



MG Rover

May I refer you to the Department for Business Innovation & Skills [report](#) on the affairs of Phoenix Venture Holdings Limited, MG Rover Group and 33 other companies? (Yes, only 33 other companies had to be covered!) The report is by Gervase MacGregor FCA and Guy Newey QC, Inspectors appointed by the Secretary of State for Trade & Industry (under the Companies Act 1985).

The report's 19 pages of conclusions provide excellent commentary on human greed, corporate governance (or more precisely the lack of it), professional and other advisers, saving jobs and pensions. Most of MG Rover pension schemes entered the Pension Protection Fund (PPF) after the company administration on 8th April 2005, 3 days after the PPF was established. I leave you to decide on the possible co-incidence. Interesting elements of the 897 page BIS report on the include –

- A £10 purchase price, a £75m dowry and £400m of loans from BMW.
- Net assets of £740m in May 2000 becoming an administration deficit of £1,289m in April 2005.
- A personal computer hard drive being “cleaned” the day after the appointment of the Inspectors.
- Unreasonable remuneration of 4 x £9m for four directors, £5.7m for a fifth (over 2000-05).
- An Eversheds partner, Sue Lewis, being “*roundly ticked off*” for judging the morality of director remuneration. Apparently, Eversheds were “*not anybody's moral guardians*”
- Misrepresentation of directors' personal investment and risks taken in the business.
- The MG Rover pension schemes being 47% funded on a buy-out basis in late 2004, a £410m shortfall.
- Poor corporate governance with various other payments being criticised.

No evidence was found that the independence of the auditors, Deloitte, had been influenced by the £30.6m of fees earned in the period. Other criticisms and general perceptions may however paint a different picture. As the country and indeed the world, tackles the current economic crisis, I would suggest there is a lot we can learn from this report. Reduced pensions are just one of the consequences of greed, uncontrolled corporate losses and poor governance.

Retirement Age

The keenly awaited [decision](#) on a default retirement age has been won by HM Government. The High Court has decided that the Government can set a default retirement age of 65.

Age Concern challenged the setting of a default retirement age. Government thought a fixed age did not breach the European Equal Treatment Framework Directive. The Court found that the default retirement age was lawful and was justified by various social policy aims. Employers will be hugely relieved as failure could have resulted in difficulties, in that employees could have potentially stayed on indefinitely. This case will be crucial as age discrimination looks set to replace sex discrimination as the number one problem for pension schemes.

Free advice

The Pensions Regulator and the Financial Services Authority have issued pensions [guidance](#) for employers – “*Talking to your employees about pensions*”. The questions and answers format makes this very readable. If nothing else the web sites referred to should become standard in most if not all employee communications.

- <http://www.moneymadeclear.fsa.gov.uk/> Annuity Comparison Tables
- www.pensionsadvisoryservice.org.uk State & Stakeholder Pensions
- www.thepensionsregulator.gov.uk Fund and Retirement Choices

It's good to talk.

And finally; The audit firm's total fees for MG Rover (see above) and the £58m of fees earned by the same firm from Royal Bank of Scotland in 2008 indirectly remind me of the classic Ali G question to Debbie Magee; “What was it that first attracted you to the millionaire Paul Daniels?”

As always, for further comment, assistance, advisory or trustee services, contact me on **07714 064964** or via allan@acmca.co.uk Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at www.acmca.co.uk