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Summary

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I investigated whether the Member had registered properly his interest in a consultancy firm. I found that, because he was an unpaid director he did not need to register this interest under category 1 of the Register of Members' Financial Interests (the Register) and had not, therefore, committed a breach of the rules.

I found that because the Member held more than 15% of the issued share capital in the firm, he should have registered that interest in category 7 of the Register. I was satisfied that he had not deliberately attempted to mislead but, by not registering this interest in category 7 within 28 days of acquiring it, he had acted in breach of paragraph 14 of the current Code of Conduct for Members.

If a Member has an unpaid directorship they may need to register it in the miscellaneous category (category 8) of the Register. The Member said that the company had never traded and he did not think it could reasonably have been thought to influence his words or actions as a Member. The Registrar told me that she would not, in those circumstances, have advised him to register the role. I decided that it was not a breach of the rules for the Member not to have done so.

The Member's breach of the rules was at the less serious end of the spectrum and, after he had acknowledged his breach of the rules and apologised for it, I concluded the inquiry by way of the rectification procedure available to me under Standing Order No 150. I asked the Registrar to place the relevant entry in the Register in bold italics to show that it had been the subject of an inquiry resolved through that procedure.

Mr Johnny Mercer MP: Resolution letter

Letter from the Commissioner to the Complainant, 18 September 2019

I am writing now to let you know that I have concluded my inquiry concerning the registration of Mr Johnny Mercer's financial interests using the rectification procedure available to me under Standing Order No 150.

The rationale for that decision is set out in my letter to Mr Mercer of 22 July 2019, which is reproduced at item 12 of the enclosed written evidence.

I will notify the Committee on Standards in due course of this outcome. The matter is now closed

10 18 September 2019

Written evidence

1. Letter from the Complainant to the Commissioner, 30 April 2019

Please see below to a Companies House registration for Mercer Consulting Associates Ltd (registration number 1166895). Despite the company being registered on 9 November 2018 it does not appear that this MP has registered his interest, and shareholding (more than 25%) in this company in the appropriate manner.

My understanding of the standards rules is that this should have been registered within your offices within 28 days. I would be grateful if you could confirm that I have understood the requirement to register this level of shareholding with your offices, is correct.

30 April 2019

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2. Letter from the Commissioner to Mr Johnny Mercer MP, 13 May 2019

I would welcome your help with an allegation I have received from [name redacted] about your compliance with the House of Commons' Code of Conduct for Members. I enclose a copy of [name redacted] email for information. I have decided to begin an inquiry into the registration and declaration of your financial interests.

My Inquiry

My inquiry will focus on whether you should have registered your directorship and shareholding, in the *Register of Members' Financial Interests* (The Register), regarding Mercer Consulting Associates Limited.

I enclose a copy of your register entry for ease of reference. According to Companies House the company was incorporated on 9 November 2018 and you have been a Director and shareholder since that date.

25 The Code of Conduct for Members

Paragraph 14 of the current Code of Conduct for Members states:

"Members shall fulfil conscientiously the requirements of the House in respect of the registration of interests in the Register of Members' Financial Interests. They shall always be open and frank in drawing attention to any relevant interest in any proceeding of the House or its Committees, and in any communications with Ministers, Members, public officials or public office holders."

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The Guide to the Rules relating to the conduct of Members

The main purpose of the Register is:

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"to provide information about any financial interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament'.

After the publication of the first Register of a Parliament, it is the responsibility of Members to notify changes in their registrable interests within 28 days of each change occurring.

The detailed rules on the registration of financial interests are found in chapter 1 of the Guide to the Rules relating to the conduct of Members (copy enclosed).

Shareholdings are registered in Category 7 of the Register. Unpaid directorships may require registration under category 8. The relevant rules are found in paragraphs 51-56 of chapter 1 of the Guide to the Rules (copy enclosed.)

15 Chapter 2: Declaration of Members' Interests

"The declaration of interests ensures that Members, the public and others are made aware at the appropriate time, in proceedings of the House and on other occasions, of any interest relevant to those proceedings or to the actions or words of a Member. The requirement to declare an interest complements the registration requirements and applies from the time the House first sits after the Member is elected and to almost every aspect of a Member's parliamentary duties. It covers a broader range of interests than registration".

