

EMPLOYMENT TRIBUNALS

On: 24th and 25th April

2023

Claimant: Mr Philip Hannah

Respondent: Travis Perkins PLC

Heard at: CVP at Manchester Employment

Tribunal

Before: Employment Judge Thompson

(sitting alone)

REPRESENTATION:

Claimant: In person

Respondent: Ms Rosaline Dawson, Solicitor

JUDGMENT

- 1. The complaint of constructive unfair dismissal pursuant to section 95(1)(c) of the Employment Rights Act 1996 is well-founded. The Claimant was unfairly dismissed.
- 2. The complaint of breach of contract in relation to notice pay is well-founded.
- 3. The compensation owed to the Claimant for constructive unfair dismissal shall be subject to a 25% uplift on the compensatory award pursuant to section 207A of the Trade Union and Labour Relations (Consolidation) Act 1992 because the Respondent unreasonably failed to comply with the ACAS Code of Practice on Disciplinary and Grievance Procedures 2015.

4. There shall be no reduction in the amount of the basic award or the compensatory award on the grounds of contributory fault.

REASONS

Claims and Issues

- 5. In this case, the Claimant claims that he was unfairly constructively dismissed. The Respondent's position is that its treatment of the Claimant did not amount to a fundamental breach or, in the alternative, that any breach did not cause the Claimant to resign. The Claimant alleges that the Respondent failed to follow the ACAS Code on Disciplinary and Grievance Procedures. The Respondent alleges that the Claimant failed to follow the ACAS Code and that any compensation should be reduced to reflect contributory conduct.
- 6. In addition, the Claimant brings a claim for breach of contract relating to his notice pay.
- 7. This has been a remote hearing which has been consented to by the parties. The Claimant has represented himself. The Respondent has been represented by their in-house solicitor, Ms Dawson. I am grateful for the helpful and constructive manner in which they have both presented their respective cases.
- 8. I have had the benefit of a bundle running to 326 pages that was agreed between the parties. I have been taken to the important documents in the course of evidence and submissions. Further documents were provided by the Respondent during the hearing, which I will refer to in due course where appropriate. These additional documents have been added to the agreed bundle. The references within this judgment to pages relates to the page numbers within the agreed bundle.
- 9. I have heard evidence from the following witnesses:
 - (a) The Claimant.
 - (b) Clarke Kersewell, a former employee of the Respondent who was an assistant branch manager at the relevant time ("CK").
 - (c) Peter Hannah, the Claimant's father and a customer of the Respondent ("PH").
 - (d) Gordon Mackenzie, the Respondent's Regional Director, who was the Claimant's line manager at the relevant time ("GM").
 - (e) Jane Downey, the Respondent's former Regional Operations Manager ("JD").
 - (f) Jenny Shooter, the Respondent's HR Business Partner ("JS").

- (g) Daniel Storer, the Respondent's Regional Director ("DS").
- 10. The issues for me to determine were agreed with the parties as follows:
 - (a) Did the Respondent fundamentally breach the Claimant's contract of employment? The Claimant relies upon the implied term of trust and confidence. That requires an assessment as to whether there was any reasonable /proper cause for the Respondent's conduct and when viewed objectively whether that conduct was calculated or likely to seriously damage trust and confidence.
 - (b) If so, did the Claimant resign in response to that breach of contract?
 - (c) If so, did the Claimant resign promptly, such that he could not be said to have waived or affirmed the breach?
 - (d) If the Claimant was dismissed, was it for a fair reason?
 - (e) Should any compensation awarded to the Claimant be reduced on the grounds that it would be just and equitable to do so under sections 122(2) and/or 123(6) of the Employment Rights Act 1996, and if so by what percentage?
 - (f) Should any compensation awarded to the Claimant be subject to an uplift pursuant to the ACAS Code, and if so by what percentage?
 - (g) Should any award of compensation to the Claimant be reduced because of the Claimant's failure to pursue a grievance, and if so by what percentage?
 - (h) Did the Respondent breach the Claimant's contract of employment by dismissing him without notice?
- 11. The Claimant is alleging that the Respondent breached the implied term of trust and confidence when it suspended him on the basis of allegations of gross misconduct on 15th August 2022. The Claimant says that the allegations were not made in good faith or with reasonable/proper cause. He says that after he informed the Respondent that he was going to work for a competitor, the Respondent embarked on a 'witch hunt', looking for some way that they could tarnish the Claimant's reputation within the industry.
- 12. Unusually, the Claimant resigned twice within a period of just over two weeks. The first resignation on 5th August 2022 was with the required contractual notice (until 30th October 2022) and the Claimant does not say that the first resignation was in response to a repudiatory breach. The second resignation on 22nd August 2022 was an immediate resignation, the Claimant resigning without working the notice he had given some 2 weeks earlier, and in response to what is alleged to be a repudiatory breach.
- 13. The Claimant accepts that he would have terminated his employment in any event with effect from 30th October 2022, as he planned to leave on that date to go and work for his new employer. I am therefore concerned with whether

the Claimant left his employment with the Respondent earlier than planned because of the alleged repudiatory breach.

Findings of Fact

- 14. The Claimant commenced his employment with the Respondent in October 2006. The Claimant was promoted to the position of branch manager and had been in that position for 11 years at the time of the events that I am concerned with. The Claimant managed the Respondent's Workington branch, which was very successful, having won branch of the year prior to the Claimant's employment ending. The Claimant was the highest paid branch manager for the Respondent in the whole of the Scotland and North region. He was one of the top 5 branch managers nationally, out of some 500 plus branches. He received a bonus in his last year that was higher than the bonuses awarded to any of the regional directors.
- 15. In the first part of 2022 the Claimant was pushing his Regional Director, GM, to see if the Respondent would give him a pay rise. He had seen similar roles to his being advertised at higher salaries. The email from the Claimant at page 68 dated 24th June 2022 summarises the position up to that point as follows:
 - "I understand that the business is going through a cost cutting exercise at the moment but it is my understanding that the business is still looking to retain top talent. I understand that ... I might have reached a ceiling but either way can I get an understanding of my current position. As we are facing the cost of living crises and there are several other roles in the marketplace that pay higher than my current salary. I am now in a position where I need to do what is best for my family and their lifestyle."
- 16. In the middle of July 2022 the Claimant informed GM that he had been offered a job with a competitor at a higher salary. The salary offer was some £30,000 more than he was earning in the same role with the Respondent. GM told the Claimant that he could not match the salary increase.
- 17.On 5th August 2022 the Claimant resigned his employment with the Respondent. A copy of the first resignation letter is at page 85. That letter reads as follows:
 - "Please accept this letter as formal notification of my intention to resign from my position as Branch Manager with Travis Perkins. In accordance with my notice period, my final day will be 30th October 2022. I would like to thank you for the opportunity to have worked in the position for the past 15 years. I have learned a great deal during my time here and have enjoyed collaborating with my colleagues. I will take a lot of what I have learned with me in my career and will look back at my time here as a valuable period of my professional life."

