

Digital, Culture, Media and Sport Committee

Oral evidence: Administration of Football Clubs, HC 72

Monday 21 October 2019

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Members present: Damian Collins (Chair); Philip Davies; Clive Efford; Julie Elliott; Ian C. Lucas; Jo Stevens.

Questions 1-171

Witnesses

I: Malcolm Clarke, Chair, Football Supporters' Association, Matthew Dunham, Insolvency Advisor, Forever Bury, Tom Greatrex, Vice-Chair, Football Supporters' Association and Barry Roth, former Director, Forever Bury.

II: Greg Clarke, Chairman, Football Association, Debbie Jevans CBE, Executive Chair, English Football League and Richard Masters, Interim Chief Executive, Premier League.

Written evidence from witnesses:

- [Matthew Dunham](#)
- [Forever Bury](#)
- [The Football Association](#)
- [Premier League](#)

Examination of witnesses

Witnesses: Malcolm Clarke, Matthew Dunham, Tom Greatrex and Barry Roth.

Q1 Chair: Good afternoon and welcome to this special session of the Digital, Culture, Media and Sport Select Committee, where we are looking at the administration of football clubs. This session builds on the work the Committee did a few years ago, looking at football governance and issues around football club insolvency. We are delighted to welcome to the first panel representatives from the Football Supporters' Association and Forever Bury. I look forward to visiting Bury on Friday, at the invitation of James Frith MP, hopefully to meet some other people who have been involved with the club and the efforts to try to save the club.

I will start with the representatives from Forever Bury. Barry Roth, can you give the Committee an idea of the impact that the action taken against Bury Football Club has had on the fans and the town itself?

Barry Roth: I think until very recently Bury was probably famous for three things: a certain gentleman who invented the police force, Mr Peel; Bury black puddings; and Bury football club. Bury football club has been around since 1885. It was in the football league I think some two years later, and it has been ever present until we were expelled by the EFL at the start of the current season.

The community—it is only a small town and one of the smallest, if not the smallest, metropolitan boroughs in the country. The impact affects many people. First of all, there are the staff. There were 35 full-time staff, 15 subcontractors and casual workers. The staff were actually accused by Mr Dale of extorting money from the club rather than walking out and giving up their jobs. Then there were the players, who have lost their jobs. Many were not paid from March until they left. There were two or three—one of whom left only this week—who had some money loaned to them by the PFA, but they are no different; they are human beings, who do not get salaries like those in the Premier League, and they have mortgages and families to feed. They have found life very, very hard.

Then there are the local businesses. I recently sent some correspondence to Members showing the impact on various businesses. I am not saying they wholly rely on the income that they get generated by the football club, but certainly on a Saturday or Tuesday evening, a good bit of their profits is covered by the income from not just Bury supporters but travelling supporters as well. They are also meeting places for the fans. There are fans who, over the years, have made many friends whom they would not have met under normal circumstances and who will be friends for lifetimes.

Q2 Chair: On the businesses, do you have a sense of what the impact on the local business community has been of the bad debts that the club had



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accrued with local suppliers?

Barry Roth: Certainly, many of the bad debts were probably incurred by the previous owner. The current owner stopped paying everybody from January—and I mean everybody. As far as suppliers were concerned, a lot of suppliers were local, be it supplying carpets, flood lights or maintenance work. The club photographer was subcontracted and he lost his source of income.

Even the 25% they would have got had the CVA been paid would have been something, but some have lost quite a few thousand pounds. Whereas they were prepared to give the club time to pay them, in the end they have been hit twice. First, they were hit by the CVA, although the accountant in me says that that would have happened anyway, but for the CVA not to get through—the documents of the CVA say that they would have been covered by the owner—the impact is very great.

Some of those businesses will go to the wall. Some will survive. Times are hard for businesses anyway and they have been for a few years, partly because of things that are happening elsewhere within the Palace of Westminster, but in general terms, worldwide, business is hard. To be hit when you are a small town and a compact community, people do know people—you know everybody else; you know who is supplying the club—and it hurts.

Q3 **Chair:** How old were some of the debts, do you think, that were owed by the club?

Barry Roth: It is hard to say. By the time Mr Dale came into the club, some could have been—I know that at least one was six months old, because I was the accountant to the firm that was owed money. They were quite a few months old, because the club was short of funds in any event. It was borrowing money that it could not repay, but at least there was some money coming in.

Some of the people who have lost money in the CVA continued to supply to help the club to continue. We know that the security firm continued to supply its services. I will not ask how they were paid. The travel company that got the team around the country continued to help. One or two businesses probably got a small amount of money—and I mean small—but on the whole, the majority of people had not been paid for well over six months by the time the CVA came into effect, and some, as I say, were over 12 months old.

Matthew Dunham: The CVA details trade and expense creditors of £1.873 million and legal notices, which I assume would be creditors who have lost patience, of another half a million pounds. In total, you are looking at around £2.4 million.

Q4 **Chair:** You were involved in the insolvency of Bury in 2001, is that correct?

Matthew Dunham: I was, yes.



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Q5 **Chair:** Do you think the pattern of behaviour of the club that led to the insolvency in 2001 was similar to what happened this time around?

Matthew Dunham: Last time around, there were two particular issues. One was that the owner had a history with his previous partners and had borrowed money that possibly was not his to invest in the football club. As a result, the board had been put into a bind so they could not do anything about restructuring the club and had borrowed from an unusual source, so in some ways there was a lot of similarity.

Q6 **Chair:** Do you think the club could have been saved this time around?

Matthew Dunham: Potentially, yes. A CVA can be structured to allow the club to continue. What it needed was a willing seller and a willing investor, and there appears to have been a lack of one or both.

Q7 **Chair:** The owner was not willing to sell?

Matthew Dunham: I have not dealt directly with the owner, so I can only suppose—and I have seen what is in the press. I was surprised, as an adviser to Forever Bury, which has a very small minority of shares, that I seemed to be the first point of contact from a lot of potential investors, who seemed to be struggling to make any progress with the owner.

Q8 **Chair:** If I could ask the representatives of the Football Supporters' Association, we have seen clubs go to the wall before, sadly—often not going into full insolvency and dropping out of the league, but certainly going into CVAs. The Committee looked at this in detail eight years ago. Do you think things have materially improved, or is this something that we will continue to see more of?

Malcolm Clarke: It is likely to continue unless the regulations are strengthened. There have been different phases in this: some of us can go right back to the football taskforce chaired by David Mellor, pointing out weaknesses in the regulation, and we then had the period of ITV Digital, which caused a lot of problems to clubs. There has been a slightly cyclical element to it, but unless and until the regulations are strengthened—hopefully in the way that we have submitted in our evidence, which I think you have a copy of—there is always the risk that this will reoccur. The interesting thing is that very often we become aware of it through our members before there seems to be a wider perception. It is very often the supporters who first spot things going wrong. Some of these clubs have been on our radar for some time; certainly Bury have, and there are others that have had that priority. Do you want to add anything to that, Tom?

Tom Greatrex: All I would say is that, while it is true that there have been other clubs in the past, this is the first one for almost 30 years. It is the first time that a League One club or a third-tier club has been effectively expelled from the league, and the first time an FA Cup-winning club has been expelled from the league. You have heard about the community impact, both financial and more widely in terms of identity. This is a real wake-up call for football authorities generally. As you said, this Committee and its predecessors have looked into this before. I don't



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think enough has changed, and if there is a real determination for this not to happen again, or at least to make it more difficult for this to happen again, there really needs to be some change. The proposals that the Football Supporters' Association has put together, worked on over a number of years, are all based on prevention. They are all based on things that have happened over the years at various clubs, and the ways in which you can prevent things from getting to this point, which no one relishes and no one wants to see happen.

Q9 Chair: You said that you receive information as an organisation that alerts you to problems at clubs. How many other clubs playing in the Football League at the moment do you have concerns about in terms of their financial sustainability?

Tom Greatrex: If you are talking about clubs where we are concerned about financial sustainability, there is probably quite a big list. One of the issues is that we cannot say definitively what they are, because the level of information available depends on local intelligence, but there are certainly a number of clubs. With Bury, for example, it is shocking what happened, but it was not a surprise, because you could see what had been happening, certainly since January and probably before that, in terms of the actions of the previous owner, let alone the current one. There are clubs now such as Macclesfield, which has not been paying wages this season. There are a lot of concerns around a number of clubs—Oldham, Coventry—and a whole series of clubs that are in various forms of trouble. We think those situations need to be addressed so that they do not get to that extent. It would not surprise me at all if we faced a very similar situation with clubs in the next couple of years.

Q10 Chair: There is an issue with the power of the football authorities—I am sure we will hear your views, and we will come on to that particularly in the second session as well—but there also seems to be a question here about basic financial reporting, in that there is very little oversight of the way a lot of these clubs are run, and a bad owner running a club into the ground may not be exposed until it is almost too late.

Tom Greatrex: Yes. Information is supposed to be provided to the EFL, for example—I am sure you will get the chance to go into that with the next panel—but it appears, in the case of Bury, that it was not forthcoming, and certainly was not forthcoming in the period of the change of ownership. That would have flagged up some of those issues.

I think that there are two issues: one is about the oversight and the independence of that oversight, and there is also the provision of information that should be forthcoming whenever there is a change of ownership and on an ongoing basis, so that you can see when clubs are getting into a difficult position and interventions can happen to prevent crisis situations. Currently, there is only ever any attention when it gets to a crisis point. We should stop it getting to that point.

Q11 Clive Efford: Malcolm and Tom, what specifically do you think we need to learn from the crisis at Bury to try to avoid it in future?



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Malcolm Clarke: We have proposed some of the solutions. As Tom said, it should be about prevention and not just acting in a crisis. We want to see a constructive approach to this, with sufficient information available for both the authorities and supporters to be aware of where problems might occur, so that clubs—and particularly the good owners—are given support to avoid problems.

We would like to see a strengthening of the owners and directors tests in the way we have proposed. We would like a separate test for owners and directors—there is sometimes an assumption that they both have the same role, which they obviously do not—and proper business plans that include financial sustainability and what the owner intends to do about preserving what is essentially a cultural asset, so that the ownership of the ground does not come under threat. In another famous case, we had the playing name issue. Football clubs are part of the cultural identity of their community—a bit like a listed building, a national park, a conservation area, or whichever analogy you want to use—so we believe that within the football industry there should be much more rigorous regulation in all of those areas so that we can stop those problems arising in the first place.

Tom Greatrex: On a couple of specifics in relation to Bury, we went back through our proposals to look at where they would have had an impact that would have flagged up issues much earlier or prevented them. I will give two examples to the Committee and can provide you with a fuller list.

In the summer of 2014, one of the companies of Stewart Day, the owner of Bury at the time, took out a loan of about £1.5 million at 138% annual interest, which secured charges over Gigg Lane. If what we have suggested had been in place, those rule changes would not have allowed that to happen.

In February 2015, a different Stewart Day company signed a lease with Bury for 200 or so parking spaces, and in turn each parking space was offered at a debenture of about £10,000 with a promise of a 9% return to investors. The rules that we suggest should be in place for effective profiting from football clubs would have stopped that happening and taking money out of the club.

I can provide to the Committee the whole list that we went through to demonstrate that if those things had been in place, Bury would not have got to the position that it did, with the consequences that we are now all having to deal with.

- Q12 **Clive Efford:** What specifically needs to change in relation to those assets—the ground, the training ground, the car parks, and all the assets associated with a football club? Who needs to do what? Does the local authority need to designate them as under planning, to stop a speculator buying the club with a view to running it into the ground so that the land becomes vacant and available for development? Exactly what is it that you think needs to change and who needs to do what?



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Tom Greatrex: We think that there should be football regulations that cover areas around where money is extracted from the game and where assets are effectively used to take money out of the game. Some of the leagues further down the pyramid system already have some of those types of rules in place. Those types of regulations, which are detailed in our proposals, would effectively be part of the code of practice on stewardship of football clubs, which is about protecting the assets, including the community assets, of the clubs and preventing asset stripping.

Q13 **Ian C. Lucas:** Can you specify which leagues have them in place?

Tom Greatrex: Some of the leagues in the national league system, for example, have in place regulations that prevent people from being able to take money out of or raise money against assets, like the ground, unless it is for the development of, say, a new stand for the ground. There are controls in place in some of those leagues, and there is a lot that I think the higher professional leagues can learn from some of the lower professional leagues on this.

