



Poundland Restructuring Plan: Court's Reasons Now Published

October 2025

As the UK retail sector continues to face economic headwinds, the judgment on Poundland's restructuring plan highlights the flexibility of the UK's restructuring regime in preserving businesses and protecting jobs.

While the outcome of the case was known back in August, the published reasons now provide valuable insight into why the court approved the plan seeking to secure the future of over 800 stores and 13,000+ jobs across the UK and Ireland. Backed by Poundland's new owners and supported by its former parent, the plan aims to deliver a fair and balanced outcome for creditors and landlords—combining immediate financial stability with a path to long-term recovery.

The case takes its lead from recent cases including *River Island Holdings and Court of Appeal decisions Re Adler, Re Thames Water and Petrofac* setting down 11 principles governing the exercise of discretion. (See paragraph 53 of the judgment: [Poundland Limited - Courts and Tribunals Judiciary](#)). In that regard, the judgment underscores that a restructuring plan must be a genuine attempt at solving a critical problem—not a tactical compromise to extract advantage.

For companies facing distress, it is a practical reminder of the importance of early engagement with creditors, transparent benefit allocation (with evidence in support), and a robust plan that can withstand judicial scrutiny. Other stakeholders are reminded that they must actively engage in the process for their objections to impact the court's decision on whether to sanction a plan.

KEY TAKEAWAYS

- **Cram Down Tests**

In this case it is worth noting that only 4 of the 14 creditor classes voted in favour of the plan. The 4 assenting classes did not include any landlord classes. This meant that to approve the plan, the court had to exercise its cross-class cram down powers. In doing so the court applied familiar gateways: creditors must be “no worse off” than in the

relevant alternative (in this case an insolvent administration), and support must come from at least one economically interested class. Only then does the court consider broader fairness of the plan and whether to exercise its discretion to approve it. Interestingly, the former owner accepted a slightly worse financial position under the plan than in the relevant alternative, to support the business' transition to new ownership. In other restructuring plan cases, parties may not be so accommodating or be prepared to relinquish their benefits in favour of ensuring others get what may be perceived as a fairer share.

- **Creditor engagement: cuts both ways**

The court was satisfied that Poundland had made serious attempts to engage with its landlord creditors, including attempts to negotiate consensual amendments to its leases, reinforcing the importance of creditor engagement at an early stage. It was also noted, that restructuring plans exist because it is recognised that it is not always possible - and there is no requirement - for a company in distress to negotiate with each of its creditors on a bilateral basis. While one of the dissenting landlords sought a more favourable side deal after the convening hearing, and continued to object to the terms of the plan, they did not appear at the sanction hearing. The judge considered the request for its correspondence, requesting a better deal, to be placed before the court, to be unhelpful and unwelcome. The absence of any reasoned objection, in the judge's view, was significant in the exercise of its discretion. This is a reminder that opposition from dissenting creditors will be given little weight unless they actively engage in the court process.

- **Fair Allocation of Benefits**

The judgment emphasises the importance of an equitable sharing of burdens and benefits of the restructuring. Dissenting classes received compensation via a percentage uplift compared to what they would have received in the relevant alternative and a potential share in future profits. Notably, the court considered an "Allocation of Benefits Report", this being only the second reported case to allude to this kind of expert evidence. While the judge noted the report's thoroughness, it was also recognised that it had limitations and was based (out of necessity) on placing certain assumptions upon hypotheses. Ultimately the judge concluded that the report overall did not point to any fundamental unfairness in respect of the plan. The report had a clear evidential utility in demonstrating that the issue of fair allocation had been considered by the proponents of the plan. The judge also carried out his own broad cross-check, concluding there was more support for the plan than opposition (when assessed on the value of votes).

- **Critical Creditors Excluded**

The court found no unfairness in excluding certain creditors, citing sound commercial reasons.

- **Landlord Protections**

The plan compromises liabilities under 422 leases but preserves forfeiture rights and includes mutual break clauses for underperforming sites, these are important features of a restructuring plan when dealing with proprietary rights that cannot be compromised. A compensation and profit-share structure were also built into the compromises with landlords in this case.

If you would like to hear more about the Poundland decision or restructuring plans generally, please reach out to a member of the restructuring and insolvency team.

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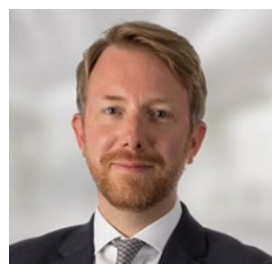
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