

Kwarteng uses new national security law to halt Truphone asset sale

The firesale of a leading British mobile phone technology provider whose owners include Roman Abramovich has been halted by the government amid a national security probe into the deal.

Sky News has learnt that officials at the Department for Business, Energy and Industrial Strategy (BEIS) issued an interim order this week to block the purchase of Truphone's assets by Hakan Koc, a billionaire German entrepreneur.

The order, made under the new National Security and Investment Act, means the sale to Mr Koc cannot take place until a review is completed.

Kwasi Kwarteng, the business secretary, is understood to have signed off the decision.

This weekend, it was unclear on what basis the order had been issued, although it is said to have been prompted by the security services.

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Truphone is a mobile virtual network operator in nine countries, focusing on international corporate clients such as investment banks.

City sources said that Truphone held an embryonic remote SIM provisioning contract with BT Group, which they said may have triggered concerns in relation to the deal.

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They added that Mr Koc had indicated that he and his fellow acquirer, Pyrros Koussios, were prepared to exclude that contract from their purchase of Truphone's assets.

The entrepreneurs' deal with Truphone's advisers is reported to have been struck for £1, but is also understood to include a sizeable deferred consideration based on the company's performance.

The delay to the sale of Truphone's assets comes during a fraught period for the loss-making company.

It is said to be within weeks of running out of cash, which could mean its directors have little option but to place it into administration if the deal fails to go through.

More than 400 people work for the company in the UK and overseas.

A sale process has already been run for Truphone over recent months, with Mr Koc being selected as the preferred bidder on an exclusive basis.

One source said the issuing of the interim order had produced the "perverse" outcome of Truphone effectively remaining for a longer period in the ownership of an already-sanctioned Russian oligarch.

Mr Abramovich and two Russian business partners are said to have invested more than £300m in Truphone during their time as shareholders.

The oligarch has already presided over the most prominent sale of a British asset since Vladimir Putin's invasion of Ukraine, in the form of the £2.5bn sale of Chelsea Football Club.

Mr Koc is a German-born businessman who co-founded the used-car platform Auto1.

That listed in Frankfurt last year, and although its valuation has since fallen in line with listed technology stocks around the world, it crystallised Mr Koc's status among the super-rich.

The government has come under pressure to demonstrate that the new national security laws are being applied robustly, leading Mr Kwarteng's department to declare last month that they were working well – despite concerns expressed by a number of leading City law firms.

“The government is laser-focused on growing our economy and levelling up every part of the UK, but this will not come at the cost of our national security,” he said.

“This report shows our new investment screening process is working.

“It's simple and quick, giving firms speed and certainty to do business in a way that protects the security of the UK.”

In total, more than 200 transactions were notified to the government during the first three-month period after the act became law, with 17 deals being called in by officials.

On Saturday, Mr Koc declined to comment, while a government spokesman said: “While commercial transactions remain primarily a matter for the parties involved, the government routinely monitors acquisitions across the economy in case of national security concerns.

“The Business Secretary has powers under the National Security & Investment Act to intervene in acquisitions where necessary.”

One City insider close to the proposed Truphone transaction said the decision to call it in, with the potential risk to jobs, raised questions about whether the new law was being applied correctly.

“The government is risking throwing the baby out with the bathwater,” the person said.