Q14 **Clive Efford:** Do you get the impression that the football authorities are taking on board what you are putting forward? Do you think that a sea change is coming, or will we just see more Burys down the road?

Malcolm Clarke: We proposed a resolution at the FA Council just last Thursday and we were very pleased, first, that the resolution was passed unopposed. I think you have the text of that. Resolutions that I have proposed in the past have not normally been characterised by being passed unopposed, so we were very pleased with that. It means that none of the representatives of the football league, the premier league or, indeed, the leagues below voted against that resolution. There were some abstentions, but certainly nobody voted against it. And we were pleased at the leadership provided by my namesake, Greg, to guide the council favourably to support it. It asks the FA to take a leadership role in ensuring that these regulatory changes come about.

We personally would like to see much more located in the FA than is the situation currently. We feel that, historically, the FA has delegated too much to the leagues, but if we can get things on the statute books of the leagues, that would certainly be a step forward; we can talk about the role of the FA later. Hopefully, last Thursday does indicate support from the FA. We intend to keep our eye on that, and I am sure that Greg does as well, to make sure that it actually happens.

Q15 **Clive Efford:** Do you think that organisations like yours are listened to enough by the football authorities and by owners?

Malcolm Clarke: Obviously, we were listened to on Thursday on the issue that was proposed. As a general rule, the answer is probably no. I am bound to say that, but I think that in some respects the situation is improving. New structures are in place for what is called structured dialogue with the top two leagues. It is better than it used to be, but we are a long way short of where we would like to be, in terms of the role

that supporters as key stakeholders have in decision making in football. The position is varied.

Q16 Clive Efford: Mr Roth, you wanted to say something.

Barry Roth: I was going to correct the point about the loans that were taken out by the previous owner, either through his other companies or directly through Bury, on the ground. The one thing that happened in 2017 was that the accounts for May 2017 were never discussed and never put to the shareholders of Bury. Bury, like many small businesses, does not have AGMs, but there is a requirement for its accounts to be put before the shareholders. Its accounts were filed, albeit late, for May '17.

We saw the accounts—those that wanted to see the accounts. That didn't show us anything that surprised us. Yes, we were losing money, but we had an owner then who almost refused to speak to the supporters' trust. It was the very thing that has almost just been said: there was a breakdown of communication. Whereas we did, for two spells, have a member of the supporters' trust on the main boards—this was for a number of years; it was not just with the previous owner, but for years before that—in the case of Mr Day, there was a complete breakdown of communication. You tended to get information either from seeing the published accounts in May '17, a year late, or from people who were associated with the club, who were worried and who were passing on information. Certainly, I have received a large amount of information over the past two years and, more specifically, the past six months about what was going on.

On the question of the ground being used as a security—I know the figure of 138% was stated—the two loans themselves totalled £2.5 million, but only 60% of that money apparently went to Bury. Some 40% of that supposedly went as an introductory fee to allow a smaller rate of interest of 7.5%. In this day and age, in normal businesses, 7.5% is rather over the top. A 40% introductory fee is unbelievable—I choose that word very carefully. I mean “unbelievable”, because I do not believe it to be true.

There has been a recent case regarding pension scams that has come to light, where two directors were banned from being directors for 12 and 10 years. I believe that one of those directors was a quasi-director of Capital Bridge Financing. There is, and has been, only one director at Companies House, but he is the man who does not pull the purse strings. The person who pulled the purse strings was in court recently, and was banned from being a director for either 10 or 12 years.

I still believe, if and when the club is liquidated—it could have been liquidated before this hearing, but it was not; it has been delayed for another two weeks—there will be work to be done to find out exactly how the £2.5 million came about, and why £1.5 million came into the club. It is true to say that there should be laws that stop the ground being used in such a way, because if the football club had that ground now, there would be somewhere to play football in future.

Q17 Clive Efford: Did you bring any of this to the attention of the football



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authorities prior to the liquidation, and what were the responses? On top of that, what should improve so that football supporters in the situation that you were in can highlight what is going on?

Barry Roth: Part of my recommendations, which I think are inferred by my colleagues from the FSA—we as a supporters' trust have the umbrella of the FSA, previously Supporters Direct in our case, and we do report to them. We have always wanted a minimum of 10% of a shareholding, which is very easy to have. You do not even have to pay for the shares; you can have them at no value, or even a penny a share, but you will have full voting rights. That 10% is very important under the Companies Act. You can call EGMs and call the board of directors to account, whoever they are—I am not just talking about our current situation; it applies to any football club—and ask them very pointed questions.

Fans are very good at getting hold of information. It is not always right, but there is no smoke without fire, and there is usually an element of fairly accurate information, although not totally accurate. It gives the owners a chance to explain their actions, but we have had nothing since the accounts of 2017. The accounts of 2018 have never been published, the reason being that the auditors were not paid. I did ask them for a copy of the accounts; they quite correctly asked the Institute of Chartered Accountants, who said that they cannot pass them on to me as a former chartered accountant. They would be prepared to pass them on to this Select Committee.

I have reason to know what they show: they show a disaster area. Not only did we have loans from the previous owner, but we had another £150,000 loan guaranteed on future EFL moneys. That is a bit unusual in the circumstances, because there are no EFL moneys; that is one secured loan creditor who will not get a penny. That is up to them, but if owners are taking out loans on the prized assets of a business, it is wrong for the EFL to have said to me personally, "We can't interfere with the running of a limited company." In general, I accept that; however, if they had rules in place that the owners and shareholders of that limited company had to conform to, it wouldn't have got to this situation in the first place.

Q18 **Chair:** The Committee would certainly be very happy to receive those accounts. As you know, we have the power under parliamentary privilege to publish evidence like that if we think there is good cause to do so. I certainly think that the fans and supporters of Bury Football Club have a right to know what was going on there.

Barry Roth: I am sure the accountants would be pleased to send them to you.

Q19 **Julie Elliott:** Mr Dunham, you were engaged by Forever Bury to try to negotiate with potential buyers, who, as they said in their written evidence, "were being frustrated when dealing with Mr Dale". Can you tell us a bit more about that? Can you also tell us a bit about what your dealings with potential buyers reveal?



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Matthew Dunham: I spoke with probably four or five potentially interested parties. Generally, they were struggling to get information about the current finances of the club. I had no private information that we could provide to them, but I was able to glean from the publicly available information—the historic accounts—the CVA document that had been produced at that stage and a variety of other publicly available information, just to give them some basic information about the club so they could then try to do some of their own due diligence to see whether they wanted to take things forward or not.

Q20 **Julie Elliott:** Steve Dale told Sky Sports that the club was insolvent when he bought it. Do you think that was the case?

Matthew Dunham: Yes.

Julie Elliott: In Bury's case, a big problem was the owner not being willing or able to fund the club, as we know and as has been explained. What reforms do you think are needed in general to address clubs' reliance on owners' funds?

Matthew Dunham: Following the points that were made earlier, there has to be something to stop the situation arising in the first place. Once it has started to arise, insolvency spins out of control very, very quickly, and becomes uncontrollable and unmanageable. There should be something along the lines of an outright ban on clubs borrowing against stadia or other fixed assets, unless for specific capital purchases. If you are borrowing against a capital asset, it should be for a capital purchase—improving the stadium or something like that. There should be forecasts at the beginning of each season—"This is how we are going to achieve the season and carry through what we are going to do"—proof of where those funds are coming from if there is going to be a deficit; a vigorous review of those forecasts by a body that can say, "You are not starting the season unless you come up with proper forecasts and proper funding"; and, if funding can't be provided, the ability for the footballing authorities to demand something like a bond from a reputable third party, so that if they can't continue, there is something that can be drawn upon to fund the costs of running the rest of the season.

Q21 **Julie Elliott:** Do you think that if those reforms and other things that have been mentioned don't happen, other clubs will go out of business?

Matthew Dunham: I would be surprised if other clubs don't fail over the coming few years.

Q22 **Chair:** Is there any evidence that Steve Dale profited personally from his ownership of Bury football club?

Matthew Dunham: I haven't seen anything. I haven't seen any evidence one way or the other. There is lots of rumour and gossip, as you would expect.

Barry Roth: Mr Dale only appeared once at a public meeting of fans. That was way back in January—just over a month after he took over the club on 8 December. He had been ill, apparently, over Christmas; I will give



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him the benefit of the doubt on that—I have no reason to suspect otherwise, even though he has used that excuse not to meet people in the past. He gave a quote at the end of that meeting. The words were: “I am not an ATM.” He believed that he would be able to sort out the finances in time, and then, when they were sorted out, he would pass the club on to a younger owner to move it on into the future. I know for a fact that, from the moment he came in, all standing orders and direct debits were stopped. That is one way of stopping cash going out, but of course it builds up the creditors.

Q23 Chair: I notice from Companies House that he also set up other companies. There is a Bury Leisure and a Bury Heritage, which were both set up after he took over responsibility for the club.

Barry Roth: Mr Dale said in one of his statements—before I tell you what the statements were, I will add the addendum that not one of these statements has come true; the opposite of the statements has actually happened—that he formed Bury Heritage to protect the club’s memorabilia from coming into the hands of the bailiffs; there were bailiffs very early on in his days. That was the sole purpose of its formation. He sent an invoice to the club, which was cancelled. It has never been processed. Those memorabilia are not in Mr Dale’s hands; they have been protected by the supporters for the future. That is stage one. I believe that the other company was to take control of the business equipment, office furniture and whatever. There is not that much of it. I am sure it has a purpose in the second-hand market. However, Mr Dale does not have control of that; the liquidator and the creditors do.

Supporters have documented that, in the past—this is not illegal—Mr Dale has been involved in what they call 40 failing companies. No, they were 40 companies that were wound up. It is not illegal to be an asset-stripper. It is not illegal to form limited companies to buy out the assets of others and then not file those companies’ accounts, so those companies disappear into the ether. It is almost certain in those cases that Mr Dale would have been the sole shareholder. Mr Dale is not the sole shareholder of Bury Football Club Company Limited. Many people would call him the owner—many people would call him something else—but he is the largest shareholder and so has no rights to those assets; the creditors do.

Q24 Chair: For our benefit, and for the benefit of the record, I would like to explore the details of the loan a little bit more. You went through it, but I would just like to be clear in my mind as to who was lending money to who, and therefore who was introducing who to who.

Barry Roth: That is a good question, because the things I hear from the Mederco companies are slightly different from what I see in Bury’s books. So far as I am aware, there were two loans totalling £2.5 million that came from Capital Bridging Finance Solutions Limited, whose limited offices are in Liverpool.

Q25 Chair: For our benefit and that of the record, who owns that company?



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Barry Roth: The sole director and, I believe, shareholder is a Mr Paul Dalton. Those records can be checked on Companies House's records. I looked at them again the other day to see if there had been any other directors since it was first formed, and the answer was no. So far as I am aware—nobody has disputed this, including Stewart Day, the previous owner—only 60% of that money actually went into the club's bank account.

Q26 **Ian C. Lucas:** That was loaned to Bury football club?

Barry Roth: That was a loan to Bury Football Club Company Limited, I presume because Mr Day had run out of funds to put in, either personally or from his other companies.

Q27 **Chair:** Approximately when was this loan applied for and agreed?

Barry Roth: It was in the 2017-18 season. It is in the accounts that have never been published.

Q28 **Chair:** Right. And you believe that the other 40% went to—

Barry Roth: It went as an introductory fee, according to Mr Day, to enable a substantially reduced rate of interest to be charged, of either 7% or 7.5%.

Q29 **Chair:** Who was the beneficiary of that fee?

Barry Roth: We do not know.

Q30 **Chair:** How do you know about it? How do you know about that fee—

Barry Roth: Mr Day himself has stated that a 40% introductory fee was given.

Q31 **Chair:** Would the accounts supplied to the Committee show where this money went?

Barry Roth: They wouldn't show where it had gone, no. It would show the loan, but not where the 40%—which is £1 million in my simple arithmetic—went. I was given a hint the other day that that £1 million was legally spent. If that is the case, the accounts will show it, but I cannot say for certain.

Q32 **Chair:** So £1 million that the club received in the form of a loan as part of a bigger loan—

Barry Roth: It did not get.

Q33 **Chair:** And no one knows where that money has gone.

Barry Roth: So far.

Q34 **Chair:** Is there any suggestion that there is any connection between Capital Bridge, which made the loan, and the directors of the football club? Are they connected parties in any way? I can see people in the background are nodding. I remind you, you are under parliamentary privilege, so you can speak freely.