"Declarations must be informative but succinct. A Member who has already registered an interest may refer to his or her Register entry. But such a reference is unlikely to suffice on its own, as the declaration must provide sufficient information to convey the nature of the interest without the listener or the reader having to have recourse to the Register or other publication".

Occasions when declaration is required

- 7. Subject to paragraphs 1 to 6 of this chapter, Members must declare a relevant interest:
- a) in the Chamber and in general committees:
- i) when speaking in a debate;

ii) in the Committee or consideration stage of a Bill. In a Public Bill Committee a Member should declare an interest at the first meeting or when he or she first addresses the Committee. The declaration should be repeated later if speaking on any amendment to which the interest is particularly relevant;

b) in Committee on Opposed Private Bill:

A Member nominated by the Committee of Selection to serve on a Committee on an Opposed Private Bill must sign a declaration that "my constituents have no local interest, and I have no personal interest, in the said Bill. "[53] Advice is available from the Clerk of Bills.

c) In Select Committees:

- at the Committee's first meeting. Members must provide details of any registered financial interests, and of any non-registrable interests which meet the test of relevance. [54] These are circulated under the authority of the Chair (if elected by the House) or in other cases the senior Member before the Committee's first meeting. Members who do not attend the Committee's first meeting must make their declaration at the beginning of the first meeting they do attend;
- when the Committee is deciding on the subject of an inquiry;
- iii) at the beginning of any inquiry to which their interest particularly relates:
 - iv) at sessions of evidence, and in any hearings involving witnesses to whom the interest is particularly relevant and before any questions which might reasonably be thought by others relevant to that interest.

25 These declarations will be recorded in the Committee's proceedings.

> If the subject matter of the inquiry is of direct concern to an outside body in which a Member has a financial interest, he or she must consider whether it is proper to take part in the inquiry without conflict of interest, and whether it is possible to participate effectively in the inquiry without crossing the borderline into paid advocacy. And a Member who has a personal interest which may reflect upon the work of the Committee or its report should stand aside from the Committee proceedings relating to it.

d) When tabling any written notice:

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- i) when tabling a notice for the presentation of a Bill, or tabling an amendment to a Bill. A Member who gives his or her name in support of a Bill, or who tables an amendment to a Bill, must notify the Legislation Office of any relevant interest;
- ii) when tabling oral or written Questions. Members must indicate any relevant interest on the question form. If the question is for oral answer there is no need for further declaration when called in the Chamber.
- iii) when applying for urgent Questions or emergency debates. Members must inform the Speaker of any relevant interest. If the request is granted the Member must also declare the interest orally when asking the question or moving the motion;
- iv) when tabling motions, including Early Day Motions [EDMs], or amendments to motions, or adding their name to a motion or amendment. Members must indicate any interest in the appropriate place on the form;
- v) when applying for an adjournment debate. Members must inform the Table Office of any relevant interests;
- vi) when giving notice before presenting a petition and when presenting a petition in the House. Members must notify the Journal Office of any relevant interest when giving notice of presentation of a petition, providing an explanatory note if the nature of that interest is not immediately obvious from their Register entry. They must then declare any relevant interests in the House when presenting that petition;
- vii) when standing for election as chair of a Select Committee. The Member's full Register entry is published with his or her nomination.

When an interest is declared, the symbol [R] (for 'Relevant Interest Declared') will normally be printed on the relevant Notice Paper or Order Paper. If it is not readily apparent which of the Member's interests is relevant, he or she should provide an explanatory note which will then be made available for inspection.

e) When approaching others:

Members must declare a relevant interest in any communication, forma/ or informal, with those who are responsible for matters of public policy, public expenditure or the delivery of public services. That includes communications with Ministers, either alone or as part of a delegation: with other Members; with public officials (including the staff of government departments or agencies and public office holders).

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If those communications are in writing, then the declaration should be in writing too; otherwise it should be oral.

f) When booking facilities on the parliamentary estate.

Members who book private dining rooms or any other rooms through the Facilities Department for the purpose of holding a function must indicate on the booking form if they have a relevant interest. This requirement applies if the function is on behalf of an outside organisation other than the Member's political party. Members who have such an interest must also indicate this on the invitations to their event. For this purpose a function is where significant hospitality including food and drink is provided: a declaration is not necessary when booking a room simply for a meeting or presentation where simple refreshments such as tea and biscuits may be available.

