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COMPANIES Tesco ‘acted unreasonably’ towards suppliers

12 hours ago



Tesco deliberately delayed payments to suppliers and unilaterally paid them less than they were owed in an attempt to meet financial targets, a watchdog that polices the relationship between UK supermarkets and suppliers has determined.

Erratic processing of invoices and spurious requests for payment were especially common in the final days of a reporting period, the government-appointed Groceries Code Adjudicator said, suggesting Tesco’s staff were focused on hitting financial metrics, **writes Mark Vandavelde**.

Groceries Code Adjudicator Christine Tacon began investigating Britain’s biggest retailer after it admitted in September 2014 that it had [over-stated its profits](#) for the first half of that financial year by an estimated £250m, a sum that was later [revised up](#) to £263m. The UK’s Serious Fraud Office launched [an investigation](#) into alleged accounting irregularities at the supermarket giant in October 2014. The SFO is yet to report its findings from the investigation.

Ms Tacon, who published her findings on Tuesday, also found that Tesco had mistreated suppliers by failing to correct erroneous records, issuing duplicate invoices and failing to make payments, in some cases for years.

The adjudicator said Tesco had “acted unreasonably” when delaying payments and has ordered the retailer to make “significant changes” in the way it handles suppliers.

Her recommendations include preventing Tesco from making unilateral deductions from money owed for goods supplied. Suppliers will be also given 30 days to challenge any proposed deduction and if challenged, Tesco will not be entitled to make the deduction.

Ms Tacon, who investigated the retailer between June 2013 and February 2015, said:

The length of the 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.

My recommendations will deal with the weaknesses in Tesco’s practices during the period under investigation.

Tesco’s chief executive, Dave Lewis, who joined just a few weeks before the company admitted to the profit overstatement, apologised last year for “bad choices” that he said had put the grocer in breach of rules governing how it treats suppliers at least 69 times before he took over.

Tesco has since been trying to repair relations, abolishing 21 of the 24 contractual mechanisms that allowed the grocer to pay suppliers less than an agreed price, pledging to settle all its bills within 90 days, and offering much faster payments to small suppliers. Ms Tacon said she had seen evidence that Tesco’s treatment of suppliers had improved during her year-long inquiry.

Responding to the adjudicator’s report, Mr Lewis said:

In January 2015, we made material changes to our business that addressed the majority of the historic practices referred to in the report.

We have changed the way we work by reorganising, refocusing and retraining our teams and we will continue to work in a way which is consistent with the recommendations.

The [Groceries Code Adjudicator](#) is a government-appointed watchdog. Its responsibilities include investigating complaints, making recommendations if a retailer is found to have abused its relationship with suppliers and in the most serious cases, a fine may be imposed. However, Tesco will face no financial penalty for the wrongdoing described in Tuesday’s report, as it took place before Ms Tacon was given powers to fine retailers as much as 1 per cent of annual turnover.

Here is a brief timeline of events from the autumn and winter of 2014, when Tesco was engulfed by the biggest crisis in its history. Compiled by **Nathalie Thomas**.

- September 1 2014 – Dave Lewis takes over at Tesco from the ousted Philip Clark
- September 22 2014 – Tesco admits that its first half profits were overstated by £250m – a figure that was later revised up to £263m – and launches a probe into its accounting practices
- September 23 – Mr Lewis is joined at the helm by new chief finance officer, Alan Stewart, who was recruited from Marks and Spencer and takes over earlier than his original December 1 starting date
- September 30 – Christine Tacon, the Groceries Code Adjudicator, weighs into the affair, asking Tesco to inform her if it finds anything in its investigation that is in breach of the code that governs the way supermarkets deal with their suppliers
- October 29 – The UK’s Serious Fraud Office [launches a criminal investigation](#) into alleged accounting irregularities at Tesco.
- December 1 – Mr Lewis announces [he will take direct control](#) of Tesco’s struggling UK business on an interim basis.
- December 31 – Tesco’s shares end 2014 with their worst annual performance since 1989.