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Barry Roth: Yes, I am aware of that—I checked that when I first got the invite. I have reason to believe that a former director of Bury is the brother-in-law of Mr Paul Dalton, who is the sole director of Capital Bridge. That is why the supporters, the fans, of Bury were saying—they find out a lot—that they didn't trust the previous owners, never mind Mr Dale.

Q35 **Chair:** Presumably, Capital Bridge have lost their money.

Barry Roth: No, they have their security on the ground, and the ground is worth something. I cannot remember what we have in the accounts for the ground—I think it's in the region of £4 million, though if you get £2 million for it, you've done very well, quite honestly. The ground is in a state of disrepair. We would have been given a certificate by the local authority to play games in it.

One of the things that Mr Dale did say was that there would be improvements to the ground, but that it would take some time to notice them. My very astute son, who sits with me, looked up in the stand towards the end of the season when it was raining and sunny on the same day and noticed that the hole in the stand roof was substantially larger than it was at the start of the season—he said it was to let the sun in. Unfortunately, it let the rain in. That is symptomatic.

A lot of work needs doing to the ground itself, to the structure, and the land is a community asset and has already been protected as a community asset, so that gives you some control, but it only gives you six months' ability to buy it—but at least it is a holding situation. It has always been thought, but never proved, that a deed was granted by the estate of Lord Derby that the ground could only be used for football purposes. If the previous owner had got his way and was able to move the ground to another site, he would have had to provide another venue to play football, if the Gigg Lane site was given up.

Matthew Dunham: That was certainly my understanding from my conversations with the council 18 years ago, and today. The football stadium is valuable as a football stadium if you want to play football there. The difficulty is always what the alternative use is.

Q36 **Chair:** As you described it—let's call this loan shady, at best—the ground was effectively sold to this company. The insolvent club took out a loan it could never repay, and someone pocketed £1 million for brokering it and left a situation in which, basically, by this very shady deal, the only asset that the club had was given away.

Barry Roth: At the date of the CVA, the loan would have been in the region of £3.7 million. It was increasing at the rate of, I think, £1,453 a day.

Chair: If you had gone to a loan shark, you would probably have got a better deal than that.

Q37 **Ian C. Lucas:** On the ground, were there any prior mortgages on the freehold owned by Bury football club, before this loan?



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Barry Roth: No.

Q38 **Ian C. Lucas:** So that was the first loan.

Matthew Dunham: There have been charges on it in the past—

Barry Roth: But there weren't any when—

Matthew Dunham: It was free of charges.

Q39 **Ian C. Lucas:** So when Mr Dale took over, there were no loans on the ground, is that right?

Barry Roth: No, when Mr Day took over.

Q40 **Ian C. Lucas:** Right. There were no charges on the ground when Mr Day took over.

Matthew Dunham: Correct.

Q41 **Ian C. Lucas:** Can you also confirm, at the time that he took over, what information was asked of him by the Football League? Do you have any knowledge, anyone, about that?

Matthew Dunham: I was not involved at that stage.

Barry Roth: As regards what?

Q42 **Ian C. Lucas:** His suitability.

Barry Roth: He would have passed the fit-and-proper-person test, probably to a greater extent than Mr Dale did. He certainly put in a reasonable amount of money in his first year. He had a five-year plan: to get into the championship. He did very well his first year; he got promotion. Then he had to manage young players who managed to not take us up any further but take us down. He was borrowing money, according to the administrators of Mederco in their administrators' report—I think it is from September this year. Mr Day was using Mederco Ltd as if it was a holding company for all the companies that had the first word of Mederco, and for Bury football club. He was using the Mederco bank account as if it was the one and only bank account, and moneys were going through for his own businesses. There is no argument that his businesses collapsed. He was in the construction industry. He has partly given an excuse—the Grenfell Tower disaster did not help matters, but it was not the only thing. Bury itself, as a business and limited company, started to lose money hand over fist.

Ian C. Lucas: One of the disqualifying conditions that applies to people who fail the fit-and-proper-person test is that fail to provide full, accurate information. That is something I can take up with the Football League. Thank you.

Q43 **Chair:** Just to recap on the loans, so that I am clear, you've got this insolvent business with an asset, the football ground, that it cannot readily sell. This loan was made. Someone somewhere had basically extracted £1 million from Bury football club—there is one person or more



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than one person. The clear winners in that transaction are the people who ended up with that £1 million.

Barry Roth: The only loser is Bury football club. They are the loser. Whether people should make money out of that is not for me to say. Commercial loans are probably different from people buying houses, or from small businesses getting loans from their banks. I know that Capital Bridge remortgaged that particular Bury loan with a company in Malta at a far lower percentage rate. It has been said, and I have not followed the links on the Bury fans' message board, that it has some links to the British Virgin Islands. Once I start hearing trails like that—it is not that I lose the will to live—I no longer believe in what I am hearing, other than it being “shady”, in your words.

Q44 **Chair:** There is quite a tradition of British football clubs being owned by companies in the British Virgin Islands.

Barry Roth: A very successful footballing nation.

Q45 **Chair:** If it can be discovered who the beneficiary of that very large brokerage fee was—it seems odd that any normal business would enter into an arrangement like that.

Barry Roth: Certainly, a very respected football finance journalist has tried to get to the bottom of that million pounds. I spoke to him again. We both have our own feelings on it. Other than our saying that there are links with past Bury directors and the director of Capital Bridge, and that there are links to a quasi-director who has now been suspended from being a director for a large number of years—it was to do with a pension scam, which is what I think the judge used—it is not for me to say. It is for others to investigate.

Q46 **Chair:** There were people profiting in an extortionate manner from the failure of the club. There are people who have made a lot of money out of the failure of the club.

Barry Roth: Oh yes.

Q47 **Jo Stevens:** I want to ask Malcolm and Tom about the proposals that you have put forward. Thank you for your written evidence; it has been really helpful. You clearly think that the owners and directors test isn't fit for purpose at the moment, and you want some changes. Can you summarise for us as a Committee what you think the priority changes to the owners and directors test should be?

Tom Greatrex: There are two points, really. The first is that there is a difference between the duties of an owner and those of a director, and we think that should be recognised in the way in which those tests are applied in the first place. There was an issue with the owner of Bury—the current owner, I suppose—in that, as I understand it, all the information asked for in relation to that test wasn't necessarily provided at that point. That itself causes questions to be asked.



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Fundamentally, what our proposals are aimed at doing is to not just have a snapshot-in-time or tick-box exercise, to say, “You haven’t been disqualified and you haven’t got any outstanding criminal convictions”, or any of what I would argue are those black-and-white, quite simplistic questions, and that satisfies the test. Instead, there should be a system whereby the stewardship of a club is encoded in a code of practice for stewardship of football codes, and there should be ongoing monitoring during the course of the period of ownership. That is because people can come in with good intentions, or they want to present good intentions, and then those change, be that because their business is failing or because they have always had a plan to do something else, or always had an eye on an asset. There are lots of different reasons why that might happen, but it has happened in a whole series of clubs, again and again.

Having a system that enables that scrutiny to be ongoing also provides the opportunity to make sure that, where issues arise, they can be corrected before they get to the crisis point that we have just heard about. And it’s not unusual to have a licensing-type arrangement in other football authorities; other countries do it.

Q48 Jo Stevens: Can you give us an example of where it is done elsewhere?

Tom Greatrex: It is hard to think of an example in UEFA nations, for instance, where it doesn’t happen. Almost every other UEFA nation has some form of licensing system, which has an impact, both in terms of the way the clubs are looked at and in the responsibilities of the governing bodies of football in each of those different countries.

I suppose that is one of the other features of our proposals, which is about independence. I don’t think anybody wants to be in a position of having to deal with what they had to deal with regarding Bury. Nobody at the EFL, or the clubs, which are part of the EFL, wants to have to make other decisions, which are pretty difficult decisions to have to make.

Fundamentally, however, I do not think that having a situation where the people who run the competition—the people who run the clubs and the owners of the clubs—are therefore deciding the rules for every other club is untenable. I think there needs to be a degree of independence in the way that regulation happens, for the very good reason that, when you look at it, where you have self-regulation without any sort of higher authority, in very many cases you don’t end up with good regulation.

We want to have good regulation, to protect clubs and also to protect the reputation of the good owners, because we have talked about bad owners—a case that has got a very high profile, and there are some other cases—but there are lots of good owners, who look after their football clubs, who want to look after their football clubs, who understand the value of the community asset and the involvement and the identity that a place has with a club, and who engage and involve supporters to differing levels. However, they are all tarred by the same brush when you have a situation like the one with Bury, and that needs to change as well.



- Q49 **Jo Stevens:** Thinking about other sectors, it seems to me that you wouldn't have a situation where, as you have described, the people who are giving the oversight and the regulation are actually the people who are impacted by it, and there is a clear conflict of interest. There are plenty of other models to look at, whereby you can transpose what they do.

What about financial practices by club owners? Are there any particular practices that you want to see prohibited?

Tom Greatrex: Yes. Going back to what we were talking about earlier in the discussion about assets and the way they can be used, with the exception of using capital assets to support capital development, which we have already talked about—we don't see that there is an issue with that; that is a perfectly sensible and appropriate thing to do—the ability to use those assets, which have quite often been there for a very long time and are tied in with the identity of the club and the community, to take money out of football is not something that should be allowed to happen.

There are some examples—I think this Committee or its predecessors have looked at them—such as Blackpool and the way that money was taken out of Blackpool, which shouldn't be allowed to happen. Everybody sitting behind us who had to deal with Blackpool in various guises was, I know, very frustrated with the way things happened at Blackpool, and have said that those things should not be able to happen again. Well, we have an opportunity now to address some of those things. If we don't address them now, you will be here, or your successor Committee will be here in a couple of years, probably having the same conversation, but it will be a different club than Bury that we are talking about.

- Q50 **Jo Stevens:** What about scrutiny of accounts? Barry mentioned, I think, that shareholders have not got to see the accounts. How should scrutiny of clubs' accounts happen? What is best practice for you?

Tom Greatrex: We think what should happen is that, as part of the satisfaction of the code of practice, a business plan should be published to the club's website at the same time it is provided to the regulators that sets out the approach and the plans for the club, and the accounts are part of that process. It should be a degree of transparency that enables not just supporters but people with an interest in the game to see that clubs are being run well and for the benefit of the supporters and the communities that they serve.

Sometimes what seems to have happened is that people get interested in and end up, one way or another, owning or being majority shareholders in football clubs who do not have an interest in the clubs or the communities. To take the Bury example, you may recall that that weekend, when the EFL was having to make some very difficult decisions in relation to Bury, he emerged and went on a tour of TV studios boasting that he didn't know that Bury had a football club before he bought it. How is that somebody who is suitable to take on the stewardship of a football club of the age and repute of Bury?



Q51 Jo Stevens: That brings me to my last question—as a long-time supporter of supporters’ representatives on boards—what do you think the impact would be of boards being required by law to have supporters’ representatives on them?

Tom Greatrex: I can give you an answer to that by looking at the examples where it does happen, because it does happen in some clubs. Some clubs do that. Some clubs are supporter owned, or partly supporter owned. I think that gives a much longer-term perspective to the way in which the club is run, because people have an identity that is often in generations of their family, and an identity that is about the interests of the supporters and the club as a whole, as opposed to people who may be there for a relatively short period in that club’s life.

I think it is a healthy and good thing. There are clubs that recognise that and do it. There are other clubs that still have some way to go to recognise it. We do have structured dialogue regulations in place, and that is starting to have an impact, but that needs to go further. What we are talking about is protection of those assets and the stewardship of clubs. Supporters are well placed to have an input into that and have demonstrated, where they have, that they are very adept at doing it. The idea that supporters are somehow unable to fulfil the functions of being a director of a club, or to take a measured and long-term view of decisions made in relation to a football club, has proved to be demonstrably false, but we should have much more of that in place to protect all the other clubs in the country.

Malcolm Clarke: Can I add to that? What I always find so fascinating, and you have seen perfect evidence of it here today, is that in every supporter base you will find accountants, solicitors and PR people—people with a high level of competence and technical skills. The tragedy is that those skills all too often have to be applied when the ship hits the rocks rather than when they could have been applied at an earlier stage. That is one of the lessons that I think needs to be learned.

None of the measures that we have proposed would, on its own, be the magic bullet. They are a package, and certainly greater supporter involvement is part of it, as well as greater financial monitoring—all the things that we said earlier on. The message I would like to try to get across to the Committee is that we just go round this circle time after time. I appeared before the Committee some years ago now in Turf Moor, I remember.