Next steps

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- 15 It would be helpful if you would answer the following questions.
 - 1. Were you aware of the requirement to register your financial interests within 28 days of any change?
 - 2. Have you been paid by Mercer Consulting Associates Ltd?
- Please explain to me the purpose of the formation of the company and the type of work it carries out.
 - 4. Has any income for work done by you been paid to Mercer Consulting Associates Ltd?
 - 5. Have you considered registering this directorship in category 8 or category 1 of the Register at any time?
- 25 6. If you have, what were your reasons for not registering it?
 - 7. Have you considered registering your shareholding in Mercer Consulting Associates Ltd?
 - 8. If you have, what were your reasons for not registering it?
- 9. Are you satisfied that your current register entry is up-to-date in all other respects?

10. If you consider now there have been any occasions when the rules would have required, you to make a declaration of your financial interest in Mercer Consulting Associates Ltd

Any other points you may wish to make to help me with this inquiry would be most welcome.

Important information

As you will be aware, my inquiries are conducted in private. Following the decision taken by the House on 19 July 2018, I will not publish the fact that I am conducting an inquiry into an allegation into an alleged breach of the Code of Conduct. My office will not comment on any aspect of the inquiry to third parties. They will answer direct factual questions about the processes I follow and the standards system more generally but will neither confirm nor deny that I have begun an inquiry.

Procedure

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I am writing to [name redacted] to say that I have decided to begin an inquiry into this matter.

I enclose a copy of the *Commissioner's Information Note*, which sets out the procedure for inquiries. Please note that this has not yet been updated to reflect the changes flowing from the decision of 19 July 2018.

This letter and any subsequent correspondence between us in connection with this inquiry is protected by parliamentary privilege. It should be kept confidential until the outcome of my inquiry is published. All the relevant evidence, including our correspondence, will be published when I have concluded my work.

While I do not, at this stage, know whether it will be necessary to interview you about this matter, it would be open to you to be accompanied at any such interview.

I am, of course, very happy to meet with you at any stage if you would find that helpful.

I should say now, as a matter of courtesy, that I may seek the advice of the Registrar of Financial Interests in the course of this inquiry.

Action

I would be grateful to have your response to this letter as soon as possible and no later than 16 May 2019. Please let me know before that date if you think more time is required so that we may agree an alternative date.

13 May 2019

3. Email from Mr Johnny Mercer MP to the Commissioner, 16 May 2019

Thank you for your letter dated 13 May 2019, received in my constituency office yesterday, 15 May.

[Information not relevant to my decision redacted]

Mercer Consulting Associates Ltd was set up, upon the advice of my accountant, to protect the name for future use, much as you would a domain name for a website. The company is dormant. No funds have gone in or out. My directorship is not a "non-paid" role. Given all these facts, I concluded that there was no financial interest to disclose. My responsibilities are to "provide information about any financial interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions....". I cannot see how creating a company, which lies dormant and does not trade could possibly be deemed a financial interest or benefit which might influence my actions, speeches or votes in Parliament, or actions taken in my capacity as a Member of Parliament.

I hope this clarifies the position and answers your questions. Please let me know if I can be of further assistance.

16 May 2019

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4. Letter from the Commissioner to Mr Johnny Mercer MP, 22 May 2019

Thank you for your very prompt response to my letter of 13 May 2019. The information you have provided is helpful, but I do need to ask you for some clarification before I can conclude my inquiry.

You said in your email that Mercer Consulting Associates Limited is a dormant company and non-trading. You also said that no funds have gone in or out of the company, and you felt there was no need for you to register this as an interest. And, you said that role as a Director is, not a "non-paid" role, that implies that you are paid or expect to be paid.

Companies House records show that you hold 50% of the shares in Mercer Consulting Associates Limited. The rules require Members to register in the Register of Members' Financial Interests "any holdings which amount to more than 15% of the issued share capital of that company, or more than 15% of a partnership." The rules do not exempt from registration shares held in dormant companies.

Emerging conclusions on registration

On the basis of the information available to me so far, you should have registered your interest in Mercer Consulting Associates Limited under category 7 "Shareholdings" within 28 days of acquisition of the holding.

