

## PR firm's existence imperiled by Gupta relationship

Bell Pottinger has been expelled from the UK public relations trade body for its work on a controversial contract in SA and the fallout has been immediate, with ongoing resignations and clients pulling out of their contracts, writes [Legalbrief](#). It is the first time that the Public Relations and Communications Association (PRCA) has ejected a PR firm as prominent as Bell Pottinger and, reports [BBC News](#), **PRCA director-general Francis Ingham said it was 'highly questionable' whether the firm would survive**. Bell Pottinger said it 'accepts that there are lessons need to be learned'. The PR firm's work on a campaign for Oakbay Capital, company owned by the wealthy Gupta family, had 'incited racial hatred' and was 'absolutely unthinkable', Ingham said. He expected more clients to abandon Bell Pottinger following the sanction. The report says CE James Henderson resigned ahead of the five-year expulsion from the PRCA but Ingham said his departure was 'necessary, but not sufficient'. The firm was found to have breached two clauses of the PRCA's professional charter and two clauses of its public affairs and lobbying code of conduct. Bell Pottinger has already lost clients over the affair, including luxury goods company Richemont and investment firm Investec.

*Bell Pottinger has lost its contract with banking giant HSBC and saw its second-biggest shareholder walk away after its expulsion from the PRCA*, reports [The New York Daily News](#). HSBC said it would no longer work with the firm following the news, while the Bank of Ireland said it was also reviewing their relationship. Bell Pottinger's second-largest shareholder, marketing agency Chime, **walked away from the firm after giving up on trying to sell its stake, valued at around \$6.51m and worth around 25% of the company**. Chime instead wrote off its investment and handed its holding back, the report says.

*The DA, which laid a complaint against Bell Pottinger, has 'welcomed' the expulsion*. [The Citizen](#) quotes DA MP Phumzile van Damme as saying: 'The DA welcomes the PRCA decision to terminate Bell Pottinger's membership from the PR regulatory body with immediate effect.' The DA complaint was that Bell Pottinger exploited racial tensions in SA on behalf of the Gupta family and Duduzane Zuma, President Jacob Zuma's son. **'The DA thanks the people of South Africa for making it loud and clear that unethical conduct by private companies in aid of corrupt individuals will not be tolerated.'** Van Damme said it will take years to rebuild 'our severely fragile race relations', which Bell Pottinger, the Guptas and the Zumas sought to exploit for their own financial gains. According to the report, she also said the ruling is by no means an indication that Bell Pottinger is off the hook just yet. 'Bell Pottinger must take responsibility for their actions and disclose all information regarding their Oakbay Capital account and reinvest all monies from their Oakbay account back into South Africa. The DA is exploring further steps that can be taken to force the full disclosure.'

*Global brand specialist Doug de Villiers, chair of the Intergroup consultancy, says it will be difficult for Bell Pottinger to bounce back*, notes an [eNCA](#) report. 'If you've done destruction to your reputation, it will never go away. For the next 20 years they will always be remembered as the guys who did this. The next five years are going to be important. And they don't have to change their behaviour but who they are. **The spotlight will be on them. I don't think they will ever recover from this kind of reputational damage.** It goes against the grain of what they stand for – and stated they stand for – as an ethical organisation that does reputational management,' he said. The PRCA's Ingham also said Bell Pottinger would have to change drastically if it wanted to become a member again in five years' time. 'If you look at the whole work that was undertaken around Oakbay Capital, in particular ... it was basically stirring up racial hatred in what is quite a fragile democracy at the best of times ...'

*The Guardian reports that in its handling of its own public relations disaster in SA, Bell Pottinger has provided a textbook example of how not to manage a crisis*. At first the City PR outfit denied it had done anything wrong in its work for the Gupta family. When the facts suggested otherwise, and that Bell Pottinger had been running a poisonous campaign based on stoking racial division, the company fired a mid-ranking partner. The report says when an 'unequivocal and absolute' apology arrived, its force was undermined as departed founder Lord Bell Henderson squabbled over who was to blame. The report says **this is now, obviously, a corporate crisis for Bell Pottinger. It is in the reputation-enhancing game and, if can't even protect its own name, its services don't look so valuable**. The report says it is also astonishing that the senior management, including Henderson, the biggest shareholder, appear to have been asleep to the risks in a contract that, at more than £1m a year, will have been one of the biggest on the books. The report says it is also a crisis for the wider City of London PR industry, a club in constant pursuit of respectability. Its top folk these days like to think of themselves as professionals with

ethical codes of conduct, rather than chancers who will do or say anything if the money is right. Bell Pottinger's dirty campaign in SA represents a serious threat to that self-image, the report says.

*Henderson said that while he had not initiated or been involved in the work for Oakbay, he accepted responsibility.* 'I accept that as CEO, I have ultimate executive responsibility for Bell Pottinger,' he is quoted in **The Daily Telegraph** as saying. But he added that he felt 'deeply let down'. **Bell Pottinger has said it will conduct a more 'formal and robust' review of any new commissions and set up an ethics board.** Henderson, who together with fiancée Heather Kerzner own 40% of the agency, is quoted in the report as saying that he remained committed as a shareholder, adding he was considering a 'number of options' for the firm's future, including a sale or buy-out.