

Landlord accuses New Look of playing games over CVA

Chain abused insolvency for rent cut, claims investor

Oliver Shah

A prominent property investor has warned that retailers are taking advantage of a controversial insolvency procedure after New Look tried to cut the rent on a unit he owned – then allegedly offered to pay more when he decided to cancel the lease instead.

Paul White, chairman of the fund man-

ager Frogmore, said he had found it “distressing” dealing with the fashion retailer as it pushed through a company voluntary arrangement (CVA) with the accountancy firm Deloitte.

CVAs are designed to help struggling companies rearrange unsecured debts, although they are increasingly being used by retailers purely to close stores and cut rents. In March, New Look announced plans to shut 60 of its 593 shops and whittle down rents on 393 more. Its store at Frogmore’s shopping centre in Stratford, east London, was classified as one of those where an immediate rent cut of 40% was needed to make the site “viable in the medium to long term”.

White said that rather than accept a reduction from £200,000 to £120,000 a year, Frogmore decided to take back the lease and relet the unit to Iceland at the current level. He said that when New Look found out, it made a counterbid of £210,000 a year.

Companies are supposed to pursue CVAs only when the alternative is their certain collapse.

White said: “It was very distressing to us, not because we lost anything, but because it indicated they didn’t need the rent cut in the first place and it was just a negotiation. It feels wrong and it’s bad for the property market.

“I’m disappointed that anyone would



Paul White:
‘Disappointed’

seek to use a CVA procedure to take advantage of their position in relation to rents.” New Look and Deloitte declined to comment.

CVAs have sparked intense debate this year. While many landlords agree they are being abused, tenants such as The Sunday Times columnist Luke Johnson have accused property owners of profiteering over many years. He said they deserved “absolutely no sympathy”.

The New Look row comes as House of Fraser prepares to ask its creditors to approve a CVA this Friday. The ailing department store chain is seeking to close more than half its 59 shops, including the flagship in London.