- 18. It was not only the Claimant who resigned on that date: so too did 3 of his colleagues, Phil Bold ("PB"), CK and Scott Anty. They worked under the Claimant at the same branch as him. PB and CK were the only two assistant branch managers in Workington, meaning that the Respondent would be left without a senior management team in one of its most successful branches. All 4 men were leaving with the intention of joining JT Atkinson, a competitor of the Respondent, who were opening a new site less than 15 miles away from the Respondent's Workington branch.
- 19. The Respondent was keen to try and keep at least one of the employees who had resigned. GM did not think keeping the Claimant was a viable option. He had been in discussions with the Claimant for a number of months about his salary and he knew the Respondent would not be able to match the Claimant's new salary. He did think that he may be able to make one of the other 3 men an acceptable counter offer. He had discussions with all the men who resigned, with the exception of the Claimant, about the possibility of staying on. GM was able to convince one of the men, PB, to accept an increased salary to stay and take a promotion to the Claimant's former role of branch manager of the Workington branch. That position was offered to and accepted by PB at some point towards the end of August 2022.
- 20. Although GM may have closed his mind to the possibility of making the Claimant a counter offer, he did not convey that to the Claimant. A meeting between the Claimant and GM was arranged for Monday 15th August. The Claimant thought that meeting was to explore options. The Claimant knew he was on a high salary but he thought it may be an option for the Respondent to offer him a different bonus scheme. The fact that the Claimant thought there may be a negotiation to keep him in the business is evidenced in the email from the Claimant to GM on 9 August 2022 at page 89 in which the Claimant writes:
 - "Just following on from our conversation on Friday where you were going to see Paul about other roles in TP or if anything could be done around my package can I clarify what time the meeting is on Monday and who is attending? I have had feedback from staff that I have fell out of love with the company but I don't understand how they are getting that impression when four weeks ago I told you that JTA had approached me and offered me a better package?"
- 21.GM did not respond to this email but it was forwarded to various senior employees and the Respondent's HR team. JS responded to the forwarder of the email onto her, Paul Beaman (GM's line manager), saying that (at page 89):
 - "I don't really get his point...He has fallen out of love with us as we haven't offered him more money".
- 22. It was reported to GM that the Claimant closed the Workington branch for 15 minutes on the day he resigned and said that if the staff were not going with them, they should look for other jobs as their aim was to close down the

Respondent's Workington branch once they were at JT Atkinson. The Claimant and CK both accept that there was an announcement but they both deny that any comment about seeking to close the Respondent's Workington branch was made. The Claimant says he did not close the branch. CK is unclear about whether the branch was closed. I have not heard evidence from any of the employees who were in Workington branch that day apart from the Claimant and CK. They were both credible witnesses and I accept their evidence on this point in the absence of any direct evidence to the contrary.

- 23. The Claimant, PB and Mr Anty went on annual leave on the Monday after their resignations on the Friday. Technically the Claimant was working from home on 8th August before having the rest of the week off (he was doing work on his degree apprenticeship on the Monday). CK did not go on annual leave and was the only one of the 4 men who had resigned in the Workington branch in next working week after the resignations. It was reported to GM that CK was telling customers that they would get better deals at his new place of employment. CK was also reported to GM to be "winding everyone up".
- 24. CK is the only witness I have heard evidence from who can attest to exactly what was happening in the Workington branch during that first week after the resignations. I found him to be an honest witness. He did not seek to embellish his evidence, accepting where there were gaps in his recollection (for example he could not remember whether the branch was closed or who closed it, rather than just backing up everything the Claimant said on this issue). He reports, and I find as a fact, that his colleagues in the Workington branch were behaving in a way that was, at best, unprofessional, for example by booing him when he walked past and kissing the Travis Perkins badge. CK also says and I accept that he was generally intimidated by staff that week, including outside managers who had been brought in that week, in particular Mark Ridley.
- 25. I find that there was a lot of anger from staff at the Workington branch towards the Claimant and the other 3 men after they had handed in their resignations. GM says in his witness statement at paragraph 12 that staff at Workington were very angry about how everything had been communicated to them. CK also corroborates my overall impression of an upset workforce with his account of the behaviour of staff towards him during that week. I find that it was not just branch staff who were angry: the Respondent's senior management team were also angry because one of their most successful managers was leaving to work for a competitor and was taking staff with him.
- 26. There is an email trail with the Respondent's HR team starting on 8th August 2022 in which various people are chasing to see if they have a copy of the Claimant's contract of employment (at page 87). The contract seems to have been found on 9th August 2022 and it is noted that it does have restrictive covenants. JS writes to GM saying that (at page 92): "If you therefore get any evidence from [name redacted] confirming Phil H was involved then we will get

