

Restrictive Covenants in the Pub Sector

A restrictive covenant is a legal obligation attached to a property following a transfer of ownership which requires the buyer to do or not to do something with the property. When used on a pub, a restrictive covenant would usually be used to prevent the premises being run as a pub after sale.

In the context of the pub sector, British Beer & Pub Association members limit the use of restrictive covenants wherever possible and will always consider the individual pub in question. The needs of the local community are of core importance and as such restrictive covenants are used rarely, if at all, and then with appropriate sensitivity, having had due regard to the needs and views of the local community.

Exceptional circumstances in which the use of restrictive covenants might be considered are:

1. To protect the viability of other sites in the area; or
2. At the request of the purchaser – for example, some religious groups purchasing a closed pub for alternative use as a church or religious centre require a restrictive covenant to be put in place before they will purchase the property.

Restrictive covenants have not been widely used and in recent years, with some of the larger pub companies committing to not to use them, their use within the pub industry has been even more occasional.

In situations where a restrictive covenant is put in place the individual circumstances would be very carefully considered. For example, BBPA Members would not use restrictive covenants where the pub in question was either:

- the last pub in a given area; or
- a successful, thriving pub, clearly supported by its local community.