Chair: I was on the Committee then.

Malcolm Clarke: Yes. I can remember the chief executive of a very prominent club, who subsequently became the chief executive of the Football League, telling the Committee that he didn’t actually know who owned the football club, and the Committee seemed somewhat sceptical on that day. Other members have been involved with the crises in places like Portsmouth and Blackpool. Every time we think one is gone—sorted in one way or another—something else arrives. In our view, it is only by



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having a package of measures—along the lines that we have suggested, but obviously those are up for discussion—that we can stop this cycle of despair from reappearing somewhere else in the next few years.

Chair: We have a couple of quick questions on this.

- Q52 **Julie Elliott:** I want to ask briefly about EFL's review of what has happened at Bury and the financial sustainability of football clubs. How confident are you about the integrity of that review, and how clear has EFL been with you about its plans for the review?

Malcolm Clarke: It would be fair to say that we have had little detail about how Mr Taylor intends to conduct his review, so it is probably a bit early to answer the question. We certainly expect to be fully involved. We will not just submit the written evidence that you have, but we expect to have a proper dialogue with him about our solutions. To be fair, I have no reason to believe that that won't happen, but it has not happened yet, because this is still an early stage.

Barry Roth: I checked the EFL website and any communications I can see from Bird & Bird, which Jonathan Taylor is part of. There was no invite whatsoever for supporters and clubs to get involved—none whatsoever—and there wasn't any in their terms of reference. I stand to be corrected, if I am wrong. However, I contacted Jonathan Taylor last week. He said in a BBC interview that he had made contact. I found him to be very helpful. He was very interested. He has now opened his inquiry to all interested parties, and I will be speaking to him again this week.

Malcolm Clarke: Barry is clearly more on the game than we have been. We are not aware of what the terms of reference say. We have been waiting to see the terms of reference. With any inquiry, it is extremely important to read exactly what is written in the terms of reference. We will certainly take that up. It is disappointing, if it is the case, that we have had to find out about it from Barry, in front of you today. I would have expected us to be high on the list of people who would have been told about what the procedure will be. If that is the case, so be it. We will certainly ensure that we put our evidence in and we expect to have a forceful dialogue with Mr Taylor about the changes that we want to see.

- Q53 **Philip Davies:** First, I apologise for being late. I have a point for Tom and Malcolm, in particular. It might be a controversial point, but it is worth throwing in. Some people might say that some of those responsible for clubs getting into financial difficulties are the supporters themselves. I am a season-ticket holder with my children at Bradford City, which has had its own financial difficulties in the past. I am delighted that it now has an excellent chief executive in Julian Rhodes. But I am probably as guilty as the next set of supporters. If the club doesn't spend any money on new players or whatever before the season starts, who is the first to complain? All the fans—"Why are they not spending more on wages? Why are they not bringing in new players? Why are they not doing this, that or the other?" I remember Doug Ellis, when I was younger, getting an absolute pasting at Aston Villa, when he was running a tight ship, and all



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the fans went crackers because he wasn't spending enough on new players. Mike Ashley gets it at the moment at Newcastle. Is there not an argument that one of the driving forces behind the irresponsible spending at football clubs, leading them into financial difficulties, is the supporters themselves?

Tom Greatrex: I might disappoint you, but I don't think it is that controversial of you to put that forward, although with Mike Ashley it is very different from just being about spending money on the club. The general point is that there are expectations, which get fuelled, and supporters want to see their clubs winning every game. I didn't go to Stoke on Saturday wanting to see Fulham lose, but they did. You get used to it. I get more used to it than others. If you ask fans of clubs that have been through difficult situations at their clubs, where they have been in real trouble, about sustainability and why it is important, you will get a very different answer and response. What people want to see above all is that their club survives and prospers, but the "survives" bit is really important. We are talking today about a club that still exists but has been expelled from the Football League. We have talked about other clubs that we think are in serious difficulty. People want to see their clubs survive above all. When you talk to supporters who have been through some of those close situations, they know that although you will want to do as well as you can on the pitch, you will want to have a club that will exist for your children at Bradford and your children's children at Bradford in the future.

Malcolm Clarke: I agree with Tom about that. There is a bit of a myth about this. What is relevant to it is the transparency argument: transparency about the finances of football. Obviously, this is all related to the wider issue about the distribution of wealth in football, because a very high proportion of it is right at the top, so everybody, owners and supporters alike, theoretically wants to live the dream: if we can spend this money and then get up to the next level, we will be all right, particularly the premier leagues. So the aspirations you talk about are partly caused by the maldistribution of wealth within football. Equally, if you have transparency about what the state of finances of a particular club is and people understand it, they will respond maturely in exactly the way that Tom says, because we all know that we want it there for our children and our grandchildren and so on to enjoy the great game that we have enjoyed. You have got people like Barry and other experts, as I have said before, in any fan base who can explain those things, but if you have secrecy and you don't really know what the financial position is, and you also have a huge disparity of wealth within the football pyramid, it can ultimately give rise to the kinds of things that you are talking about.

Matthew Dunham: I'd echo that. Certainly transparency is absolutely key, as well as communication with the fans about what the owner's plans are. I had exactly the same issue as the administrator of Barnsley a few years ago. I was castigated by the fans for having no vision for the future of the football club. I am the administrator. It's gone bust. What do you think my vision of the club is?



- Q54 Ian C. Lucas:** I don't want to start giving evidence, but, as the representative of Wrexham, which is a trust club, the fact that you have a trust does not stop people from criticising the board and offering an alternative vision for the future of the club.

This is directed at the Football Supporters' Association. You have to deal with the Premier League, the English Football League, the National League, and the Football Association. Is there a big difference in your dealings with individual organisations? Who does best out of those organisations?

Malcolm Clarke: What's the league table of football authorities? That's an interesting question. They are very different types of organisations. The FA is the governing body of the game—or it should be. We have issues about how much historically has been delegated down, but that is an historical question to some extent, and we have two representatives—the two you see before you—who sit on the FA Council. On the whole, the relationship with the executives of all of those bodies is quite good. The problem sometimes is where decisions are taken elsewhere, which plays into some of the discussions that we have had before about club owners being directly represented on league boards and so on.

Do I think that things are as good as they could be? No. Do I think that the football authorities themselves could benefit more from making use of the skills and expertise that supporters have got? Absolutely, yes. The evidence that you have heard, as I have said before, from our colleagues at Bury, and even though I say it myself—I can say it because I didn't write most of it—the quality of the written evidence that you have got before you about changes and regulations really speaks for itself. At the end of the day, we all want the same thing. We love the game of football. We want to see it survive. We think the pyramid we have in this country is uniquely valuable in world football and we want to see it preserved. I think most of the people involved in the game take that view as well, but there is still much more to be done in how the authorities can make best use of that expertise at every level.

- Q55 Ian C. Lucas:** Tom, on the back of Malcolm's magnificent political answer to my question, which of the organisations is leading on this?

Tom Greatrex: If we think about it in terms of the supporters and the clubs they are involved in and you look at the national league, for example, partly because of the size of some of the clubs and the supporters involved in those clubs, there is a very good relationship there. And because of some of the history of what has happened with some of those clubs, I would argue that there are areas where the regulation for National League is in a stronger position than in some of the higher leagues.

The real issue with the EFL particularly, which covers 71 clubs at the moment—72 clubs in normal times—is the breadth of interest across those clubs and being able to represent that properly. We have very good conversations and dialogue with the people whose job it is to have that dialogue with us and others, but they are not the people who decide what



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those leagues do. Fundamentally, the onus is on the people who decide the rules that the leagues apply—for example, on whether they decide to sell their grounds to themselves or not, to get around financial fair play rules. There is an issue here, and this is an opportunity to address it properly. It has not been addressed in the past, and it needs to be addressed now.

- Q56 **Chair:** Malcolm Clarke took us back down memory lane to the session we had at Turf Moor in 2011. I asked Shaun Harvey, who owned Leeds United, and he said that he didn't know. But interestingly, that issue was resolved because Leeds had an outside chance of making the play-offs that season, and the Premier League said—I do not often pray in aid Sir Dave Richards—"If you don't tell us who owns the club, you can't come up." Lo and behold, by some miracle, Ken Bates found the owners in a weekend and bought the club. Doesn't that show us that the authorities do have a role here in using their informal powers to bring owners into line and require higher standards of them? If Bury had been in the National League, do you think this would have happened?

Tom Greatrex: It depends at what point—because it is not just about the current and most recent owner. As you have heard, it goes back to the previous owner. As I understand it, under National League rules, they would not have been able to take money out against the ground other than for capital development. That is just one very straightforward, simple example of where the rules are different.

- Q57 **Clive Efford:** Tom and Malcolm, you have recommended that there should be an independent regulator based, I think, at the FA. Can you explain how that would work?

Malcolm Clarke: The principle here, as Tom said before, is that the regulation should be independent of club owners. So we would ideally like to see some kind of independent unit within the FA. We do not mean independent in the sense it is sometimes used: people who are nothing to do with football. There is a big role for independent people in quasi-judicial hearings when somebody is charged with an offence or breaking the rules; independence of that kind to decide whether they have or not has a lot to commend it. I mean independence in the sense of independent of club owners. I do not know who would appoint them; government is not appropriate. That is what we meant.

I did ask the FA company secretary to clarify what the position was about the FA as the governing body requiring leagues to do things, either through the sanctioning process—the FA has to sanction each league—or through direct FA regulations. Somewhat disappointingly, but perhaps not surprisingly, the company secretary said, "Well, it's theoretically possible, but we are not sure it would be politically possible, and it might subject us to legal challenge." Now, the idea that one part of the football family would legally challenge the governing body if it was trying to increase standards of regulation in the way that we described is a rather depressing one.



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Having said that, on the other hand, if, in fact, the FA can use its good offices following our resolution last Thursday to get those regulations changed within the league regulations, then we would regard that as very significant progress. The most important thing is that it gets on the statute book, rather than which particular statute book it should get on.

- Q58 **Clive Efford:** But I am still not clear: who would have the oversight of this regulatory body, and what would it oversee? Would it be the Premier League, the Football League, the National League? What would be the scope of its remit?

Malcolm Clarke: Well, you can break regulation down into several elements. There is, firstly, who decides what the rules should be. Then there is who monitors that the rules are being adhered to and carries out the supervisory role. We think ideally that should be within the FA. Then you have who investigates and who prosecutes and, finally, if there is a prosecution, who hears the case. So there are four elements. I am sure that these are models which are in all kinds of regulatory regimes in all kinds of industries. We think the FA should ideally have a central role, as I say, but if in fact what comes out of this is that the FA uses its good offices to try to ensure that within the leagues there is a better regulatory process, we will take that as a significant advance, even if it isn't our ideal model.

- Q59 **Clive Efford:** Right, so an independent regulatory body that comes under the umbrella of the FA is what you are—

Malcolm Clarke: Yes. Not independent of football, but independent of club owners.

- Q60 **Clive Efford:** Just going back to the discussion about what has happened at Bury and other places, some have argued that football clubs are businesses, businesses that are run badly fail, so this will happen in football, and we cannot stop it. What is your view on that?

Malcolm Clarke: Well, they are businesses in law, obviously, and subject to company law just like any other business; but they are much more than businesses. Barry said it in his first few sentences, didn't he, about what Bury is known for: arguably football clubs are one of the best manifestations of community identity that we have. Some places have only become known because years ago James Alexander Gordon read them out at five o'clock every Saturday, and that is how people knew the names of towns. The testimony that you have heard about the effect on the community and the effect on the supporters—I don't have to tell you this; I know you are a keen Millwall supporter and you will understand what it means to you and your family and the next generation. They are wonderful examples of community identity, as I say. You can draw an analogy, we think, with things like listed buildings or conservation areas, or whatever—just things which private businesses should not be allowed to destroy.

- Q61 **Clive Efford:** That is the crux of the problem, isn't it? We have got these entities that are businesses, like any other business, but they are not just



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like any other business, so we need to treat them differently. They need to have a different set of rules about how their assets are controlled, and all the rest of it. How do we get there? How do we get to that point? We have been round this block so many times, with Hereford, with Portsmouth, Coventry, so many clubs—so many warnings saying “We’ve got to learn the lessons of this” and we never do. How do we get to that point where football clubs are treated differently from businesses and are not allowed to be ripped off and fail in the way that Bury has been?