- solicitors to write to Phil H'. There is some further internal HR correspondence noting that the contract is not signed (at page 94).
- 27. The email trails also show that the Respondent believed that the Claimant was the person responsible for poaching the 3 men who had resigned. On 10th August 2022 JS wrote an email to her colleague in HR stating that (at page 104) "We believe Phil Hannah may have solicited the other colleagues so are still doing data gathering at the moment." JS clarified in her evidence that the data gathering HR were doing related to the contractual/ restraint of trade issues and that this was not the same thing as the 'data mining' that GM had instructed security staff to undertake which I will consider in more detail below. However, the Respondent had a problem in that they could not find any signed copy of the Claimant's contract of employment. GM and JS both confirmed in their oral evidence that they believed that the absence of a signed contract was a problem for them when it came to enforcing the restraints of trade.
- 28. What is also clear is that within a short period of time, GM had instructed the Respondent's security department to undertake what he described as a 'data mine' on all 4 of the men who had resigned. He said in his oral evidence that he asked security to look into all 4 men for any transactions that looked 'untoward'.
- 29.On 15th August 2022 the Claimant attended work. He had been at work for a couple of hours when he was invited to attend a meeting at 9am. The meeting turned out to be a 'suspension meeting'. JD was the person who suspended the Claimant. She was accompanied by Jamie Ross, who was acting as the note taker. Although the Claimant says that the Respondent's actions in allowing him to work for a couple of hours that morning are inconsistent with the decision to suspend him, I do not find that allowing the Claimant to work for a couple of hours despite allegedly suspecting him of gross misconduct was suspicious.
- 30.I accept the Respondent's submissions that there was a contractual right to suspend the Claimant. A right to suspend is set out in the Respondent's disciplinary procedure at page 280. I also note that the suspension was with pay. I do not find that merely by suspending the Claimant the Respondent was in breach of contract; instead my enquiry must focus on why he was suspended and more particularly whether there was a reasonable or proper cause for that suspension.
- 31. JD had been asked to conduct the suspension meeting because GM was on holiday. GM was the person that had made the decision to suspend; JD was in effect just the messenger. She had only been asked on the Friday (12th August) to undertake this task and she did not know the details of the allegations. She knew in general terms that there were some suspicious transactions and that the matter was serious enough for GM to decide that the Claimant ought to be suspended. She had never conducted a suspension meeting before. In light of

that background, I do not think there was anything sinister in her meeting with Jamie Ross early on the morning of 15th August and that the reference to 'getting our ducks in a row' (at page 99) was meant to reflect that she wanted to be clear about what she was doing.

- 32. The suspension letter had already been drafted by HR and HR had also prepared a script for JD to read out. Her involvement was therefore very limited: attend a meeting, suspend the Claimant, read out a script, and hand him a prepared suspension letter.
- 33. During that meeting, the Claimant raised concerns that he was being bullied, victimised and intimidated. That is recorded in the suspension meeting minutes and JD accepts that the Claimant said this. She said in her oral evidence that she did ask the Claimant what his concerns related to and he clarified that it related to the poor communication by GM in the week after he resigned.
- 34. The Claimant was accompanied at that meeting by CK. CK says that after the meeting JD said to him that she didn't believe a word that the Claimant had said about his mental health and she felt he was making it up (by that I understand he was 'making up' that there were any issues with his mental wellbeing). CK recalls being shocked that JD made this comment because of her role as a mental health advocate for the Respondent and because she had just been off with mental health problems herself. JD's alleged remark was reported back to the Claimant by CK.
- 35. JD adamantly denies making the remark. CK is adamant that she did make the remark. They were the only two people present. JD tells me that she was the mental health first aider and that about 30% of her work time was spent dealing with mental health concerns of staff and that she would never dismiss anyone's concerns about their mental health. The suspension letter she gave the Claimant (albeit not written by JD) gives the Claimant details about mental support assistance available to him.
- 36.I was concerned by a number of comments that JD made in her oral evidence, which left me with the impression that she lacked any understanding of the reason why the Claimant may have been upset in that hearing. First, when she was asked questions in cross examination by the Claimant about whether the business was happy or angry about the Claimant's resignation, she referenced the Claimant making "drama". She attempted to clarify later in her evidence what she meant by the word "drama" and that she did not mean to infer that he was over-egging things. Second, she said that she was 'surprised' that the Claimant was upset about the way that GM had dealt with him. This left me with the impression that she did not think that the Claimant should be getting upset about the way he had been treated in the week after his resignation. Third, she expressed her displeasure that she was "sat here today when he's [the Claimant's] got another job". This left me with the impression that she had no

- sympathy at all with an employee who was leaving to go to a job for more money making a complaint about the way he was being treated after his resignation.
- 37. The Claimant had come into work on a Monday morning and without any warning was told that he was being suspended for gross misconduct. That must have come as a shock to him. He was a senior and successful employee who had an exemplary record. He was expecting a meeting to discuss the option of keeping him on and he was instead being faced with allegations of gross misconduct that he believed were without any foundation. I find that JD did not understand then and still does not understand now why the Claimant was upset by the way he was treated. I can understand why she and other employees of the Respondent took umbrage to the Claimant leaving for a higher paid job with a competitor but that did not mean that the Claimant was not entitled to be treated properly during his notice period. Unfortunately, I find that despite her role as a mental health advocate and as someone who ought to have known better, JD did say something to CK that belittled the Claimant's concerns about his mental health.
- 38. After that meeting, the Claimant wrote the letter at page 125, raising a grievance in respect of the meeting. He said in that letter that he felt victimised, bullied and intimidated and that there was no consideration for his well-being. He describes his concern about other managers having been brought into the branch when he was away and the lack of communication from GM. He complains about JD saying to his colleague (CK) that she thought he was playing on his mental health.
- 39. The internal response to that grievance is in an email from JS to GM dated 17th August (at page 139). The email reads:
 - " I just wanted to let you know that as we suspected Phil has put in a grievance against you. Nothing major, just about us leaving him hanging last week by not replying to his email and he was worried knowing there were other BMs in the branch etc".
- 40. The Claimant was not happy with the fact that the individual who had been assigned to undertake the investigation was Chris Salmon. The Claimant had disciplined Mr Salmon's son, which eventually led to his dismissal from the Respondent. The Claimant thought that this meant that Mr Salmon was biased. The Respondent's HR appear to have accepted these concerns and appointed a different investigating officer to take over, namely Chris Billington.
- 41. A meeting was arranged for 24th August 2022 (at page 144). The purpose of this meeting was to interview the Claimant in relation to the disciplinary allegations. However, on 22nd August 2022, before that meeting took place, the Claimant sent a second resignation letter (at page 146) which read as follows:
 - "I feel the actions of the Company amount to a fundamental breach of my contract of employment such that I have been constructively

dismissed. I have evidence that a meeting was held between yourself [GM], Jamie Ross and Jane Downey where Jane suggested looking at any avenues to pursue disciplinary action against me in light of me handing in my notice, without any allegations of a disciplinary nature having previously been made. I understand that Jane said words to the effect of "if we can't get him on that then maybe we can get him on something else" and volunteered to find something. As I'm sure you are aware, any investigations of a disciplinary nature must be balanced and it is clear to me that the Company has embarked on a witch hunt due to being unhappy that I have chosen to leave. Jane has also made light of my mental well-being and state of mind after my suspension meeting by talking to a colleague and telling them that she didn't believe me. This was without any investigation being undertaken or any meeting with me having taken place."

