

'Severe consequences' for cladding companies who refuse to remediate, government warns investors

2 years ago



Shareholders in three cladding companies, whose shocking practices were uncovered in evidence heard at the Grenfell Inquiry, have been warned by the government that the manufacturers they invest in will face “severe consequences” if they do not come forward with a comprehensive financial package to fix unsafe buildings.

Michael Gove has written to investors in Kingspan, Arconic, and Saint-Gobain and urged them to use their “position of influence” to encourage the firms to “engage constructively in helping us reach a just resolution for all concerned.” Shareholders who received letters include Blackrock, Vanguard, and Fidelity Management and Research, as well as investors like Norges Bank, the central bank of Norway, who tell their employees it is important to promote “a high level of ethical awareness and integrity” in their work.

Shareholders were warned that if the manufacturers do not come forward with a comprehensive financial package, then the focus of the Department for Levelling Up, Housing and Communities “will be trained upon them” and “the consequences for that firm are likely to be severe.”

The letters add that there will likely be consequences for shareholders’ reputations, in addition to their financial stake, if he is forced to use “the legal and commercial tools available” to ensure the position of the cladding companies “becomes extremely uncomfortable.” Mr Gove also said he is considering whether further tools will need to be handed to regulators or the government.

Secretary of State for Levelling Up, Housing and Communities Michael Gove said:

"I have always been clear that those responsible for the building safety crisis must pay. But despite the fact that their products continue to put lives at risk, some cladding firms have no intention of doing what's right and addressing their moral and financial obligations to innocent residents.

"Today we ask responsible investors to use their influence to encourage these companies to come forward immediately with a comprehensive financial package for remediation work. It cannot be right that cladding companies continue to profit whilst so many innocent, hardworking people face financial hardship and misery.

"To those cladding companies who fail to do the right thing: you will face severe consequences and I will use all commercial and legal tools available to me to ensure you take responsibility."

To date, the three construction product manufacturers – who together were responsible for manufacturing the majority of cladding used on the Grenfell Tower – have not contributed a penny to the cost of fixing buildings in the United Kingdom that their products have made unsafe. Evidence at the Grenfell Inquiry uncovered shocking behaviour by the three companies, including the sale of flammable products that were wholly inappropriate for their end use, apparent mis-selling of construction products through inaccurate marketing information, and misappropriating safety test results thereby perpetuating the sale of high-risk products on the market.

The Secretary of State wrote to the bosses of Kingspan, Arconic and Saint-Gobain over the last month to ask them to meet officials from his department and explain how they will scope, identify, and pay for remediation works. The invitation followed Kingspan saying publicly that they would be willing to pay for remediation costs where its products had been used inappropriately. While Kingspan agreed to meet DLUHC officials, none have yet committed to any new remediation funding.

Efforts to make cladding companies pay are proceeding in tandem with measures used by the Department to ensure developers and freeholders contribute to remediation costs of unsafe buildings.

As of today, there are 46 signatories on the landmark Developer Remediation Contract, which for the first time in law commits developers to fixing all life-critical fire-safety defects in English buildings over 11 metres they had a role in developing or refurbishing. Further to this, the Department's Recovery Strategy Unit has ramped up litigation against irresponsible freeholders who will not remediate buildings they are responsible for, including recently against GreyGR, owned by billion-pound railway pension fund RailPen.

The Department is also publishing today an Independent Review by Paul Morrell and Anneliese Day KC, looking at the current testing regime for construction products.

The report was commissioned in response to evidence heard by the Grenfell Tower Public Inquiry about the behaviours of manufacturers and those responsible for advising on the fire-performance of products, including serious failings in the system for testing construction products that involved cladding.

Peter Caplehorn, Chief Executive of the Construction Products Association, commenting on the report said: "We are very pleased to see the publication of this Review. Paul has immense experience from the many senior roles he has played in both industry and government. We respect him for his intellect, understanding and objective approach to the challenges facing our industry.

"This report should be required reading for policy-makers and industry leaders alike, coming at a critical

time not only for the future of the UK product testing and certification sector, but for the wider culture and practices of UK construction as well. The recommendations cover a wide range of urgent issues, and the CPA and its members will be focusing on developing the necessary responses and actions in consultation with department officials.”

“It is also very pleasing to see solid support for the work we are doing in developing and implementing the Code for Construction Product Information, a fundamental foundation for reform in the sector.”

The Department will carefully consider the recommendations of the Independent Review and we will set out proposals for reforms in due course.

The full Independent Review can be found here:

<https://www.gov.uk/government/publications/independent-review-of-the-construction-product-testing-regime>