

Carpetright's £350m debt revealed: Inside the collapse and rescue by Tapi

Carpetright owed almost £350m when it collapsed into administration with the loss of more than 1,500 jobs before being rescued.

The Essex-headquartered carpet and tiling retailer was acquired by rival Tapi in July, saving the jobs of over 300 people and 54 stores.

At the time of its collapse, Carpetright ran 273 stores across the UK, plus 19 concessions, and employed 1,898 people.

A new document filed with Companies House by administrator PwC has now revealed exactly how much Carpetright owed to its creditors, as well as the full story behind its collapse.

The filing has also shown that Carpetright was sold to Tapi for £3.7m a figure which was not disclosed when the deal was announced, as reported by [City AM](#).

PwC's document comes after 19 Carpetright stores were snapped up by Bensons for Beds earlier this month.

Why did Carpetright fail?

The administrator explained that "following a sustained period of unprofitable trading", Carpetright undertook a company voluntary arrangement (CVA) in 2018 which resulted in the closure of a number of stores.

In the same year it also sought to raise additional funds through the issue of new shares.

In 2020, Carpetright and its associated secured debt was acquired by Medior Holdings Limited and delisted from the London Stock Exchange, before the CVA formally completed in October 2022.

Carpetright's turnover in FY21 totalled £257 million, while its earnings before interest, taxes, depreciation and amortisation (EBITDA) loss was £29 million. PwC noted: "This had been driven by changing consumer preferences and a drop in home improvement spending post pandemic, in addition to challenges in the operating model."

The professional services giant added that the "company has faced continual trading challenges over recent years" before confirming that its turnover for FY23 was £227 million and it suffered an EBITDA loss of £44 million.

In the preceding year, Carpetright's turnover was £257 million and it also made an EBITDA loss of £30 million. In April 2024, Carpetright was targeted in a cyber attack which left the business unable to trade online or in-store for just over a week.

PwC said that this added to the "already existing financial challenges faced but the business and negatively impacted the working capital position further".

Insolvency was 'inevitable'

Carpetright brought in PwC in May "following the worsening of the company's liquidity position" to review its 13-week, short-term cash flow, comment on potential cash management opportunities and provide stakeholder management advice.

The firm was then engaged by the Nestware Group in June to test Carpetright's turnaround plan, assess the potential debt financing and equity options to fund the delivery of the plan, assist with an accelerated M&A process if needed, provide

restructuring advice and help with HMRC negotiations relating to a potential time to pay arrangement.

PwC has stated that an initial assessment concluded it would not be feasible to finance the working capital requirements using only Carpetright's assets. Access to the wider Nestware Group assets was deemed "strategically challenging", and the M&A process was accelerated in early July.

Carpetright had been negotiating with HMRC over a time-to-pay arrangement for unpaid VAT and PAYE/NI, but no agreement was reached.

Consequently, the company was informed that HMRC would initiate winding-up proceedings if payment was not made.

According to PwC, Carpetright's directors "resolved that insolvency was inevitable", and a notice of intention to appoint an administrator was filed on 12 July.

How much did the retailer owe?

PwC revealed that Carpetright's secured creditor will not receive any of the £120m owed.

The first-ranking preferential creditors, primarily employees, are expected to receive all their money, but this could take between six to nine months. According to PwC's document, they are owed approximately £2.2m.

HMRC, a secondary preferential creditor, is owed an estimated £9.2m. It could receive up to 100 per cent of what it is owed, depending on the realisations achieved through the administration process, but will have to wait between six months to a year.

PwC stated it is uncertain when unsecured creditors will receive any money, but any distribution is not expected to exceed 1p in the pound.

The document reveals that unsecured creditors are owed in excess of £213.8m.

Among those listed as Carpetright's unsecured creditors are notable names such as Royal Mail, Facebook, Aviva, Silentnight, Indeed, the London Stock Exchange and Specsavers.

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