- 42. The core of the Claimant's case before me as to the reason for his resignation is reflected in his second resignation letter. He thought that the disciplinary allegations were a witch hunt and that the Respondent was looking to get him on something. He referenced various matters that had left him with that impression, including a meeting he heard had taken place as well as the comment that JD is said to have made. He did not have access at the time to the internal emails that I have referred and he would not have known that the Respondent suspected him of poaching staff or of the concerns that they could not find a signed contract.
- 43. Despite the Claimant's resignation, the Respondent continued with its investigation into the alleged misconduct. I have not heard from the individual who conducted the investigation, Chris Billington, or anyone from the security department, and so my understanding of what happened is largely informed by the documents.
- 44. The Claimant did not attend the investigation meeting on 24th August 2022 as he had resigned. A report was produced on 25th August 2022 by Chris Billington (page 152) that concludes "it is clear to see that Phil Hannah has used the system to benefit himself and his father P A Hannah Heating and Plumbing." The branch loss was found to be £14,116.32 in respect of the 6 questionable transactions (2 of which were authorised by PB, the new Workington branch manager, and not the Claimant).
- 45. It remains unclear to me who was pushing the investigation in the Claimant's absence but it appears to have been sanctioned at the highest level. There is an email from HR on 26th August 2022 confirming that the Respondent would finish the investigations internally (at page 157). On 26th August 2022 Robert Saxon in the Respondent's security team emailed various members of staff after having considered the report prepared by Chris Billington and having spoken to GM. He says that there is "a clear loss to the business, we can take our evidence to the police and make a formal complaint against Phil and his father for obtaining property/services by deception and as part of this attempt

to claim our money back through the courts". GM's line manager, Paul Beaman, also seemed keen to "get the police involved" (at page 161). Kieran Griffin, the Respondent's managing director, was aware of events and commented on 26th August 2022 in an email to various senior staff that "just read the report... feels that there are two elements to this, firstly a potential criminal/fraudulent element, and secondly breach of his contractual conditions. Probably worth keeping the two separate, but I would want us to go after him on both accounts. Looks like his father may have a case to answer as well, and suggest we look back a lot further on that account" (at page 165). At the very highest level of the Company there was a clear will to take this as far as they possibly could before they had even heard what the Claimant or his father had to say.

- 46. On 6th September 2023 the Claimant was invited to attend an investigation meeting, to be held on 13th September 2022 (at page 209). The Claimant replied on 7th September 2022 to GM (at page 211), asking to see the investigation report, statements and evidence so that he could consider whether he would attend the meeting. Internal email correspondence suggests that the Respondent had decided that the Claimant would not see the evidence as he was no longer employed by the company (page 219). It is unclear whether that was ever communicated to the Claimant. Although these are events that happened post resignation, they add to the overall impression I have that the Respondent was not interested in giving the Claimant a fair opportunity to defend the case against him.
- 47. The Claimant did not attend the meeting on 13th September. He did not think it would be a fair hearing. It went ahead and it seems 2 witnesses were interviewed. CK was not interviewed despite still working for the Respondent at the time. The securities team was told that CK did not work for the Respondent anymore when they asked to interview him. That was not correct: CK was still in the business at the time, albeit he was on gardening leave. GM knew that CK was still in the business. It is unclear who told the securities team that CK had left when he had not. The investigation resulted in the Respondent's security team producing a "security investigation report" (at page 238). The report makes numerous adverse findings against the Claimant and states that the matter will be passed to civil recovery. GM says that he did not pursue the civil recovery route due to the cost and the likelihood of getting the money back. He says that the police were notified but eventually decided not to prosecute. I have not seen any evidence of the communications with the police over these matters.
- 48. The grievance that the Claimant raised just before he resigned was also the subject of an investigation in his absence and despite him leaving. One of the allegations the Claimant raised in his resignation letter (in particular about the meeting between GM, JD and Jamie Ross) also formed part of this grievance investigation. I have heard from the employee in charge of the grievance investigation (DS). He only became involved in events after the Claimant left.

He held a meeting on 8th September 2022 and interviewed JD, GM and Jamie Ross. DS says that he found the accounts given to him by JD, GM and Mr Ross 'compelling' and that there was nothing to corroborate what the Claimant had said in his resignation letter.

- 49.I found DS to be an honest witness but ultimately his investigation into the grievance was limited because the Claimant had left and was not interviewed. DS says that he was advised that the Claimant did not wish to be interviewed. But the fact remains that DS was only hearing one side of the story and he did not have much by way of documents apart from the Claimant's letters in which he raised the grievance and his second resignation. DS did not consider the suspension notes even though the Claimant's grievance emanated out of events that occurred at that meeting. He did not ask to interview the Claimant's colleague referred to in the grievance letter (CK) who was the one that JD had allegedly made the offensive remark to. CK still worked for the Respondent at that point. CK was an obvious witness to interview as he is the only one who could actually contradict what JD said.
- 50. Overall, I formed the impression that the grievance investigation was a shallow and one-sided exercise, not aimed at getting to the truth of what had happened. However, I do not find that DS was part of the witch hunt. He could have done a better investigation but ultimately anyone put in that position would have found it difficult to uphold allegations against senior staff having only heard one side of the story. It comes as no surprise then that based upon the evidence he considered, DS did not uphold the Claimant's grievance.