Malcolm Clarke: You implement the proposals in our paper. That is a flippant answer at one level but, as Tom said earlier, that paper is produced by people who have put in a lot of time and effort and understand what they are talking about. We think if that package was introduced that would be a huge advancement.

If you mean, “How do we get there politically?”, as I say, I am pleased that the FA and the FA chairman have committed to the fact that we do need change. You can ask him later and I am sure he will confirm that. It is a political process. Where it ends up, in terms of FA regulations or league regulations and pressure is perhaps a question for the next panel, rather than us. If we could get something close to our package being introduced, we are pretty well convinced that it would be a huge improvement.

Tom Greatrex: Ideally, how we get there is for the people who are sitting behind us, who you are going to be asking questions of in a few minutes—they have started this, I think—to genuinely recognise that there are gaps and issues that the Bury case and other cases have thrown up as deficiencies, and for them to engage with each other, with supporters and with communities to come up with a package to enable this situation not to happen again. If the will was there, we could do it. That is something that football as a whole needs to be serious about addressing. We have heard some warm words—some good words, some positive words—in the last few weeks that, because of the situation with Bury and with other clubs, they want to do it. We now need to see that happen.

Q62 **Chair:** Is the problem not that, ultimately, it comes down to the chairman of the league clubs accepting rule changes in their league?

Tom Greatrex: Yes, it does.

Chair: A lot of those chairmen might not want the sort of scrutiny and openness that you are rightly calling for, because—

Tom Greatrex: That is exactly the point that the chair of the FA made before the last England home international game against Bulgaria—the last home game. Sometimes there is a greater interest that overrides that, and the protection of valuable community assets and clubs does override that. Otherwise, we will be sitting here—you will be sitting here—hence talking about another club for similar reasons.

Q63 **Chair:** The trouble is that what you set out in your proposals about the chairmen of football clubs and boards having a plan and a strategy, and



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an understanding of what their duties entail, would probably get there, but if you have a lot of chairmen like the sort of chairman we have been talking about, who know nothing about football and care nothing about the communities the club serves, and are just looking to turn a quick buck—that is what is holding us back. It is those people who are holding us back.

Tom Greatrex: But increasingly, you have owners of clubs who not only recognise, understand and apply their thoughts to the assets that they own, and who see themselves as custodians or stewards of them on a temporary basis, because of the longevity of clubs, but understand—we hear more and more clubs saying it—that the bad behaviour of a small number reflects badly on them and what they are trying to do. Maybe I am being optimistic and a bit naive, but there may be a point now where enough of those owners can see that there is a value for them in what they are doing, what they are trying to do and what they want to do in the future, in having a much more transparent and open process that ensures that clubs survive and prosper.

Q64 **Chair:** I hope you are right. The last question is to you, Mr Roth, so feel free to chip in with what you have to say about that. Obviously, we have not talked about Bolton. A dual process was being run at the time. Do you feel that Bury was sacrificed to get a resolution on the Bolton situation?

Barry Roth: If you are asking me, no, because I knew a lot of the situation at Bolton. Bolton did have a problem, because the current buyer was not the first preferred buyer. The first preferred buyer showed proof of funds to the administrators on the Friday, but by the Monday morning, they did not have any proof of funds. The people who had written letters of credit were not stumping up the money. They were not chosen, so that has elongated the decision.

It did not help us; it did not hinder us, other than the fact that we at Bury felt that the EFL were paying a greater interest to Bolton—a bigger club, so I cannot argue with that too much, except that until this last year we held the FA Cup record for the biggest win, which has only been equalled by City. I believe that the EFL did meet with the supporters' trust at Bolton. I have no problems with that. They did not meet with Bury until just prior to being expelled. So yes, I think Bolton were given preference but maybe not intentionally.

Q65 **Chair:** Thank you. That concludes the questioning for this panel.

Barry Roth: Could I possibly make two statements? First, to give the full statement that Mr Dale gave to the press on the television, which will tell you how a bad owner gets away and to lead you back to where you first started: "For me to walk away from Bury and never go back is a very easy thing to do. I don't do anything up there. I didn't even know there was a football team called Bury, to be honest with you. I'm not a football fan."

Secondly, I want to show the Committee something you started off with. This gentleman is called Kenny Hindle. His photograph would have



appeared on the very first programme when we were hopefully going to play football after we were expelled, against Doncaster Rovers. Kenny lives in sheltered accommodation in Bury. He has been a fan watching the Shakers for 70 years—he is 78 years old. Every Saturday, he gets the bus into Bury, goes to a pub for a pint and then enjoys 90 minutes at Gigg Lane—on the whole—and then goes home. His life and his future have almost been destroyed by Mr Dale. This was part of a heartfelt plea for Mr Dale to sell up and go away and for somebody to take over.

That is the effect that an owner such as Mr Dale has on the community. At a meeting that Forever Bury held only two or three weeks ago, Kenny was there and got the biggest round of applause on the night. That is what football is about for probably all of us, for all our teams. That is what Mr Dale has managed to destroy.

Chair: Thank you very much for your powerful testimony. I look forward to joining you in Bury on Friday; thank you for your evidence this afternoon.

Examination of Witnesses

Witnesses: Debbie Jevans, Greg Clarke and Richard Masters.

Chair: Good afternoon. We will now start the second session. We are grateful to the English Football League, the Football Association and the Premier League for agreeing to our invitation, and I am pleased that we were able to co-ordinate things so that everyone could be here on the same day and on the same panel. We will start this time with Ian Lucas.

Q66 **Ian C. Lucas:** Good afternoon and thank you for coming in again. Could you just set the scene at the outset? When a situation such as Bury happens, where there is a real problem, how in those circumstances do your respective organisations begin to deal with the issue, and how do you liaise with one another?

Debbie Jevans: Thank you for inviting us here today. If I may begin with this, we have sat and listened to what the supporters had to say, and I do not want anybody to think for one second that this was not an incredibly difficult decision that was taken. Everybody was incredibly cognisant of the fact, the emotion and the human side of it that we have just heard there. I just wanted to say that up front.

Q67 **Ian C. Lucas:** I think we have got to know you all quite well, and I think we all know how difficult it is. Part of the reason why we are doing this is to try to resolve those difficulties.

Debbie Jevans: Quite. Thank you. I just wanted to say that, because I felt it was important. From an EFL perspective, it is important that the challenges with Bury, which have just been articulated, went back over a period of time. When Stewart Day was the owner of the club, there was a time when HMRC payments were not made and the club was under embargoes for a period of time. However, during that time, he was



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complying with the rules, as they were, from a financial perspective. The players were being paid and the fixtures were being completed, so from an EFL perspective he was in compliance with the regulations and rules as they are written down.

Stewart Day then sold the club, as you are aware, to Steve Dale, and at that point the EFL was advised—they came into the office and advised the executive at that time—that he had bought the club for £1. Immediately, the owners' and directors' test was put in place, and Steve Dale passed that objective test. Equally, at that point, he had to provide a source and proof of sustainability of funding, to demonstrate how he was going to provide the funding for the club over the coming two seasons.

Q68 Ian C. Lucas: If I can just interrupt for a second, you say that he passed the test. One of the tests is providing information. Is that one of the issues that is dealt with at that time?

Debbie Jevans: Sure. There are two separate tests. For him, as an individual, there is the objective test, on whether he has ownership in more than one club or whether he is a banned director, for example. He passed that objective test, which is the same across the leagues. The second tranche is that, at that point, he had 10 business days in which to provide a source of funding and how he was going to finance the club. Within those 10 days, he did not provide that information to us.

At that point, an embargo was placed upon the club that did not allow the club to sign players. Matches were being played at that time, as you are aware. The ambition of the EFL is to work with clubs to ensure that they have a long-term participation in the leagues. Throughout that time when he did not provide that, and the information was chased and he was under embargo, there was constant work with the club for him to try to provide that information. He did not do that.

We were then advised in April by the Professional Footballers' Association that he had in fact stopped paying the players at that point. That was the first point at which we became aware that he was not paying the players. The players continued to play, and the club got promoted to League One while not paying its players. That is a situation that we certainly need to consider going forward, and we can come back to the governance review and the independent review that we have heard so much about.

Q69 Ian C. Lucas: Up to that point, did you have any discussion with the FA about the case? At what point would the FA become involved?

Debbie Jevans: At that point, the discussions that we were having were with the Professional Footballers' Association. The regulations under which we operate are EFL regulations, which have jurisdiction over the way that we operate our leagues, so there was no dialogue, from an official perspective, with the FA at that point. This is governed by our board, and our board was aware and looking into that in detail, and we were working with the club as much as possible, constantly asking for this information.



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It then got to the point where a company voluntary arrangement was in place, as you are well aware. That CVA was then passed. Once the CVA was passed and the club was in a position of insolvency, rules immediately kick in, including a 12 point penalty. Equally, at that point the club had two weeks in which to provide us with evidence that it would comply with the terms of the CVA. At that point the board has the right to begin the notice of withdrawal, which is a 14-day period. The board opted to suspend the issuing of that notice and to further attempt to work with the club. It narrowed it down to three points that Mr Dale had to provide: the safety certificate, compliance with the CVA and that he had the funds to run the club for one season. The whole time, we were working with them and making every possible effort, because we wanted the club to survive. However, once we had a number of matches cancelled and we had to give a walk-over in our cup competition, the board took away the suspension of the notice of withdrawal and issued it, and that clock started to tick. During that whole period, it was the EFL and the board that were making these decisions.

- Q70 **Ian C. Lucas:** That narrative is really helpful, in terms of setting out the process. What really strikes me about this is how fast it happened and how somebody took over a football club, complied with the technical provisions—they may not have had a cent at that point—and ran it for the period until they went out of business. That was, what, eight months?

Debbie Jevans: There was a long period of time, yes—

- Q71 **Ian C. Lucas:** That's not a very long period of time.

Debbie Jevans: Well, no. When the individual who owned the club sold the asset that he had to somebody else, it was perfectly within his gift to do that. It is up to somebody to sell an asset that they own—a football club. The EFL steps in on the right to compete in the league. One thing that we have always said—we said it up front—is that we must learn lessons from this because we do not want there to be another situation like Bury. That is why we have had an independent inquiry. That is why Jonathan Taylor, who is a well-renowned QC in sports law and has worked across any number of sports—he chairs the—

- Q72 **Ian C. Lucas:** I'm going to stop you there. We know you are having an inquiry, but we want to get to why Bury is out of existence when in January it was in existence. It is just stunning to me that somebody takes over and doesn't have to provide you with anything, except to prove that they are not disqualified in some way. In terms of the finances of the club, you could pay £1 and then take over a football club that gets promoted. You don't have to establish within the league any sort of financial plan or anything before you get the go-ahead to take over the club. I find that extraordinary. Don't you find that surprising?

Debbie Jevans: He took over the club when it was competing in matches in the league—it was mid-season. You are absolutely right that at that point he was asked to provide the financial information; he did not do that. He had already purchased the club when he came to us, and we



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asked for that information. That information was not forthcoming, and it was in the middle of a season.

- Q73 **Ian C. Lucas:** What I am surprised by is that before you give your sanction—your permission—that the club can continue to participate, he doesn't have to provide you with any information about his plan for the future of the club or any specific information about finances. In other words, he just has to show that he is not breaking specifications that you put in place at that time. You didn't have any information, and yet you let him through the door.

Debbie Jevans: If I may, he had already bought the club, and at that point he was required to provide—

- Q74 **Ian C. Lucas:** Yes, but what he needed from the club was the right to participate in the league. That is what is really important, because it is a football club. That is really why your role is hugely important, because if you don't give your permission that the club can participate in the league, that effectively prevents him from becoming the active owner of the club. You let him do that without having reasonable information about him.

Debbie Jevans: He bought the club off Mr Day. At that point, he has to provide two things: first, the owners and directors test as an individual; and then the very information you are talking about. When that wasn't supplied, he was placed under embargo. At that point, we are working with him and the club, because we want the club to survive. The other option—

- Q75 **Ian C. Lucas:** But the problem is that you have given away your sanction—your power—by allowing him to take over the club.

Debbie Jevans: At that point they are competing in the league, and we are working with him to try to get the very information that you are talking about. He didn't do that; hence the club is under embargo. The season ended and it got promoted.

- Q76 **Ian C. Lucas:** Do you agree that that is a deficiency in the rules?

Debbie Jevans: I agree that we must learn lessons from this. We have stated that up front and said it on many occasions. That is why there is an independent review of this matter, and I do not want, in any shape or form, to pre-empt or anticipate those results.