If you have received payment from the company which exceeds the relevant threshold, that should also have been registered under category 1 "Employment and earnings".

Next steps

- In light of your statement that your role with Mercer Consulting Associates Limited is "not non-paid" it would be helpful if you would answer the following questions.
 - 1. Have you received any payment from Mercer Consulting Associates Limited?
 - If you have, please provide list of the dates and amounts of payments received.
- Has Mercer Consulting Associates Limited received any payment for work you have done, which has not yet been paid to you?
 - If it has, how much has been received and from who?
- 3. I would also be grateful if, in light of the above, you would review again whether there have been any occasions when the rules would have required you to make a declaration of your financial interest in Mercer Consulting Associates Ltd. It would be helpful if, in answering this letter, you would explain the steps you have taken to do this.

Action

I would be grateful to have your response to this letter as soon as possible and no later than 30 May 2019.

22 May 2019

5. Email from Mr Johnny Mercer MP to the Commissioner, 6 June 2019

Thank you for your letter of 22 May. I am replying by email to avoid delay.

In your letter you mention that I have implied I am a paid director of Mercer Consulting Associates Ltd or expect to be paid. That is not the case. The reason I mentioned that my role was not as an unpaid director was to highlight my consideration and understanding of the rules surrounding registration of financial interests. Were I an active non-paid director of a company I understand that I would need to declare this. This is not the case however, hence my conclusion that there was nothing which needed to be registered.

To clarify:

- 1. I have not received any payment from Mercer Consulting.
- 2. Mercer Consulting has not received any payment or monies whatsoever.
- 3. This is a holding "shell", with no trading or intent other than to protect a name therefore I stand by my decision that there was no financial interest to register.
- 5 [Information not relevant to my decision redacted]

6 June 2019

6. Letter from the Commissioner to Mr Johnny Mercer MP, 13 June 2019

Thank you for your email dated 6 June 2019. The information you have provided is helpful.

- In answer to my question about the purpose of the company and the type of work it carries out, you said "This is a holding 'shell', with no trading or intent other than to protect a name, therefore I stand by my decision that there was no financial interest to register." Thank you for that clarification.
- When I wrote to you on 13 May 2019, I referred to categories 7 and 8 of the Register.

 I will deal with each of them separately.

Category 7

You hold 50% of the shares in Mercer Consulting Associates Ltd. Paragraph 51 of chapter 1 of the Guide to the rules states that a Member shall be required to register in category 7 "any holdings which amount to more than 15% of the issued share capital of that company or more than 15% of a partnership". The rules do not exempt from registration shares in dormant companies.

You were, therefore, required to register your shareholding in the Register, and your failure to do so within 28 days was a breach of the rules.

Category 8

I am writing to the Registrar of Members' Financial Interests (copy enclosed) asking her for advice on whether you should have also registered your unpaid directorship in category 8 of the Code. I will share her advice with you in due course.

Other matters

[Information not relevant to my decision redacted]

I have considered your request carefully and decided not to approach the Independent Compliance Officer for IPSA, as you have suggested. I appreciate that you may consider the number of complaints an individual has made in the past to be significant but before I begin an inquiry, there are two tests I am required to consider. These are

- a) whether the matter is within my remit; and
- b) whether there is sufficient evidence to justify me starting an inquiry.

The number of complaints made by, or ongoing issues that you may have with the complainant would not influence my decision to start an inquiry.

10 Next steps

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It would also be helpful if you would review the questions listed in my letter of 13 May and let me know whether there is any additional information you think would be relevant to my inquiry. I would be grateful if you would revisit question 10 in particular. (The rules relating to declaration of interests are set out in full in chapter 2 of the Guide to the Rules.)

Please let me have any additional information, including any comments you wish to make on my decision concerning registration of your shareholding in Mercer Consulting Associates Ltd, by 21 June 2019.

In the meantime, our correspondence remains protected by parliamentary privilege, and I must ask that you continue to maintain the strict confidentiality of the inquiry.