Applicable Law

- 51. Having established the above facts, I now apply the law.
- 52. Section 95(1)(c) of the Employment Rights Act 1996 provides that an employee will be dismissed by an employer if the employee terminates the contract under which he is employed (with or without notice) in circumstances in which he is entitled to terminate it without notice by reason of the employer's conduct.
- 53. If the employee's resignation can be construed as a dismissal, then the issue of fairness or otherwise is governed by section 98 of the Employment Rights Act 1996.
- 54. The best-known summary of the applicable test for a claim for constructive unfair dismissal was provided by Lord Denning in **Western Excavating (ECC) Limited v Sharp [1978] IRLR 27**:

"If the employer is guilty of conduct which is a significant breach going to the root of the contract of employment; or which shows that the employer no longer intends to be bound by one or more of the essential terms of the contract, then the employee is entitled to treat himself as discharged from any further performance. If he does so, then he terminates the contract by reason of the employer's contract. He is constructively dismissed. The employee is entitled in these circumstances to leave at the instant without giving any notice at all or, alternatively, he may give notice and say that he is leaving at the end of notice. But conduct must in either case be sufficiently serious to entitle him to leave at once. Moreover, he must make up his mind soon after the conduct of which he complains: for, if he continues for any length of time without leaving, he will lose the right to treat himself as discharged, he will be regarded as having elected to affirm the contract."

- 55. It follows from this decision that the 3 components of a constrictive dismissal claim which I need to consider are:
 - (a) Whether there is a breach which is sufficiently serious to entitle the employee to leave at once.
 - (b) Whether the termination of the contract was by the employee because of that breach.
 - (c) The employee must not have lost the right to resign by affirming the contract after the breach.
- 56. The Claimant relies upon the implied term of trust and confidence, which was formulated by Lord Steyn in the case of **Malik v Mahmoud v BCCI [1997] ICR 606** as follows:

"The employer shall not without reasonable and proper cause conduct itself in a manner calculated and likely to destroy or seriously damage the relationship of confidence and trust between the employer and employee."

- 57. The case of **Baldwin v Brighton & Hove City Council [2007] IRLR 232** clarified that it is not necessary for the employer to act in a way which is both calculated and likely to destroy the relationship of trust and confidence, instead either requirement can be satisfied.
- 58. It is not the case that every action by an employer which can properly give rise to a complaint by an employee amount to a breach of trust and confidence. The formulation approved in **Malik** recognises that the conduct in question must be likely to destroy or seriously damage the relationship of trust and confidence. The case of **Frenkel Topping Limited v King UKEAT/106/15/LA** makes it clear that acting in an unreasonable manner is not sufficient.
- 59. In the case of London Borough of Lambeth v Agoreyo [2019] EWCA Civ 322 Lord Justice Singh gave further useful guidance on the Malik test in the context of a suspension. He said this:
 - "..it seems to me that the question whether suspension is to be viewed as a neutral act is ultimately not a relevant question and not a particularly

helpful one. The crucial question in a case of this type is whether there has been a breach of the implied term of trust and confidence. In the context of suspension, that in turn requires consideration to be given to the question whether there was a reasonable and proper cause for that suspension. This is a highly fact specific question."

- 60. The EAT in **Milne v Link Asset and Security Co Ltd EAT 0867/04** observed that it is always necessary to consider the surrounding circumstances in which the suspension from work is imposed. This includes (a) what was said to the employee about the circumstances justifying the suspension, (b) the length of the suspension, (c) whether the employee has lost any income during the suspension, (d) whether the employee has been replaced during the suspension and (e) whether the terms of the contract of employment require the employer to provide work for the employee.
- 61. The Court of Appeal in Crawford and another v Suffolk Mental Health Partnership NHS Trust [2012] IRLR 402 made it clear that even where there is evidence supporting the employer's investigation, suspension "should not be a knee-jerk reaction, and it will be a breach of the duty of trust and confidence towards the employee if it is".
- 62. Under section 122(2) of the Employment Rights Act 1996, where the tribunal considers that any conduct of the employee before the dismissal was such that it would be just and equitable to reduce the amount of the basic award, the Tribunal shall reduce that amount accordingly.
- 63. Under section 123(6) of the Employment Rights Act 1996, where the tribunal considers that the dismissal was to any extent caused or contributed to by any act of the employee, it shall reduce the amount of the compensatory award by such proportion as it considers just and equitable.
- 64. The case law tells me that I must concentrate on the employee's acts and I must only deduct if I can identify culpable or blameworthy conduct. The leading case is **Steen v ASP Packaging Limited UKEAT/0023/13/ LA** where the EAT identified that the Tribunal must:
 - (a) Identify the conduct which is said to give rise to the potential contributory fault.
 - (b) Decide if the conduct is blameworthy or culpable.
 - (c) Decide whether it is just and equitable to reduce the amount of the award.
- 65. The Trade Union and Labour Relations (Consolidation) Act 1992 makes provision for ACAS to issue Codes of Practice, and section 207(A) provides for unfair dismissal awards to be adjusted if either side has failed to comply with a relevant Code of Practice. Section 124A of the ERA provides that the increase is applied only to the compensatory award and is applied before any reduction

- for contributory fault. Where there has been an unreasonable failure, the adjustment can be up to 25%.
- 66. The Employment Tribunals Extension of Jurisdiction Order 1994 provides that proceedings for breach of contract may be brought before a Tribunal in respect of a claim for damages or any other sum (other than a claim for personal injuries and other excluded claims) where the claim arises or is outstanding on the termination of the employee's employment.
- 67. A claim for notice pay is a claim for breach of contract; **Delaney v Staples 1992** ICR 483 HL.
- 68. In **Neary v Dean of Westminster [1999] IRLR 288**, it was held that conduct amounting to gross misconduct justifying summary dismissal must so undermine the trust and confidence which is inherent in the particular contract of employment that the employer should no longer be required to retain the employee in his employment.
- 69. In cases of wrongful dismissal, it is necessary for the Respondent to prove that the Claimant had actually committed a repudiatory breach of contract. See: Shaw v B & W Group Ltd UKEAT/0583/11.

Application of law to the facts

70. I now apply the law to the facts that I have found. I will deal with each of the issues that I identified at the outset.

Did the Respondent fundamentally breach the Claimant's contract of employment?