- Q77 **Ian C. Lucas:** In my view, that situation should not be allowed to continue.

Debbie Jevans: Okay, thank you.

- Q78 **Julie Elliott:** Sitting listening to this I am a little alarmed. This gentleman did not provide the information requested. I presume you wrote to him and asked for it. Did you do anything else to try to get that information? How would you go about trying to get it? What is normal practice?

Debbie Jevans: There is constant dialogue and we have had any number of meetings with him and his team, and requests by email.



Q79 Julie Elliott: What was he saying about why he was not giving you that information?

Debbie Jevans: There was a degree of evasiveness. He was in hospital a lot, as you have heard, and like the previous witness, if someone says that they are recovering from cancer and in hospital, you don't want to say that that is wrong at all. There were any number of excuses. He provided information to us about what he said was a source of funding. We then investigated that source of funding, and on every occasion we found that it did not exist and could not be backed up. We kept going back. There were delaying tactics, and then the season ended. Due diligence was done when he provided that information to us, and we found that the funds didn't exist, including with any number of properties that he purported to have owned.

Q80 Julie Elliott: That obviously led to Bury going out of existence. When people buy clubs, is it usual for them to be played around with like this and for people not to be given information? Do people usually prevaricate, or was this very unusual behaviour?

Debbie Jevans: There were many unique circumstances. I do not wish to keep going back to it, but we need to look back and understand how we got to this point of where, although the club still exists, it is not a member of the EFL. There are many cases of people who come in and purchase clubs and it is good and proper. This in many ways was a unique situation. It is not often that somebody purchases a club and then goes public to say that they didn't even realise they had a football club. I don't think that is normal, no.

Q81 Julie Elliott: You said that that led to an embargo. Did you use every sanction that you could possibly have used to get to this situation?

Debbie Jevans: We used every sanction in the current rules, before the CVA happened. Once the CVA happened, those rules became far more explicit about the opportunities for the EFL and what it could and could not do. Up to that point, yes, we did everything we could, but it was under an umbrella of working with the club and wanting it to survive. Rightly, you have heard about the impact on the community and the supporters. A football club is more than just 22 people running around on the field of play. For the whole time there was the ambition for the club to survive.

Q82 Julie Elliott: In the light of that, do the Government need to legislate to give organisations greater powers to compel clubs and individuals to provide that financial information?

Debbie Jevans: No. We have talked a lot about Government legislation and I have read what the Government have said—they believe that football authorities should govern themselves, and I support that. I equally support dialogue and interface with the Government and DCMS. If you look at the way that the leagues are run, and that the FA has been run over a number of years, there are many success stories. The last club that went into administration was Coventry, and since then we have had more



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than 10,000 matches, and 108 clubs have competed in the EFL. I believe that football in this country is a success story.

- Q83 **Julie Elliott:** I want to ask briefly about the independent review—you have already mentioned it, and it was raised in the previous session, which I know you listened to. You said that the ideas of supporters would be part of the independent review. Have you invited them to give that evidence? If so, how have you done that, and how can we be absolutely sure that you will do more than pay lip service to that evidence?

Debbie Jevans: We will not pay lip service. I would not be sitting here—I would not be involved—if I felt this was anything to do with lip service, because that is unacceptable. There has been communication with the FSA and, as you heard, there has been a dialogue with Jonathan Taylor. They will be invited to be a full part of that, as will all other stakeholders. We want this to be far reaching. Jonathan Taylor will run it; it is an independent review. We will come back, you will have an interim report, and then his findings will be made public.

- Q84 **Julie Elliott:** So they will definitely have the opportunity to give whatever evidence they wish to give.

Debbie Jevans: Absolutely, 100%.

- Q85 **Jo Stevens:** May I ask a follow-up about what you have just been talking about, please, Debbie? This speaks to the points that Ian was asking about. Listening to the order in which you do things, you let the club—the new owner—into the league, and then you go for proof of funds. Wouldn't this whole situation be resolved and prevented if you just did those things the other way around?

Debbie Jevans: Mr Dale bought the football club. The owner of the football club—

Jo Stevens: I understand that.

Debbie Jevans: He bought that club, so whether or not an individual sells a club is up to the individual. What he must meet for the club to participate in the league is the owners and directors test, which is an objective test, and the source and sustainability of funds. That never happened.

- Q86 **Jo Stevens:** I am asking whether doing it the other way around would not be better, so that before the club is allowed to participate under new ownership, the proof of funds test has to have been complied with. In lots of other sectors, you have to do that. A few years ago, when I had to change the nature of a solicitor's practice, you had to get authority from the Solicitors Regulation Authority to have a different business structure. You cannot sign the legal documents to become that new legal entity until you have SRA approval, so you do it that way around. Why can't you do it the same way?

Debbie Jevans: That will absolutely form a part of what Jonathan Taylor is doing, and I do not want to pre-empt anything. He will look at that and



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come up with some recommendations, having spoken to all of the stakeholders, including the supporters, about what happened with Bury and what lessons can be learned from it. To the very point that you make, that happened in mid-season—matches were taking place—and I welcome and look forward to the output of that review.

- Q87 **Jo Stevens:** You are not saying that you approve or disapprove of it, but I hope that there is an open mind about that.

Debbie Jevans: Totally.

- Q88 **Jo Stevens:** To me, it seems like one way of preventing something like this from happening again.

Mr Clarke, can I ask you about something completely different: the football creditors rule? When the predecessor Committee here did its inquiry in 2011, I think you gave some evidence, and the Committee recommended that the football creditors rule be abolished. I think you said that you could not defend the morality of the rule at that time, so why are we still in the same situation where Bury's local creditors, as we have heard, are losing out, and somebody is benefiting to the tune of about £1 million through that shady financial arrangement?

Greg Clarke: I always found the football creditors rule to be morally very difficult. If I can link the last two questions, one of the reasons why, back in the day, leagues did not push too hard against owners who weren't coming through with the right information was that all you have to do is say, "Right, you're out the league—you're gone", and that kills the club. There was always a tendency to try to give them time to get over the line, to preserve the club, and the same logic underpinned the football creditors rule: if you pay the players and the football creditors, the club stays in business, and people turn up and play football. The priority back in the day was always a thing called the rescue culture, which some people hated and some people loved. It meant that the priority was always to try to keep the club alive to the best of our ability.

Sometimes, that leads you into moral hazard, because these things are not always black and white. I used to struggle with the fact that the local pie shop didn't get paid, but the players did. However, the balance of judgment of the board at that time was that it was more important to keep the club alive than to push it into administration so that everybody—the pie shop, the players and everybody else—got 19p in the pound, 3p in the pound, or whatever the number was. That was the moral calculus that the leagues were dealing with at the time.

- Q89 **Jo Stevens:** Since 2011, has there been a discussion about whether you should review this or take a different approach?

Greg Clarke: Yes. If I may, I will broaden that question and answer it. I nearly lost my club in 2002. I am a Leicester City fan and have been involved forever. We built a new stadium, the King Power, and we got relegated—these things happen. Then the main source of revenue, ITV Digital, went bust and we lost our TV revenue. We were in desperate trouble. We put a consortium together to rescue the local club, and I was



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traumatised by this. We sat there in the evenings. We worked with the Foxes Trust; we gave them a board seat. They appointed a local solicitor and did a great job of being a part of that organisation for seven years, while we owned it. But the priority was, for me, to save Leicester City, and we all worked to do that.

In 2010 I was approached by a search consultant who said, "Are you interested in the Football League chair job?" I turned up and they said, "What is your reason for wanting this job?" I said, "I nearly lost my club and I want to make sure that nobody else loses theirs. There are some fundamental things that we have to do." I used an analogy to the Football League board at the time and said, "This is like one of those wildlife documentaries on the television where there's a herd of animals going along. They could be elephants or wildebeest; it doesn't matter. When there is a sick animal, it falls behind the herd. The hyenas come out of the jungle and bad things happen. What you have to do is stop people becoming sick and falling out of the herd. Once the hyenas are circling them and they're cut off from the herd, it is very hard to save them."

In my first season I went around, with the support of the board, to every club. I explained to them that we had done some work that showed that the Football League was £1 billion in debt, with no positive cash flow. Using an arithmetic progression, I said, "The debt has grown at this rate over the last five years. If it grows at the same rate over the next five years, we will have £2 billion-worth of debt." That cut some traction, because clubs actually want to preserve themselves and each other. In 2011 they voted through a set of rules that limited wages of the players to 50% of costs in League Two and to 60% in League One, and they put financial fair play in place, which was a slightly more complicated way of measuring accumulated losses than in the Championship. There were about 18 insolvencies between 2000 and 2010; we have had two since those rules, in my time, from 2010 to 2016. They were Port Vale and Coventry. That is because we dealt with the root cause. If you stop clubs getting into financial difficulty, there is no opportunity for bad owners to exploit the situation.

Part of the debate was about whether we get rid of the football creditors rule. We took the view that it would put clubs in more financial jeopardy and would cause more insolvencies. You could argue about that; you could agree or disagree with it, but that is why the Football League board continued to propagate that rule, recognising the moral hazard that it induced.

Q90 Jo Stevens: When was that? What year?

Greg Clarke: We talked about it annually, because we were always getting beaten up. We talked about it and said, "If we get rid of it, are we going to lose more clubs?"

Q91 Chair: Mr Clarke, I don't really see why the football creditors rule will prevent more insolvencies. The creditors rule just means that, if a club goes into administration, the football creditors are paid in full as a



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condition of coming out of administration, and everyone else shares it. The argument about reforming or getting rid of the football creditors rule was that there should be equal liability, so that if the club goes into administration, everyone shares the liability. That might mean that some players think twice about taking up an attractive offer to go and join a club that might not be that financially sound, because there could be some jeopardy. At the moment, there is no jeopardy for people in football; the only jeopardy is for all the other, smaller suppliers in the community. It is not about stopping clubs going into administration; it would make no difference. It means that, if they do, everyone gets treated in the same way.

Greg Clarke: I accept that that is a reasonable point of view. It is just that I have had an experience of bringing a club out of insolvency, and I have worked with a lot of clubs to try to prevent them from falling into it. For example, Plymouth just came out of insolvency in 2011. I met James Brent; I went to Plymouth. I met Stewart Day as well.

I always get to meet new owners and I explain to them privately the pros and cons of running a football club and the difficulties they are going to face. One of the things you have to have when you're trying to get good-quality owners to buy a football club—as opposed to bad chancers who are trying to pledge all the assets and see how much cash they can get—is that they have to understand how much money they have to invest in the club; and the football creditors rule limits the amount of money they would have to pay to a subset of the investors and reduces it somewhat. If you end up having to pay all the creditors, or all the creditors equally, there is an argument that you would have to put more money in. For example, if HMRC were a preferred creditor—I can see an argument for that, in the public good—that would increase the money that people would have to put in to buy a football club going forward.

I am the first person to admit the validity of your argument and to accept the moral hazard of the football creditors rule, but the only reason why the Football League board supported it at that time, to the best of my knowledge because I was involved in those debates, was that we believed that if we didn't have it in place and you were having to buy a team—if you don't pay the players, the contracts are null and void. They can go somewhere else as free agents, and you would be buying a team with no players. We came to the conclusion as a board, in good faith, that it was the lesser of all evils available to us.

Q92 **Chair:** But the consequence of that is that the owner is subsidising the first-team wages on the back of the local security firm, the ambulance service and—

Greg Clarke: That is the moral hazard. I accept and fully recognise that.

Q93 **Chair:** There is probably no other area of life where that is allowed. My and the Committee's views on the football creditors rule are of long standing, and we are probably not going to make any progress on that today, but I think you were right when you said there was no moral



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justification for it, because I don't think there is.

Greg Clarke: I accept that.

- Q94 **Chair:** Mr Clarke, can I ask you and Debbie Jevans this? You mentioned the salary cost management protocol introduced for the Football League. How successful do you think the clubs are at complying with it?

Greg Clarke: They were very successful. I can only talk about my period; I was there from 2010 to 2016—I did two terms—and the rules came in in 2011. If I give you an example of financial fair play in the Championship, it will clarify that even more. We had three clubs that broke the rules, and I phoned each of the owners and said, "If you don't comply with the rules, we will sue you." A large one laughed at us and said, "I'm a very rich man and I have very large lawyers. You're welcome." We received a judgment for £54 million in the High Court. The other two settled. In football there will always be chancers who try to break the rules, and you have to take them on.