13 June 2019

8. Email from the Commissioner's office to Mr Johnny Mercer MP, 25 June 2019

Thank you for your email of 20 June. [Not reproduced]

- My colleague, the Registrar of Members' Financial Interests, came to see you earlier today about your financial interests. However, I understand that, in the course of that conversation, it became apparent that some of the correspondence you have recently exchanged with the Commissioner in connection with her formal inquiry may have been based on a misunderstanding.
- The Commissioner's letter of 22 May 2019 (copy attached) was concerned with your interest in Mercer Consulting Associates Ltd, not Crucial Academy Ltd. If the correspondence has been at cross-purposes, it would perhaps be helpful to send a fresh response to the three questions listed in Kathryn's letter of 22 May 2019. I

would be grateful if you would let me know as a matter of urgency whether you wish to withdraw your email of 20 June 2019.

If you do, it would be helpful if you would personally send a full reply to the Commissioner's three questions by 5 July 2019. I will be on leave then, so it would be helpful if you would reply direct to the Commissioner.

25 June 2019

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9. Email from Mr Johnny Mercer MP to the Commissioner, 1 July 2019

Could I first apologise for any confusion in this regard. I can assure you that there has never been any desire to do anything other than to answer your questions directly. I have genuinely at times not understood which company they have been referring to.

To answer your specific points:

I have never received a payment from Mercer Consulting Ltd. I did not mean to imply that I ever would be paid by this company either whilst I am an MP, which I do not expect to be ad infinitum. I have set the company up simply to hold the name – like one would for a website.

- 1. No money has ever gone into or out of Mercer Consulting there is nothing in there. It has no account it is simply dormant and holding the name for when I am not longer an MP.
- Having spoken with the Registrar, despite there being no financial interest in Mercer Consulting, she advises me that there are still two shares in it one for me and one for my wife, and I must advise of my share, despite it being worthless. I am happy to amend my register of financial interests if that would be proper, cognisant of the fact it is not strictly speaking a financial interest, because it has no money in it.
 - 3. To reiterate, I am happy to do whatever is required to satisfy you in these regards, and I apologise if I have in any way breached the rules. I must be clear that I do not believe I have broken the rules. They are clear the Directorships in a dormant company do not need to be registered, but are silent when it comes to shareholding in a dormant company.

1 July 2019

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10. Letter from the Registrar of Members' Financial Interests to the Commissioner, 8 July 2019

Thank you for your letter of 13 June 2019 in which you ask what advice I would have given to Mr Johnny Mercer MP about the need to register an unpaid directorship in

Mercer Consulting Associates, a company set up in November 2018. I have since seen Mr Mercer's email of 1 July, sent after I met with him on 25 June.

For the avoidance of doubt, I would have advised Mr Mercer that he was required to register his shares in the company. He holds one of its two shares. If an MP has more than 15% of the shares in a company they must register these, and there is no exemption for dormant companies. In any case Mercer Consulting Associates is not shown as dormant in the Companies House register.

On the basis of the information you have sent, I would not have advised Mr Mercer to register his unpaid directorship of this company. This is because the House does not require MPs to register all unpaid roles; it requires the MP to make a judgement. MPs are expected to register unpaid roles only if others might reasonably consider these to influence them in what they say or do as an MP. I would have drawn Mr Mercer's attention to the rules on registering unpaid roles in the miscellaneous category. These are as follows:

15 "55. Under this category Members must register:

a) [....]

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b) Any other interest, if the Member considers that it might reasonably be thought by others to influence his or her actions or words as a Member in the same way as a financial interest. This might include an unpaid employment or directorship, or directorship of a company not currently trading, non-practising membership of a profession, or a fund established to defray legal costs arising out of the Member's work, but from which no benefit has yet been received.

Mr Mercer has told you that he does not believe that his role as director in Mercer Consulting Associates, a company which had not traded, could reasonably have been thought to influence him. On that basis I would not have argued. I would not have advised him to register the role, although (as you have pointed out) he should have registered his shares at the time.

8 July 2019

11. Letter from the Commissioner to Mr Johnny Mercer MP, 22 July 2019

Thank you for your email of 1 July 2019.

I wrote to you on 13 June 2019, to let you know I was seeking the advice of the Registrar of Members' Financial Interests. I enclose a copy of her reply of 8 July 2019 for your information. I believe the Registrar shared this advice with you during your meeting with her on the 25 June 2019, and she was able to clarify some points.

Following that meeting, you revised your previous answers to my questions. That information has proved most helpful. In light of it, I have now reached a decision on the allegation I have been investigating.