- 71. The Respondent invites me to find that there was a reasonable and proper cause to suspend the Claimant. It is said that the reduction that the Claimant gave his father was grossly excessive and it was entirely right that the Respondent should investigate it. They deny any witch hunt and say that the decision to suspend was not a 'knee jerk reaction'. They say that there was nothing untoward about the way that the Respondent discovered that transaction: the 'odd' invoice was forwarded to GM by staff at the Workington branch who happened to come across it. It was nothing more than a coincidence that the invoice came to light 5 days after the Claimant resigned.
- 72.GM says that the instruction to look for anything suspicious on the Claimant was only done after he had been alerted by Mark Ridley to a suspicious transaction involving the Claimant on 10th August. However, I find that the instruction to look for anything suspicious was made by GM before then, at least to the managers who had been sent into Workington after the resignations. I make this finding for two reasons. First, GM's instruction was that all 4 men were to be investigated for suspicious activity, even though the suspicious transaction related to the Claimant. That suggests that the men were being

targeted because they had resigned. Second, I have not heard any credible explanation as to why the email from margin control, which I consider in more detail below, was forwarded to Mark Ridley from Alan Teague and then onto GM, unless there was an instruction to look for something to pin on the Claimant.

- 73.I turn then to look in more detail at the invoice that I have described as the suspicious transaction. On 4th August 2022 the Respondent's computer records show that stock valued at less than £100 was sold to PH, the Claimant's father. An invoice dated 6th August 2022 was then raised for that stock (at page 86). The Claimant's father is a director of a successful plumbing business that generates large sales for the Respondent's business. It was no secret to the Respondent that the Claimant's father was a customer at the Workington branch.
- 74. GM says that what was suspicious about the 6th August invoice was the extent of the discount that the Claimant had authorised for his father: the goods said to be valued at around £4,000 were sold at around £100, considerably less than their retail value. Although some of the documents from the Respondent refer to the sale of stock to the Claimant's father as being under the 'guise' of dead stock, in fact the Respondent does not suggest as part of these proceedings that the Claimant was pretending this was dead stock when it was not. Although the invoice did not say 'dead stock', that fact was easily ascertained from inputting the product codes into the Respondent's computer system. Any suggestion that the Claimant sold normal retail stock to his father pretending it was dead stock is without any basis whatsoever.
- 75.GM made much in his evidence of the Claimant selling stock to his father at such a huge discount a day before he resigned as being a 'red flag'. I can see the superficial attraction of that. However, on closer examination, I accept the Claimant's evidence that there was nothing suspicious about this transaction that warranted any kind of investigation.
- 76. It is necessary for me to say a few things about what dead stock is. In general terms, it is any stock that has been sitting on the Respondent's shelves for more than 6 months. Some of that stock may have passed its expiry date, but some of it was just items that are not being sold. It is stock that is costing the Respondent money. The Claimant explained it as follows. When the Respondent purchases the stock, it pays a price for it, and until that stock is sold, its equity cannot be released. If that stock is not selling, it is taking up space that could be occupied by higher selling lines, which is particularly important to a successful branch like Workington which was always fighting for space for stock. So the Workington branch, not unlike other branches, would sell this dead stock at a discount, sometimes a considerable discount, and sometimes free of charge (as in some cases it would cost money to dispose of the dead stock). I found the explanations provided by the Claimant and CK as to what dead stock was and how the business managed it to be entirely

convincing, and I note with particular interest the Claimant's evidence that the Workington branch was an exemplar in being able to deal with its dead stock in an efficient way, and indeed this one of the reasons it was so profitable. Over many years as a successful manager, the Claimant had an instinct when it came to what to do with dead stock, for example what items he could possibly sell to another branch, or when items just had no value at all and they needed to be disposed of for whatever he could get to make way for more profitable lines.

- 77. The evidence of PH is also important in this regard. Although he is the Claimant's father, I found him to be an entirely honest and convincing witness. I did not think at any point that he was just saying what he needed to say to support his son.
- 78.PH explained what the stock was that he purchased in August 2022. He says that 95% of it is still unused. He described for example radiators that he cannot use as they do not meet the commonly required sizes. He described paint past its date that he threw away because when he opened it, it was 'smelly'. In general terms he says the dead stock is often damaged, dusty or end of line stock. He buys it cheap on the chance that it may come in useful at some point. He says that if the Respondent undertook a data analysis of his account, they would find that he had purchased dead stock from them on many occasions at different rates of discount. Although Ms Dawson said in her closing submissions that the fact that this evidence from PH only came to light now made it unreliable, the Respondent could have interviewed PH at any point but chose not to do so.
- 79. I do not accept that there is any credible evidence that the Claimant was looking to gain a pecuniary advantage by selling the dead stock to his father at a discount. This was end of the line or unpopular stock that he was looking to get rid of for whatever he could in order to make room for the more profitable stock that he could sell to customers. This was something that he regularly did for many years (as did other managers) and was a process that had never previously been questioned. I find the suggestions made by the Respondent that this was fraud to be unsustainable.
- 80. However, my enquiry must also look at what the dead stock procedure was at the time. Even though based on the evidence before me I find that the Claimant had not done anything wrong in selling this stock at a nominal price to his father, I have to look at whether the Respondent had reasonable and proper cause to instigate an investigation into this invoice.
- 81. The starting point here is whether there was any written dead stock procedure. If there was, it was not before me at this hearing and GM was unaware of its existence. The only written evidence I have seen of anything resembling a procedure is in an email dated 4th August 2022 from JD timed at 15:50 (at page

- 83). That email contains a flow chart as to 'best practice' for selling dead stock. I have seen no evidence that this was sent to the Claimant any earlier than that date. There is no evidence that the Claimant had seen that email before he sold the stock to his father. The actual flow chart is confusing when read in conjunction with the email itself. The email states: "Some of you will be shocked to see that you have paid thousands in charges on stocks that cost you a few hundred pounds or less, Don't hold onto it for the sake of it, time to sell ASAP, get anything you can for it." Whilst emphasising the need to get rid of stock 'ASAP', the email goes on to say: "In the first instance please look at moving [the dead stock] to another branch that is showing strong sales, at least this way we can claw more back by selling at screen price rather than a clearance one." It is worth noting at this point that the Claimant says in his witness statement that he had tried to sell the dead stock in question to 2 other branches before selling it to his father.
- 82. I have seen no evidence from the Respondent that demonstrates the types of discounts that other managers gave for their dead stock. Although GM tells me that dead stock is usually sold at 40%, I have not seen any data analysis to support that. The Claimant's evidence was that this was largely a judgment call to be made by a manager understanding what the stock was and making an analysis of what space was needed for better selling lines. I find that dead stock reductions can vary tremendously and managers were left with a discretion to make that assessment.
- 83. The Respondent did have a safeguarding system in place to make sure that managers did not abuse this discretion when it came to dead stock. If they sold anything for a loss of over £250, then this would be picked up by the Respondent's credit margin department. This would result in an automatic email being sent to the branch's general email address from the credit margin team, asking in effect to explain the transaction. However, if no one in branch responded to that email from margin control, then there was a 'loophole' in the system, and nothing was ever done by margin control or any regional manager to follow it up. That loophole has apparently only come to light in these proceedings when the Respondent was trying to understand its own system and why it did not have email trails relating to other transactions where significant discounts had been authorised by managers for dead stock.
- 84. So what happens then if someone in branch does respond to the email from margin control asking for an explanation for a transaction over £250? This seemed to me to be an important point in assessing whether, as the Respondent says, it was a coincidence that the suspicious transaction was discovered on 10th August. However, prior to me ordering disclosure of other emails during the course of these proceedings, the Respondent took the view that what had happened on previous occasions was irrelevant. This was despite the fact that 5 other transactions with similarly large discounts for dead stock had been identified by the Respondent during its own investigation. It seemed to me that if the Respondent wanted to prove that they had acted consistently

