

Thomas Cook Group PLC**Thomas Cook makes last-ditch appeal for state bailout**

Thomas Cook Group PLC's lenders reportedly to pull out of proposed rescue deal



A state rescue would be highly controversial, but would save the government hundreds of millions should it have to fly home 150,000 stranded Thomas Cook holidaymakers © Reuters

Alice Hancock and Daniel Thomas in London 8 HOURS AGO

Thomas Cook has approached the UK government for a bailout in a last-ditch attempt to save itself from collapse after its lenders threatened to pull out of a proposed rescue deal.

On Friday, the 178-year-old travel group was locked in talks with “multiple” potential investors, which include the government, according to two people briefed on the situation. These centred on providing a **£200m lifeline** that would allow Thomas Cook to cover a shock demand from its banks for additional cash as part of a £1.1bn recapitalisation.

A state bailout of the group would be highly controversial, but would save the government hundreds of millions in expected costs should it need to fly home 150,000 stranded UK holidaymakers. If Thomas Cook does not find the funds, it risks going into administration — a collapse that would trigger Britain’s biggest ever peacetime repatriation.

According to one person briefed on the matter, the Civil Aviation Authority is on standby with a contingency plan known as Operation Matterhorn.

[If] Thomas Cook goes into administration it will cost the taxpayer as much to repatriate holidaymakers as

The failure of Thomas Cook would have a severe knock-on impact across the travel industry, with more than 3,000 hoteliers around the world working closely with the business, and creditors likely to range from fuel and aviation services providers to credit card companies and the landlords who own its 563 shops in the UK. 1

it would cost to save Thomas Cook

Brian Strutton, pilots' union Balpa

"It would be an absolute bloodbath," said one person close to the restructuring talks.

Other people close to the discussions have become increasingly pessimistic about the likelihood of a deal. One person said that the confidence of both customers and suppliers had been badly hit in the past few days, which added further pressure.

"The longer it takes to do this complex deal, the more the clock is ticking and the more business walks out of the door. Soon there will not be much to save," the person said.

Brian Strutton, general secretary of the pilots' union Balpa, said that "if Thomas Cook goes into administration it will cost the taxpayer as much to repatriate holidaymakers as it would cost to save Thomas Cook".

Two years ago, 85,000 passengers had to be repatriated when Monarch Airlines collapsed at a cost of £60m. A Thomas Cook rescue is expected to cost 10 times that because of the complex nature of its bookings.

Thomas Cook had been proceeding with a £900m rescue package that would result in majority shareholder, the Chinese conglomerate Fosun, taking control of its tour operator arm as well as a minority stake in its airline in return for £450m of capital.

The remaining £450m would be put up by Thomas Cook's lenders and debtholders, which would in turn take control of its airline with a minority stake in the tour operator.

As a result of the debt-for-equity swap, a total of £1.7bn debt would be written off.

Royal Bank of Scotland and Lloyds, two of the company's banks, threatened to withdraw their support at a meeting on Monday following advice that the travel company could face collapse by November 2020 unless it had access to an additional £200m standby loan.

Two people close to the negotiations said this weekend would be critical.

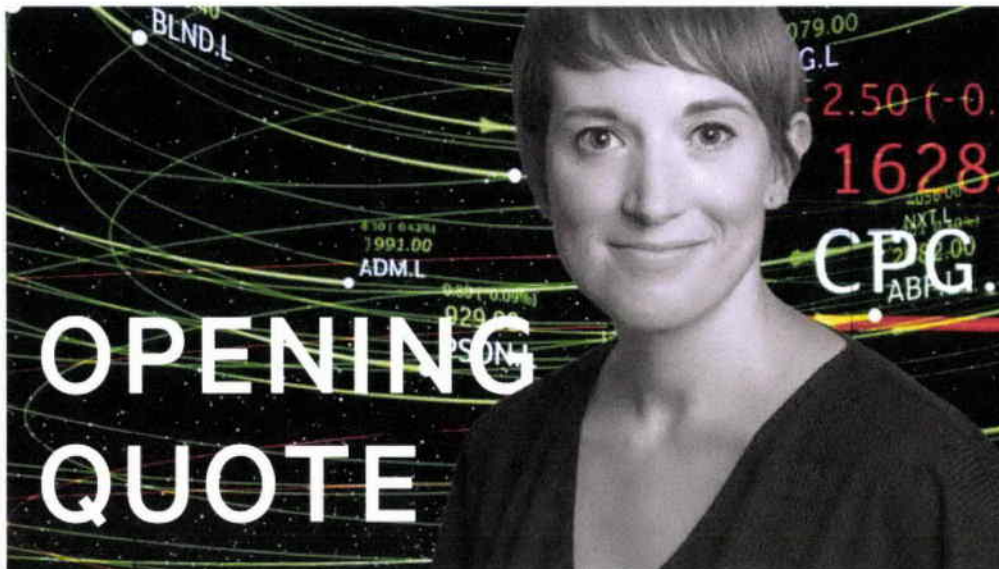
If it survives the weekend, Thomas Cook could face a further hold up to the deal on Monday. A committee will decide whether bankruptcy proceedings in the US will trigger payouts on credit default swaps held against the company's debt. Without these payouts, the company's debtholders have also threatened to block the deal.

A lawyer at a top City law firm specialising in competition law warned that any bailout of Thomas Cook by the government would have to comply with state-aid law.

Thomas Cook declined to comment.

Additional reporting by Tanya Powley

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