



**Pubs Code
Adjudicator**

What Tied Pub Tenants Need To Know

Investment Exception



How to use this fact sheet:

This factsheet is for tied pub tenants who want to know more about provisions in the Pubs Code about **the investment exception**.

It provides information to support tenant understanding. It is not a substitute for the Pubs Code legal framework.

Our website also contains other useful information about accessing your Pubs Code rights:
www.pubscodeadjudicator.org.uk

Terms and abbreviations

Term/abbreviation	What it means
Code	The Pubs Code etc. Regulations 2016
CCO	Code Compliance Officer. Someone employed by the POB who is suitably qualified and whose role is to verify its compliance with the Code
Investment Period	The time during which your right to request the MRO option is limited after you enter into an investment agreement
MRO	Market Rent Only
MRO Option	The option for you to occupy the tied pub under a MRO-compliant tenancy and to pay a rent you have agreed with the POB in line with the MRO procedure or, failing such agreement, the market rent.
PCA	Pubs Code Adjudicator
POB	Pub-owning business (often referred to as pub companies)
TPT	Tied Pub Tenant (this includes a tied pub licensee and lessee)



At a glance...the investment exception

Where you agree for the POB to make an investment into your tied pub premises and this is a qualifying investment under the Code, this may restrict your right to request a MRO option at either of the following points:

- renewal of your tied agreement
- receipt of a rent assessment proposal

This restriction lasts for an amount of time agreed between you and the POB, but this time must be reasonable and can be no longer than 7 years.

For an investment agreement to restrict your right to request the MRO option it must be in writing, and it must fulfil certain criteria, including that:

- the POB's investment must be significant (equal to at least twice the rent) and relate to a project to make changes to the pub and increase its trade and profit
The POB must demonstrate to you how this increase will be achieved
- it sets out specified details of the investment and project, as well as how your tenancy may be affected
- it specifies for how long after you sign the investment agreement your right to request the MRO option will be limited

What is the investment exception?

See Pubs Code - Regulation 56

As a tied pub tenant (TPT) there are circumstances in which you can ask the Pub-owning Business (POB) for a Market Rent Only (MRO) option to go free of tie.

But your right to request the MRO option can be restricted where you agree to the POB making a significant investment in your tied pub premises. This restriction is known as the investment exception.

The investment exception applies for the 'investment period' (see later section) and means you cannot request the MRO option at:

- renewal of your tenancy
- when receiving a rent assessment proposal



You can still request the MRO option if the POB notifies you of a significant increase in price or there is a trigger event. You can find out more about the MRO process, including when and how to access your rights in our [factsheet](#).

Please be aware that there are strict deadlines for when you can request an MRO option.

When does the investment exception apply?

See Pubs Code - Regulation 56

The investment exception applies to an investment made in connection with a project which would be reasonably expected to:

- change the trading environment, the nature or the capacity of the pub; and
- increase the trade and profit of the pub (the POB must demonstrate this, such as through a 2-year projected profit and loss statement)

The investment must be a 'qualifying investment' under the Code (see next section).

The investment exception does not apply if the POB makes the investment because of an obligation in the tied tenancy (for example repairs or maintenance to the pub).

What is a qualifying investment?

See Pubs Code - Regulation 56

To be a qualifying investment, the amount of the investment must be equal to at least twice the pub's rent.

How this is calculated depends on how long you have occupied the tied pub when you sign the investment agreement:

How long have you occupied the pub?	The investment must be:
Throughout the last financial year	Twice the rent in the last full financial year before the date the investment agreement was signed
For 12 months but not over a full financial year	Twice the rent in the 12 months before the date the investment agreement was signed
For less than 12 months	Twice the rent for the 12 months beginning with the date the tenancy begins



What is the Investment Agreement?

See Pubs Code - Regulation 56

You and the POB must enter into a written agreement setting out the terms of the investment. This agreement must include:

- details of the investment and the project, such as:
 - a description of the proposed investment, including details showing how it counts as a qualifying investment (as detailed in the sections above)
 - a list of the works to be carried out, including completion dates and estimated costs.
- any proposed changes to the terms of the tenancy
- how long the right to request the MRO option will be restricted ('the investment period' – see next section)

Before entering into the agreement the POB must:

- give you an opportunity to get alternative costs estimates for the works
- ensure you have taken independent professional advice about the agreement

The Investment Agreement must confirm the above has been done.

If you wish to assign your tenancy after entering into an investment agreement and POB consent is required, before agreeing to the assignment the POB must be satisfied that:

- the person to whom the pub will be assigned (the 'assignee') has a copy of the investment agreement; and
- the assignee has been informed in writing about how it affects their right to request a rent assessment or offer of an MRO option

What is the Investment Period?

The investment period is the time during which your right to request the MRO option is limited after you have entered into an investment agreement.

This agreed period must be:

- a reasonable length in light of the value of the investment
- no longer than 7 years from the day that the investment agreement is signed

The POB must conduct **at least one rent review** during the investment period. The investment agreement must specify the date on which that review will take place.



How long after I enter into an investment agreement should any investment project be completed?

The works forming part of an investment project must be completed either:

- within 12 months of signing the investment agreement or if later
- on a date agreed and specified in the agreement

If, after the agreement is signed an event takes place which is outside the POB's control and likely to delay the completion date of the works, the POB has **14 days** from the date of the event to notify you of a new date by which the works will be completed. This date must be reasonable, taking into account the nature of the event which caused the delay.

If the works are not completed by the date agreed (or notified if there is a delay) then the restrictions on the right to request MRO may no longer apply to you. The works are completed when the POB provides you with a practical completion notice.

If you have any queries or concerns about an investment agreement and how it may affect your Code rights, you may wish to contact your POB's **Code Compliance Officer (CCO)**.

To find out more about the role of the CCO and for their contact details, please see our helpful [factsheet](#).

If you have a dispute with your POB about whether it has complied with its duties under the Code, you may be able to refer the dispute for arbitration.

For **more information** about:

- **Making a Pubs Code arbitration referral** [visit our website](#)
- **Getting help and support** with the Pubs Code and arbitration, see our helpful [factsheet](#)



Questions about this factsheet

For **general queries** about the information in this factsheet, you may contact our enquiry service.

Please note, we can provide information about your rights, the Code and our processes. We cannot advise you about your case.



Complete our [online enquiry form](#)



Email: office@pubscodeadjudicator.gov.uk



Call 0800 528 8080 to request a call back

This factsheet provides information to support tenant understanding. It is not a substitute for the Pubs Code framework.

You may find it helpful to take independent professional advice before making any decisions that may affect you and your business.

Find out more

Follow the PCA on social media [@pubscodepca](#)



[Access all PCA factsheets here](#)

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