with regard to suspicious transactions, the way to do that would be to disclose emails which evidenced what had happened on other occasions. That was hardly a disproportionate disclosure request as the Respondent had the emails and they were only some 6 pages. They ought to have been disclosed to the Claimant as per his initial request.

- 85. The 5 specific transactions which the Respondent had flagged up during its own investigation as suspicious are referenced in a report dated 25th August 2022 (at page 152). The are described as "tickets showing concern". The report describes "branch loss due to incorrect disposal of stock" in the sum of £14,116.32. Two of those transactions were authorised by PB, who took up the Claimant's branch manager position in the same week that the report was produced. PB was not sent a letter inviting him to any disciplinary hearing despite authorising dead stock sales at a similar level of discount as offered by the Claimant to his father.
- 86. The Respondent was in the end only able to find the email trail for 1 other suspicious transaction. So what did happen on the one previous occasion that I have evidence of when a manager had sold dead stock at a large discount and it generated a margin control email and a response from branch? What I can see from the emails at page 329 is that the transaction was identified as dead stock after someone reviewed the invoice and it was then reported as a branch loss. GM was copied into the email. There is no evidence in the emails of any enquiry into why the stock had been sold at such a discount. This suggests to me that dead stock sales at large discounts were accepted on face value. There is no evidence of any questioning of the member of staff who had authorised the sale (Hannah Fawkes). She was not subject to an investigation and suspension. The one and only other transaction I have to compare demonstrates exactly what the Claimant says, namely that large dead stock discounts were not questioned by management. They were taken on face value and processed as branch losses.
- 87. On this occasion, the suspicious transaction generated a margin control enquiry on 9th and 10th August 2022. CK, who was the manager in branch when that email query came in, responded, indicating that the manager was away and would reply when he came back (at page 330). That ought to have been the end of the matter. However, for some unexplained reason, the yard manager (Alan Teague) forwarded the margin control query to Mark Ridley (one of the outside managers brought in that week, the same manager who I find had been intimidating CK), who in turn forwarded it on to GM. I find that this invoice did not come to light as a result of the safeguarding procedure but because GM had given the instruction to Mark Ridley to look out for anything they could pin on the Claimant after his resignation and that instruction had been passed onto Alan Teague. There is no credible explanation as to why the yard manager would be dealing with a margin control enquiry.

- 88. The invoice was discovered on the 10th August, but by Friday 12th August a full-scale data mine of the branch had uncovered 2 more suspicious transactions. I will deal briefly with these two other suspicious transactions, mindful of GM's evidence that these two other transactions were add-ons and his real concern and the reason for the suspension was the suspicious dead stock transaction.
- 89. The first of these other suspicious transactions related to a transaction where the Claimant had allegedly taken stock free of charge. This related to 15 bags of 'K Rend'. The Claimant says and the Respondent now accepts that there was nothing wrong with this transaction. The stock that was taken was to replace some faulty stock. The Claimant says 6 or 7 people, including GM, knew what the transaction related to and that there was nothing untoward about it. GM knew about this because he had been at the Claimant's house in May 2022 and the Claimant had shown him the faulty Krend. GM will therefore have known for himself that the transaction was entirely valid. GM accepts that he never thought there was anything questionable about the K Rend transaction, but says that at the time that the Claimant was suspended for this transaction, he did not known that it related to the faulty Krend. I find it hard to understand why GM, who was the one suspending the Claimant for the 3 transactions, had not sought to clarify with security any details of the transactions that they had found in their data mine.
- 90. The other questionable transaction relates to some batteries that the Claimant bought from the Workington branch on 23rd December 2021 (some 9 months earlier). They were valued at less than £30. Unlike with the K Rend, there is no suggestion that he took the batteries free of charge. He paid for the batteries but used his sign in. He had bought thousands of pounds of stock from the Workington branch before so there was nothing wrong with buying items from the store that he managed, but on this occasion he had used his login rather than putting it through another manager's account. That was against the Respondent's policy. He says that it was a last-minute purchase for his children's Christmas toys. According to the investigatory note there was a 'price adjustment' of £5.60 on this transaction (meaning the retail price was £25.60 but the Claimant had paid £20). However, the Respondent has not produced any paperwork relating to this transaction and it is impossible to see what the discount was (for example if this product was being sold at a discount in store in any event).
- 91.I was told by Ms Dawson that this was something the Respondent had dismissed many employees for previously and that the dismissals have been upheld as fair. I have not seen any evidence of these other dismissals and do not know what those purchases related to. If the Respondent was robust in enforcing this policy, it is a surprise that a transaction from 9 months earlier was not picked up. During his cross examination of GM, the Claimant took him to the document at page 240 which shows that 7 other members of staff had also breached this policy. GM confirmed that to the best of his knowledge, none of

- those 7 people had been disciplined or sent suspension letters. He said that was because when they looked into it they found that the policy was not clear.
- 92. In summary, I find that there was not a reasonable or proper cause to suspend the Claimant. I find that after the Claimant resigned on the Friday, outside managers were sent into the Workington branch in order to look for dirt on the Claimant and the other men who resigned. A margin control enquiry which would not normally have raised any suspicion was forwarded to GM. I do not accept that GM genuinely believed that this transaction was suspicious and could amount to a gross misconduct offence. He was looking to pin something on the Claimant. He was angry that the Claimant had resigned in the manner that he did and was concerned that the Claimant had poached employees but that the Respondent would not be able to enforce any restrictive covenants. Not only was there no reasonable and proper cause to suspend the Claimant, the Respondent's conduct was likely to seriously damage or destroy the relationship, as they had gone after the Claimant in this way in bad faith, trying to find a way to undermine his reputation as he set off to work for their competitor, and without any genuine belief that he had done anything wrong.
- 93. I find that the main person driving this witch hunt was GM. Other members of staff both in HR and senior to GM appear to have been involved, as well as the managers sent into the Workington branch after the Claimant resigned. I am mindful that I have not heard from many of the people involved and so I will not make explicit findings of exactly who was involved and what their role was, save as already indicated in my findings of fact, and save for the fact that I find that GM was the key figure behind the attempts to get back at the Claimant after his resignation.

