



The supermarket ombudsman has found that Tesco "knowingly delayed paying money to suppliers in order to improve its own financial position".

The Grocery Code Adjudicator said the supermarket seriously breached the industry's code of conduct to protect grocery suppliers. The investigation revealed extensive evidence that Tesco had acted unreasonably when delaying payments to suppliers. The investigation began in February 2015 following an accounting scandal. A £250m black hole was found in the company's accounts, a sum later revised up to £326m, because of the way Tesco booked income from its suppliers. Tesco Chief Executive, Dave Lewis, apologised for practices that he said were both unsustainable and harmful to its suppliers.

Mr Lewis said that material changes were made in January 2015 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 good news for this stock is that there were no fines imposed

Luckily perhaps, the newly appointed regulatory body had not received the power to impose fines when they had started the investigation into this case. The investigation covers the period from June 2013 until February last year. Fortunately, the investigation found no evidence that Tesco breached this part of the grocery code. This is, as stated, good news for investors holding TESCO, as we are likely to see some upward movement on the back of this.

However, the substantial investigation revealed evidence of a range of practices that the adjudicator would like examined. The newly appointed regulator has set a four-week deadline for Tesco to say how it plans to implement the recommendations. All in all, a good result for the supermarket giant for what had brought the stock to its lowest price in years.

William Gray  
The RIO Club