- Q95 **Chair:** Debbie Jevans, how confident are you that the Football League clubs are complying with the salary cost management protocol?

Debbie Jevans: I think the monitoring under the SCMP rules is good. For a League One club, the figure is 60% of turnover; for a League Two club it is 55% of turnover, and within that there is constant monitoring. As soon as we get notice of the fact that a club is within 5% of maybe reaching that threshold, there is communication with that club. There is constant communication with HMRC. Twice a year, the clubs have to submit to us the status of where they're at. I genuinely believe that the rules work well and are successful.

- Q96 **Chair:** I ask because the Committee has received written evidence on this and it is for the period from 2014-15 to 2017-18—that four-year period. The figures are based on those in the Deloitte annual review of football finance—a well-regarded piece of work that everyone is very familiar with. The average wage-to-turnover ratio for the Championship during that four-year period was 101%. The average for League One was 87%. The average for League Two was 73%. That would suggest that the clubs are way off the target—if Deloitte is correct on that. I'm sure you are familiar with the Deloitte report.

Debbie Jevans: But it depends on what they are including in that figure, as opposed to what the regulations include in that figure. For example, prize money from cup matches and so on is excluded from the calculation that we make. When you have additional revenue from success in a cup competition, that is not taken into account in the ratio that we use. I am not aware of what Deloitte use for their calculations, but—

- Q97 **Chair:** They use the turnover and salary figures declared in the accounts of the clubs.

Debbie Jevans: When we have done those calculations, we are confident that our clubs are operating within the parameters, because otherwise embargoes would be put on those clubs. The opportunity to assess what



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the clubs are doing is a regular assessment. It is completely separate from the Championship, as you know, under P and S rules, which is the same as the Premier League. But as far as SCMP is concerned, and the evidence supplied to us, that is different to what you saw in your report.

- Q98 **Chair:** What do they give you? Deloitte has based its study on what is in the accounts of the clubs that were published. What accounts are they giving you that are different from the accounts that they have published?

Debbie Jevans: I can come back to you on that. I can do that in-depth assessment. I haven't got that information with me right now.

- Q99 **Chair:** It is not a technical point. Mr Clarke has quite rightly said that these rules were put in place to keep clubs on the straight and narrow. That is why they are there. But if the clubs don't really follow them, and there is no real enforcement of whether they follow them, they are not worth anything.

Debbie Jevans: There is enforcement. If a club doesn't comply, it will be put under a transfer embargo. That is a fact and that is the opportunity. That is what the league will do, if a club is in breach of those regulations at any point in the season. I will look at the detail regarding Deloitte and write to you on that.

- Q100 **Chair:** It is basing its study on public information—the declared accounts of the football clubs—which showed not just a little bit of variance, but substantial variance. How was Bury football club doing in complying with the SCMP?

Debbie Jevans: The challenge we had with Bury, which we have articulated, is the fact that Bury is no longer in existence. When it came through its previous owner, Mr Day, it was complying under the regulations. At no point did Mr Dale provide the information that we asked for. That is when all the challenges started. We can again go through that history, which ended with the club sadly leaving the league and having its membership taken away. For the season and its ownership under Stewart Day it clearly was not complying, because it wasn't paying its players or staff.

- Q101 **Chair:** My concern with Bury is that someone decided to buy the club without demonstrating proof of funds and there were not accounts for the 2017-18 season. They have not been published. I imagine you have not seen them either.

Debbie Jevans: Correct.

Chair: No one knows whether it is complying with the SCMP rules or not. It seems that the rules that are there are not rigorously enforced.

Debbie Jevans: I don't think that is fair. The rules are enforced. We currently have one club that is no longer a member of the league, because of the enforcement of those rules. To go back again and look at what happened with Bury is something that will be done. We don't need to go again, unless you'd like to, into the review that Jonathan Taylor QC will do.

The fact that Bury is no longer a member of the league demonstrates that the rules are enforced.

Q102 **Chair:** We see a picture that has come through the Deloitte finances of not only this huge variance with the stated policy and what the clubs are reporting that they are doing, but rising levels of indebtedness across the Football League clubs, too. Even if the accounts they give you are somehow so massively different from what they publish, the level of indebtedness is rising as well. The system is not working, if the purpose of the system is to try to make the clubs more solvent.

Debbie Jevans: We have had a club meeting—we had our AGM last year, where we talked very much about the overarching state of football finances. You have quoted the Deloitte report. I believe there is now a change in mindset about club owners. Given what has happened with Bury, people are sitting up and taking notice. They want the output of the review that we are doing, with the review moving forward to how we can control costs. People often quote the revenues that go into football, but we must look at costs, too, by way of players' salaries and agents' fees, for example. We need to look at this in the whole. I genuinely and passionately believe that clubs are willing to sit back and look at that now, maybe in a way that they weren't before. Having seen a club lose its membership, I think there is a genuine appetite for change.

Q103 **Chair:** I am interested in what the role of the league is as the governing body. You said that there are lessons to be learnt here. One such lesson could be that the league should enforce its own rules, because if it enforces its own rules rigorously, these problems will be identified before it becomes a crisis.

Debbie Jevans: The rules that are in place, which we operate under, are working. We have always worked with the football clubs, so that their participation in the league continues. The phrase "rescue culture" has been used; personally, I don't like that expression. We certainly want to ensure that we work with clubs for their long-term future for the very reasons that we have heard from a number of supporters, about how important those clubs are in the community. It is right that we work with those clubs, which we have done, and only after going through and ensuring that no stone is left unturned do we end up at the point we did with Bury. I will support our working with clubs to try to ensure their participation.

Q104 **Chair:** How could a club such as Bury be practically trading insolvent but still be compliant with the SCMP?

Debbie Jevans: When it was insolvent, there was a CVA and at that point, the club lost its membership of the league.

Q105 **Chair:** I know, but the point that I am making is that the club is trading insolvent. Clubs spend their money on players—you do not have to be the chairman of the Football Association to know that that is what clubs spend their money on—and the reason that salary caps are there as a percentage of turnover is to try to control what they are spending. If a club is bust, it is because it is spending too much money.



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Debbie Jevans: Correct.

Q106 **Chair:** How can clubs such as Bolton or Bury get to the point of bankruptcy if, as you confidently believe, they like everyone else are keeping within the rules that the league has set in terms of the percentage of their turnover that they spend on player salaries?

Debbie Jevans: When they get to the point that they are not, that is when they go into administration.

Q107 **Chair:** Yes, but surely the point of the rules is to prevent them getting to that point. The only thing that seems to be enforced is that if you go into administration, you come out of either the administration or the league. That seems to be the only rule that is enforced here.

Debbie Jevans: That adds something to the point about whether there are lessons to be learned from that. Absolutely, let us see what the review comes out with, take on board those actions and look at where we need to change things going forward. I am not disagreeing with that fact at all, but I want to understand what comes out of the deep dive that we are doing into this subject.

Q108 **Chair:** I think that fans of Bury football club listening to what you are saying would think that the league failed in its duty. If the league had properly enforced its own rules, this may never have happened. Something has therefore gone wrong, because many of the rules that have been created are actually perfectly sound. I would question how not being able to demonstrate proof of funds provides only the sanction of not being as engaged in the transfer market, but there are rules to try to stop this thing happening, and if they had been enforced, maybe it would not have happened.

Debbie Jevans: The situation with Bury is immensely regretful—the ownership, the way that Mr Dale approached his purchase of the club, the way that he treated the club, and, as you have heard articulated, what the previous owner did. When Mr Day, the previous owner, had the club, at that point he was paying the players, the club was competing in the league and was playing well—he was compliant. Then he took out a loan against the ground and we have heard the details of that, which the gentlemen here were privy to.

I keep coming back to the same thing: we need to understand how we got to that point and what needs to be in place to ensure that it does not happen going forward. I don't know what I don't know, which is why I want to understand what comes out of this review—it is independent and vitally important that we do it—and then we need to take action, if necessary, once we understand and have seen the output of that.

Q109 **Chair:** You do not need a QC to tell you that if someone cannot demonstrate that they have the funds to buy a football club and you let them buy it, you are storing up problems for the future. You do not need a review to tell you that if clubs are not trading within the rules as they currently stand, which are there to keep them on the financial straight



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and narrow, there will be a problem.

One of the things that should be part of the review is why the Football League failed in its duty to enforce certain rules. I know that other Members what to come in but before they do, Richard Masters, could you buy a Premier League club without demonstration of proof of funds?

Richard Masters: It has never happened in our 27-year history. The way it works, effectively, is that you are required to provide future financial information on source and sufficiency of funds either before it or within 10 days of it taking place. It has never actually happened. If you did do it before, you would not be in breach of the rules immediately, because you become a director on taking ownership of the club. If you did do that without following any of the rules and regulations, you would immediately be in breach and bad things might therefore start to happen to you.

What is different here is that it is not a foreseeable event for a Premier League club to change hands for a pound in the same circumstances as between Stewart Day and Steve Dale. In practice, what happens is that, if you are spending tens of millions, hundreds of millions or, in some cases, billions of pounds on a transaction to own a football club, you want to make sure that the regulatory requirements of the league that you are entering are properly looked after.

In our system, we do hear from prospective owners. We do get to conduct due diligence on them as individuals and on their companies. We do receive financial information before the event takes place, but that might be because of the nature of the Premier League. What we are dealing with here is a particular set of circumstances. It does not happen in that way in the Premier League. Debbie is right that if the rulebook does not say that these things have to happen prior to, this is something that Jonathan Taylor has got to look at very carefully. The point is well made.

Q110 **Ian C. Lucas:** That was a very good question, Chairman. Is there a circumstance in which there could be a transfer of ownership of a Premier League club?

Richard Masters: Our rulebook works in the same way. It has not happened yet, which is an important point to make. If you become an owner of a football club without following any of the processes and you make that transaction, you are immediately in breach of Premier League rules and therefore subject to sanction.

Q111 **Ian C. Lucas:** Have you spoken to Steve Dale, Greg?

Greg Clarke: No. He wrote to me to make a series of observations about how he had been unfairly treated. I wrote back and offered him a meeting to explore the issues, and that is the last I heard.

Q112 **Ian C. Lucas:** When was that?

Greg Clarke: Three or four weeks ago.

Q113 **Ian C. Lucas:** So it was after the club had gone out of the league.



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Greg Clarke: It was indeed, yes.

Q114 **Ian C. Lucas:** I had this picture of you on the blower to the various chairmen or owners, which is what you described earlier in your evidence, but you did not get on the blower to Bury football club.

Greg Clarke: I didn't, because when I used to get on the blower, I was responsible for enforcing the Football League rules, and I spent a lot of time talking to chairs who were—

Q115 **Ian C. Lucas:** So you were talking about a period—it doesn't happen now is what you're saying.

Greg Clarke: What I am saying is that I do not interfere in the leagues' enforcing their rules. There is delegated authority to the leagues to enforce the rules of their competition. They get all the numbers back—

Q116 **Ian C. Lucas:** When did you first get involved in the Bury case?

Greg Clarke: About four weeks ago.

Q117 **Ian C. Lucas:** Was that after the club went out of existence?

Greg Clarke: Yes.

Q118 **Ian C. Lucas:** So the Football Association first got involved in Bury after it had gone out of existence?

Greg Clarke: That is correct.

Q119 **Ian C. Lucas:** I am stunned.

Greg Clarke: Let me tell you why it is that way. Historically, the Football Association is a stakeholder organisation run by its stakeholders. We have the National League, the Premier League, and the Football League. They all sit on the board, and all the representatives of football get together. For as long as I am aware, which predates my being born 62 years ago, the competitions have written their competition rules and enforced them. They have never been enforced by the FA.

Q120 **Ian C. Lucas:** I know you are very passionate. We have heard from you a number of times. This has been a massive football story for a very long time. We heard a phrase earlier on, and you are all involved in this: you are members of a football family.

Greg Clarke: That is true.

Ian C. Lucas: And this is a very old club. We heard earlier that it was founded in the 1880s. Don't you think that you have a responsibility as chair of the FA to try to facilitate a resolution in these circumstances?

Greg Clarke: I certainly feel a moral responsibility. Certainly as the articles of the FA are written, and as all of these supporting documentations are written, the rules of the competition are that the National League system write their rules of membership and enforce them. The EFL write their rules of membership and enforce them, and the



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Premier League write their rules. There is some overlap between the Premier League and the EFL, as discussed. It is not the role of the FA to enforce those rules, and I am not sure that, even if I wanted to, I could get the power to enforce those rules.