My Decision

Taking all the relevant facts into account, I find that in not registering your shareholding in Mercer Consulting Associates Limited, you acted in breach of paragraph 14 of the Code of Conduct for Members.

Rationale

Paragraph 14 of the Code concerns the disclosure of financial information through the registration and declaration of interests in accordance with the rules the House has approved in connection with such matters.

Registration

As a result of the information provided, I have considered whether you should have registered your interest in Mercer Consulting Associates Limited in one or more of three categories for registration (categories 1, 7 and 8).

Category 1

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In my letter of 22 May 2019, I asked you to clarify whether you had received any payments from Mercer Consulting Associates Ltd. This would allow me to decide whether you should have registered receipt of any earnings from the company.

You have since told me that you, "...have never received a payment from Mercer Consulting Ltd...it is simply dormant and holding the name for when [you are] no longer the MP". In her letter of 8 July 2019, the Registrar said she "... would not have advised Mr Mercer to register his unpaid directorship of his company [Mercer Consulting Associates Ltd]. This is because the House does not require MPs to register all unpaid roles; it requires the MP to make a judgement."

Having considered the Registrar's advice, I have concluded that you did not need to register your directorship of the company in category 1 of the Register (Earnings and Employment).

Category 7

As I have previously explained, the House's rules require Members to register in this category, "any holdings which amount to more than 15% of the issued share capital of that company, or more than 15% of a partnership." I understand that you do not view this shareholding as a 'financial interest'. However, based on the definition found in paragraph 51 of chapter 1 of the Guide to the Rules as approved by the House of

Commons, it is such an interest. The rules do not specify that a company should first be trading, have a bank account or provide a return to its shareholders in order to be a registrable financial interest.

While I am satisfied there was no deliberate attempt to mislead, your failure to notify the Registrar of Members' Financial Interests, within 28 days of receipt of your shareholding (registered with Companies House as 9 November 2018), amounted to a breach of paragraph 14 of the Code.

Category 8

This is the "miscellaneous" category. Where a Member has an unpaid directorship, they are not required to register it in category 1, but **they may** need to register it in category 8. Members must use their judgement as to whether the interest is such that "it might reasonably be thought by others to influence his or her actions or words as a Member".

The Registrar has told me that she would not have advised registration in this category and, given the information I now have about the company, I agree with that advice. I do not consider that you ought to have registered the role under category 8 of the Register.

Declaration

Given that no specific allegation was made of a failure to make a declaration and, in light of what you have told me about Mercer Consulting Associates Ltd, I do not think it is necessary to make any further enquiries about that as part of this inquiry. The relevant facts that you have provided are that:

- No money has gone in or out of the company
- It is simply "holding" the name for when you are no longer an MP
- The nature of its business is registered as "management consultancy activities other than financial management."

I have therefore decided not to pursue this point further.

Next steps

Under Standing Order No 150 I may conclude an inquiry without making referral to the Committee on Standards, in certain circumstances, using the rectification procedure. Although in your last email you apologised to me for any breach of the rules, you also said that you must be clear that "you do not believe you have broken the rules". I hope that the explanations above will enable you to acknowledge that

you have acted in breach of the rules. I would not proceed with the rectification procedure unless you are able to do that.

If you are now able to acknowledge your breach, all that would then remain for me would be to ask the Registrar to arrange for the relevant entries to be italicised in the Register of Members' Financial Interests to indicate that they have been the subject of an inquiry and rectification.

Please let me know whether you accept my analysis and the proposal to conclude this matter through rectification. If you agree I would write to [name redacted] to inform her of the outcome. Before doing so, I would share with you a draft copy of my letter to her and of the evidence pack, which would subsequently be published on my webpages, to give you an opportunity to comment on its factual accuracy. [This process was completed on 17 September 2019.] After concluding my inquiry, I would in due course report my findings to the Committee.

I would be grateful to have your response to this letter as soon as possible and no later than 5 August 2019.

In the meantime, this matter remains protected by parliamentary privilege and should continue to be kept in confidence.

22 July 2019

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12. Email from Mr Johnny Mercer MP to the Commissioner, 5 August 2019

20 Thank you for your letter of 22 July.

I email to confirm that I accept your findings and proposed rectification.

5 August 2019