recommendations to stop the practices, saying the retailer should be more transparent in its dealings with suppliers.

No financial penalty was imposed because this power was only given to the Adjudicator after she launched her investigation.

Tesco has been given a four-week deadline to say how it plans to implement the recommendations.



Dave Lewis, Group Chief Executive Officer for Tesco, said the supermarket accepts the report's findings, which are consistent with their own investigation.

Tesco said it had reviewed the way it works with all of its 3,000 UK suppliers and as a result, implemented "14 significant initiatives to improve the way it works with suppliers and how it runs its business".

"In 2014 we undertook our own review into certain historic practices, which were both unsustainable and harmful to our suppliers. We shared these practices with the Adjudicator, and publicly apologised. Today, I would like to apologise again. We are sorry...

Over the last year we have worked hard to make Tesco a very different company from the one described in the GCA report. The absolute focus on operating margin had damaging consequences for the business and our relationship with suppliers. This has now been fundamentally changed.

– DAVE LEWIS, GROUP CHIEF EXECUTIVE OFFICER



Anna Soubry, Business Minister Credit: PA

"Christine Tacon has done a thorough and fearless investigation into a scandalous situation.

Tesco say they have changed their practices and I very much hope they have. Paying smaller suppliers on time and treating them fairly is good and proper business. Late payment can hinder the growth and productivity of these suppliers and can threaten their existence.

– ANNA SOUBRY, BUSINESS MINISTER

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