

Frazer rebukes Telegraph directors over removal of newspaper bosses

The independent directors appointed to oversee the sale of The Daily Telegraph have been warned that the removal of the newspaper's two most senior executives breached a government order – and that any subsequent transgression could result in a multimillion pound fine.

Sky News has learned that the Department for Culture, Media and Sport (DCMS) last week wrote to Goodwin Procter, the law firm acting for the independent board members, to say that Lucy Frazer, the culture secretary, had concluded that recent management changes at the broadsheet publisher had contravened a requirement that she must consent to the removal and appointment of Telegraph bosses.

According to sources familiar with the letter's contents, DCMS officials said that Ms Frazer had decided not to pursue further action over the breaches, but warned that "any further breaches may lead to enforcement action, including the imposition of a penalty... [which] may be up to 5% of the total worldwide turnover of the enterprises owned or controlled by the person on whom it is imposed".

Results for the financial year ending 31 December 2022 showed that Telegraph Media Group recorded a turnover of just over £254m – meaning that a maximum fine levied on that basis alone could amount to over £12.5m.

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The letter was sent just over a month after Anna Jones, a former Hearst UK executive, was appointed to replace Nick Hugh

as TMG's CEO.

Cormac O'Shea, the TMG finance chief, left the company just weeks earlier.

Ms Jones's appointment also constituted a breach of the government's Pre-Emptive Action Order, imposed last autumn, because the directors had not sought Ms Frazer's prior approval, the letter is understood to have added.

A source close to the company said they believed that the departures of Mr Hugh and Mr O'Shea were part of the "ordinary course of business", and were therefore excluded from the original order.

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A subsequent order issued by Ms Frazer following the executives' departures was amended to remove the "ordinary course of business" clause, the source said.



Image:
Culture secretary Lucy Frazer MP

The culture secretary's latest intervention is the latest twist in a convoluted process that will [determine the future](#)

[ownership](#) of two of Britain's most influential newspapers.

Ofcom and the Competition and Markets Authority have been given a deadline of next Monday by Ms Frazer to report to her on whether they believe a takeover of the Telegraph titles by RedBird IMI, a state-backed Abu Dhabi investment vehicle, would impinge press freedom.

The £600m deal is being vehemently opposed by Telegraph journalists and Conservative politicians from both houses of parliament.

RedBird IMI is minority-owned by RedBird, a US media investor headed by former CNN president Jeff Zucker, and majority-owned by IMI, which is funded by Sheikh Mansour bin Zayed Al Nahyan, the ultimate owner of Manchester City Football Club.

It has sought to defuse controversy over the deal by offering legally binding assurances over editorial freedom, and in January restructured its bid to incorporate a new UK holding company that would own the Telegraph titles and Spectator magazine.

The new entity has the same ownership structure as the earlier vehicle, according to people close to the situation, being 75% owned by IMI and 25%-owned by RedBird.

A spokesperson for RedBird IMI said at the time of its announcement: "This change was made in order to clarify the point that IMI is a passive investor in the company that will own the Telegraph and as such will have no management or editorial involvement whatsoever in the title."

An initial public interest intervention notice (PIIN) was issued by Ms Frazer late last year which subjected a prospective debt-for-equity swap handing RedBird IMI ownership of the titles to scrutiny by competition and media regulators.

Most observers expect the culture secretary to refer the deal

to a Phase 2 investigation by the CMA, which would delay its completion by months – and could lead to it being blocked altogether.

The takeover is viewed as especially sensitive because of its proximity to a UK general election in which the Tories are likely to be at long odds to win an outright majority.

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The independent directors of the Telegraph's holding company were parachuted in by Lloyds Banking Group last year after the lender seized control of the newspapers from their long-standing owners, the Barclay family.

An auction of the titles followed, drawing interest from the Daily Mail proprietor Lord Rothermere and the GB News shareholder Sir Paul Marshall.

However, the sale process was pre-empted by RedBird IMI repaying £1.16bn of loans owed by the Barclays to Lloyds, with £600m used to purchase a call option to buy the newspapers and

the remainder as a loan secured against other family assets, including the online retailer Very Group.

A spokesman for the independent directors said: "It is the fiduciary duty of the independent directors to act in the best interests of the Telegraph Media Group and we will continue to do so".

The independent directors are led by Mike McTighe, a company turnaround veteran, with the others being Stephen Welch and Boudewijn Wentink, who also have experience of corporate restructurings.

Under the terms of the public interest intervention notice (PIIN) issued by Ms Frazer, RedBird IMI is prohibited from exerting any influence over the titles while investigations by the competition and media regulators are ongoing.

The DCMS declined to comment.