Revealed: How supermarket staff demand payments from suppliers for an 'easy' bonus as cost of secretive deals said to run to billions

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One-off payments demanded by supermarkets from suppliers could contribute billions more to profits than previously thought, sources have told the Mail on Sunday.

Supermarket demands for such payments are also too closely tied to buying staff's individual bonuses, industry experts have warned.

Tesco said two weeks ago it had a £263million black hole in its accounts relating to supplier payments known as 'commercial income'.

Last week the Serious Fraud Office launched an investigation. There are now growing concerns other supermarkets could be drawn into a similar scandal if the sector enters a price war and pressure on profits and bonus payments increases.

The big supermarkets are battling a change in behaviour, which has seen growing numbers of shoppers going to smaller stores, rather than buying their groceries weekly.

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Analysis by The Mail On Sunday shows the overstatement of profits at Tesco began to emerge at about the same time as bonuses ran out.

Tesco said that an internal investigation carried out with advisers from accountancy group Deloitte into the overstatement had revealed that £118million related to the first half of the current financial year.

It said £70million related to the year ending February 2014 and that a further £75million relating to the year ending 2013 – and potentially prior years – had been written off.

However, Tesco said two weeks ago that it had ceased its own investigation after the Financial Conduct Authority stepped in, subsequently to be replaced by the SFO.

The period when the accounting scandal began therefore remains a grey area, but its timing ties in closely with the point at which bonus payments to staff at the supermarket came under severe pressure.

One former supermarket buyer told The Mail on Sunday that pressure on buying teams to find extra income rose when it became clear targets would not be met.

He said: 'When you're struggling, you have crunch points twice a year – at the half-year and year-end. The emails begin to fly and phone calls are made. Sooner or later, you might find your commercial income becomes a bigger portion of your profits than your basic trading margin.'

In the year to February 2011, during which chief executive Sir Terry Leahy stepped down, Tesco's top 5,000 managers received their maximum possible bonus.

But a year later, that had dwindled to 16.9 per cent of the maximum, or an estimated £2,000 to £3,000 each. After that bonuses dried up, but experts say the pressure to hit sales and profit targets will have escalated.

Tesco boss Dave Lewis, who has been at the chain for just two months, has repeatedly said none of his staff gained from the overstatement. He insists the accounting hole was a 'timing issue'.

Tesco said last night that it could not comment further following the involvement of the SFO, but Duncan Swift, insolvency partner at accountancy firm Moore Stephens, which advises cash-strapped supermarket suppliers, said: 'There is significant potential for this to be repeated at other supermarkets. Chasing supplier income is commonplace at most. They have grown ever more reliant on it as a revenue and profit source in the last 20 years.'

'My surprise is that this situation has not happened at a big supermarket sooner. It would be easier for shareholders and management to guard against such mis-statement if supermarkets were legally obliged to separately disclose the extent of this revenue in their statements.'

Commercial income could be used to fund 'buy-one-get-one-free' deals on Cornflakes or Coca-Cola, for example, which are designed to entice more shoppers into stores to do their weekly shop and away from rivals.

Last week it emerged that big suppliers including Unilever and Procter & Gamble were checking their accounts in the light of the Tesco black hole.

Swift likened the bonus culture at Britain's big supermarkets to that of banks, saying extra payments were 'very easy' to levy from suppliers.

He said in tough going it was '15 times more attractive' to demand £1million from suppliers than make an extra £1million profit from sales of produce.

According to Moore Stephens' analysis, Britain's top ten supermarkets owe about £15billion to suppliers for goods at any one time, giving them leverage to negotiate extra payments.

It estimates commercial income levied by Tesco, Sainsbury's, Asda and Morrisons could be £5 billion a year. The terms of supplier payments are often laid down in contracts, but terms can be renegotiated or clauses invoked at short notice.