Did the Claimant resign in response to that breach of contract?

- 94. The Respondent says that the Claimant resigned to avoid a disciplinary investigation. I do not accept that. The Claimant had nothing to hide. He was right to suspect that he would not have a fair hearing. His suspicions that there was a witch hunt were, in my view, well founded. He resigned for the reasons set out in his resignation letter and in response to the repudiatory breach that I have identified.
- 95. For the sake of clarity, I find that the Claimant would have resigned in any event but for the repudiatory breach (as he had another job offer) but that his resignation without notice was because of the repudiatory breach. That limits the period of the compensatory award as he would have started working for his new employer on around 1st November 2022 had it not been for the repudiatory breach.

Did the Claimant resign promptly, such that he could not be said to have waived or affirmed the breach?

96. The repudiatory breach was on 15th August 2022 and the Claimant resigned on 22nd August 2022. There was a very short delay in resigning whilst the Claimant was considering his position and taking legal advice. I do not accept that this very short period of delay in resigning was a waiver or affirmation of breach.

If the Claimant was dismissed, was it for a fair reason?

97.I have found that the Claimant was dismissed. He was dismissed because of the Respondent's repudiatory breach of contract in suspending him without reasonable or proper cause. The Respondent invites me to find that the reason for dismissal was the conduct that they identified in the suspension letter. Having found that the Claimant did not commit the misconduct that was alleged against him and further that the Respondent had no genuine belief that the Claimant had committed any misconduct, I do not find that the dismissal was for a fair reason.

Should any compensation awarded to the Claimant be reduced on the grounds that it would be just and equitable to do so under sections 122(2) and 123(6) of the ERA, and if so by what percentage?

98. The main thrust of the Respondent's submissions in this regard focused on the Claimant's actions in closing the branch early on 5th August 2022 and then making an announcement. They say that as a branch manager the Claimant would have known this was an unacceptable state of affairs. I do not accept that I have the evidence before me to find that the Claimant closed the branch early. I have not heard from anyone in branch that day apart from the Claimant and CK. Even if I had found that the Claimant had done what the Respondent says in this regard, I do not find that was culpable or blameworthy conduct that should sound in a reduction of contributory fault. There is no other conduct by the Claimant that I have identified in this judgment that would give rise to a potential reduction for contributory conduct.

Should any compensation awarded to the Claimant be subject to an uplift pursuant to the ACAS Code, and if so by what percentage?

99. Step One of the ACAS Code for Disciplinary Procedures provides that "It is a good idea for employers to check whether your workplace has dealt with a similar situation before. To avoid accusations of unfair treatment, employers should follow the procedure and policy in the same way for each disciplinary case." The Code goes on to state at paragraph 4 that employers should act consistently. I find that the Respondent has not acted consistently and has targeted the Claimant for investigation because he resigned. I have seen no evidence in which another manager had been investigated for a dead stock transaction and I note that PB, who took over the Claimant's position, was not investigated even though the Respondent's own report identified 2 transactions where there were similar discounts. I consider that the Respondent's conduct in this regard was at the most serious end of the scale. Further, the Respondent

is a large company with significant HR resources. In these circumstances, I make a 25% uplift on the compensatory award.

Should any award of compensation be reduced because of the Claimant's failure to pursue a grievance?

100. I accept that the Claimant did not stay to pursue his grievance and did not attend the grievance hearing despite being given the opportunity to do so after he had left. However, I do not think this was unreasonable. The Claimant did not think that he would be given a fair hearing. This belief was entirely reasonable.

Did the Respondent breach the Claimant's contract of employment by dismissing him without notice?

101. The Claimant's employment was terminated without notice. He resigned on 22nd August 2022 and was not paid beyond that date. Under the terms of his contract of employment, he is entitled to be paid notice pay. My understanding is that there may be a small difference of a day or two between what the Claimant says and what the Respondent says about when the notice period would have expired (it was towards the end of October 2022). An employee will not be entitled to notice of termination if the contract is terminated because the employee is guilty of gross misconduct. However, I do not accept that the Claimant was guilty of gross misconduct. The Respondent was not entitled to terminate the Claimant's employment without paying him his contractual notice.

Other Matters

- 102. The remedy to be awarded will be determined at a separate hearing. Given that I have made findings in respect of contributory fault and the ACAS uplift, the parties may be capable of coming to an agreement as to the appropriate award. The Claimant has sought an award for injury to feelings in his Schedule of Loss and I informed him at the hearing that injury to feelings is not a head of loss that is recoverable in a claim for constructive unfair dismissal or breach of contract. The Claimant may well benefit from taking some legal advice as to the award that he is likely to recover in light of my judgment.
- 103. Finally, there has been discussion at the hearing as to the correct identity of the Respondent. The Claimant has named his employer as Travis Perkins PLC and that is the name of his employer on the P60 that he showed me at the hearing. The Respondent identifies a different legal entity relying on the unsigned contract and says the employer is Travis Perkins Trading Company Ltd. I do not anticipate that this will give rise to any practical problems as there is no suggestion of one entity or the other having any financial problems. If the issue cannot be resolved, I will hear further submissions at the remedy hearing as to who the correct Respondent should be.

Employment Judge Thompson

Date 3rd May 2023

JUDGMENT AND REASONS SENT TO THE PARTIES ON 15 MAY 2023

FOR THE TRIBUNAL OFFICE

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