Q121 **Ian C. Lucas:** I am beginning to sound like an old record, but one of my frustrations in dealing with the football authorities is the number of organisations. In the evidence of the Premier League, Richard, I was struck that it was very much restricted to talking about the Premier League and nothing else. One of my frustrations is the different organisations and the way that I think that operates to the prejudice of the wider game. Do you think that is an unfair observation?

Greg Clarke: I think it is a fair observation. I mean, this game historically has been hindered by a lack of co-operation between people; you know, you would get the chairman of the FA falling out with the chairman of the Premier League falling out with the chairman of the EFL, historically. I have therefore worked very hard to build relationships within the game so we can co-operate. For the first time ever, the fans came to me at the FA board and for the first time ever a fans' motion was passed with my support.

I believe that the way to get this lined up is for us to co-operate to address these problems, rather than draconian powers being given to the FA to tell people what to do, because the only way we can solve this problem is to draw on the expertise of the leagues, the clubs and the FA to write a set of joined-up rules that allow the whole of football to start avoiding the problems of losing clubs.

Q122 **Chair:** I would like to go back to one thing on the salary cost management protocol. According to the league rules, the clubs have to report twice a year.

Debbie Jevans: Correct.

Q123 **Chair:** But they give their actual contracted player costs along with an estimated turnover figure. Does the league do any auditing to make sure that the estimated turnover figure turned out to be accurate?

Debbie Jevans: It does, but if I may come back to you on the detail of that, I'd appreciate it. I will check with the finance team and write to you with the actual detail. But it does, yes.

Chair: I find it astonishing you don't know, because I think these rules are quite fundamental to the issues we have been talking about, and as Greg Clarke said, they were introduced for a very good reason. However, if clubs can get away with just declaring what their turnover is going to be and people are not checking it—and some clubs aren't publishing accounts. One organisation that has gone through and checked—Deloitte—comes up with very different figures for turnover from the target figures. Given what you have been through, I would have thought that this would be top of your agenda; it would be top of mine. But we would certainly be very grateful if you could write to the Committee



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about it.

Debbie Jevans: Of course the accounts submitted are audited.

Chair: By the clubs probably—

Debbie Jevans: By an independent auditor.

Q124 **Chair:** Indeed. So the club's accounts are audited. What I am saying is that they are not giving you audited figures for their turnover; they are giving you estimated figures. They are giving you actual costs—supposedly—for salaries, but estimated turnover figures. And does anyone check whether the estimated turnover figures turn out to be accurate? I ask that because I am slightly concerned that, if clubs are self-declaring, I could well see why the Football League has got the impression that they are operating within the rules, but those figures could be wrong.

Debbie Jevans: I hear what you are saying.

Q125 **Chair:** On the financial fair play rules for the Premier League, obviously those are a UEFA requirement—for everyone who wants to play in their competitions—as well as a Premier League requirement. What sort of due diligence does the Premier League do on financial fair play?

Richard Masters: We have profitability and sustainability rules. Effectively, it is a three-year measurement period. It is designed to do two things, really. One, it is designed to look at how much clubs are spending and whether that is in keeping with the cap amount, which I will come on to in a bit, and also whether they are running into financial issues.

So, over any three-year period, we look at the two previous years, for which we get full audited accounts, and you look at the year you are in, where you get the interim accounts and a projection for what is about to happen, and also a business plan for the following year. If you have lost, or invested, £15 million or more over that three-year period, then we ask for an additional year of projected business plan. If there is a gap in funding, we seek what is called a secured owner funding commitment, which is effectively a contract between the holding company and the club to meet any shortfall and to cover those amounts. So in theory we are looking over a five-year period in that scenario and tracking what's happening.

In addition to that—

Q126 **Chair:** Because we have been talking about this with the Football League, how can you track that the clubs are living up to their expectations?

Richard Masters: Well, they are providing audited and interim accounts, which are prepared by independent people.

Q127 **Chair:** And they regularly do that?

Richard Masters: Yes, of course. The forward business plans are prepared by the clubs themselves. Who else would prepare them other than the clubs themselves?



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There is a huge amount of interaction between our finance departments and the finance departments of the clubs. The other thing that clubs have to do on a quarterly basis is to assure the Premier League that they have paid HMRC and their national insurance contributions which, obviously, historically, are one of the big red flags if clubs are running into difficulty.

We believe that we have a robust system that will detect, and a rule book that means that, if a situation arises in which a club is running into trouble, we are able to take control of the situation and regulate. It has not happened since Portsmouth—obviously, Portsmouth was a big moment for everybody; it was the last time that this Committee met to talk about these things—and, since those times, the short-term cost control, the profitability and sustainability rules, the upgrading of the owners and directors tests, and all those things have been brought into place to ensure that such things did not happen again. As Debbie alluded to, in the Premier League certainly, there has not been anything like or anything near to an insolvency event in the last five years—I think the last one was in 2014. I accept, having listened to testimony from people from Bury, it is a terrible thing to happen to that community, but thankfully it is a relatively rare occurrence in recent history.

Chair: What you said to me sounds like there is more rigorous enforcement and checking of these rules in the Premier League, but the clubs that we have been talking about today, Bury and Bolton, and—from the FSA's evidence earlier, what they were suggesting—the other clubs that might be in difficulties are all Football League clubs. The rules created since the failure of clubs like Portsmouth were created for good reason, but they are not worth what they should be if they are not enforced rigorously.

Q128 Clive Efford: You say that each different competition imposes its own set of rules, but every football club has to affiliate to the FA, so what is the point of that?

Greg Clarke: It is a philosophical debate you could have: where is the best place to regulate from? The people running a competition understand that competition and its specific problems and challenges—you can see that the challenges of the EFL are fundamentally different from the challenges of the Premier League. The view that football has taken over the years is that the people closest to the competition are those who know most about it and those who should write the rules.

Let me give you an example, if I may. One of the problems with the salary cost management protocol is that it is regulation of the profit-and-loss account—it looks at the ratio of cost to revenue—and says nothing about you taking a huge loan and pledging the assets. You have to look at why and how people abuse the system, and redesign the regulation on a regular basis to come up with the latest wheezes and tricks. For example, could you sell an asset at an inflated value, book the profit, get no cash and solve your problems in the regulatory framework?



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The people running the competition are the closest to how it is evolving, and are best placed to find out the new tricks that the unscrupulous owners are willing to try and to change the rules accordingly.

Q129 Clive Efford: Isn't the problem with that, that the only body with oversight in all the different competitions, which could pick up all the sharp practices and apply them across the board, is the FA?

Greg Clarke: That is a reasonable point of view, and other countries work that way, but our country works on the principle of subsidiarity. We are a stakeholder-driven organisation, we are run by our stakeholders and the stakeholders write the rules for their competitions. I would say—I genuinely believe this, and am not just saying it—that it is very difficult for a central organisation, which is responsible for grassroots football, safeguarding, the England team, women's football and everything else in sight, to be close enough to any individual competition to spot the latest tricks being tried by unscrupulous owners. You have to be very close to it to update your rules effectively.

Q130 Clive Efford: In evidence today, we heard about the loan Bury took out against the ground, but that that would not have been allowed in the National League, because their rules say you cannot do that, and we have heard that due diligence is done by the Premier League before someone can take over a club. You sit in oversight of all of that. If that is working for the Premier League and the regulation regarding the ground is working for the National League, why are you not doing the same, and why are you not saying, "Look, this is working guys. Why aren't we doing this?"?

Greg Clarke: Let me give you an example. One of the things that is patently obvious is that the thrust of your argument is correct: we need to learn and apply these rules more effectively across the whole of football.

I buy the thrust of your argument, but let me give you an example. If you have a club turning over £7 million a year—an average League Two club makes £7 million, £10 million or £15 million a year—one of the first signs of a problem that we used to get was when they wanted to sell their ground. Brighton nearly went out of business because an unscrupulous man bought the club, kicked them out of it, sold their ground and developed a retail facility on that site. They ended up playing at other grounds until a good owner bought them, built them a ground and rescued the club. It is always a warning signal when people want to sell the grounds.

But, for example, imagine you are a £1 billion balance sheet Premier League club that has a cost to capital of 10%, and someone will buy your ground and rent it to you at 3%. That is a normal arbitrage that a £1 billion corporation would do on a property asset. The rules for the Premier League look sensible; those rules applied in League Two would be absolute economic madness. You have to understand the context of the regulatory framework. For example, during the global financial crisis, banks didn't go bust because their revenue to costs were wrong; it was because they



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didn't have enough assets to back the bets that they were making. You have to get the regulatory framework appropriate to the risks you are taking.

Q131 Clive Efford: What I do know is that football clubs can't play without a football ground.

Greg Clarke: Absolutely right.

Q132 Clive Efford: We should have basic regulation if somebody wanted to speculate on assets that were owned by a Premier League club. Surely the game's overarching governing body should have some oversight over whether that club is going to remain viable in the future. That is exactly what happened to Portsmouth.

Greg Clarke: I have a lot of sympathy for that argument. Heritage assets—whether it is the local museum, Anne Hathaway's grade 2 listed cottage in Stratford or the local football ground—are at the heart of the local community. Let me give you a simple thought experiment. When you are trying to save a football club from insolvency, you have to make some tough decisions. What if the only person who can save the football club and is willing to buy it is doing it because he needs to raise a loan, secured against the football ground, and can't afford it otherwise? Then you are between a rock and a hard place, because you want to protect the community asset, but the only buyer who will actually put money on the table may need to leverage the asset in order to achieve that. All I am trying to say is that, at the limit case, you sometimes may lose football clubs in protecting the football club's ground.

Q133 Clive Efford: If you don't mind me saying, that's exactly what brought the banks down in 2008.

Greg Clarke: Agreed.

Q134 Clive Efford: If that sort of leverage is taken out against the ground, what is the ultimate consequence if the club becomes insolvent? It is the loss of that asset.

Greg Clarke: I am not in any way justifying the pledging or the sale of a ground. All I am saying is that, as a regulator, you sometimes have to face the consequence that the only buyer willing to buy and save a football club that is insolvent needs to raise cash by pledging the ground. I would personally take that risk, but that is one of the bets that you have to make.

Q135 Clive Efford: Looking at what happened at Bury—this is a question for all of you, but I will come to you first, Greg—what has to change to stop it happening again?

Greg Clarke: I will go back to my analogy of the herd of animals. Once people drop behind the herd, the hyenas appear. You have to keep them financially healthy so you don't have to do all these desperate things. You have to impose draconian financial controls that stop them making bets that could prejudice the future of the football club, and you have to



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impose them with a rod of iron. One of the problems is that you can have a lead time of between 12 and 18 months between accounts being signed off and the reality of the business. Carillion got their accounts signed off just before they went bust, because it is a historical, backward-looking measure. You need forward-looking cash-flow measures. People don't go bust because they make losses; they go bust because they run out of cash.

Q136 Clive Efford: Does anybody else have a comment about what we have to change to stop Bury happening again?

Debbie Jevans: I have said it: we absolutely need to understand what happened with Bury. There has rightly been some probing on SCMP. To understand what happened with Bury over a period of time—it was months; Greg made the point about real-time reporting—we need to understand what happened and learn lessons from that, to make sure that it does not happen again. The ambition is that what comes out of the independent review will result in changes for next season.

Q137 Clive Efford: Do you feel that you need to speed up your processes at all? You were aware of problems under the previous owner. The club was sold for £1 in December to Mr Dale, and then there were failures to comply with various requirements, and there was a court case involving Bury, in which they were in breach of FA rules. The warning signs were there, right up until the time when they were thrown out of the league. Is there anything that you failed to do in that whole scenario leading up to Bury's being thrown out of the league that you would now change?

Debbie Jevans: Looking back, the EFL acted in accordance with its regulations as they are written right now; it acted completely in compliance with its regulations. Then the CVA happened, and then the rest happened with the sad demise of the club and its losing its membership. Do we need to understand whether there should have been—

Q138 Clive Efford: Hang on a second. You have jumped forward quite a bit there. In December, you were aware that the club was in some financial difficulties. It then changed ownership. The CVA was on 18 July. There was almost eight months between those two events. That is quite a long period of time in which no action was taken.

Debbie Jevans: There was action taken. As I have said, the club was under embargo, and there was action taken in trying to get the proof of source and sustainability of funding from Mr Dale. He provided information to us and due diligence was done on that, and it was found not to be sufficient. As I said, there were certain examples of his taking out loans against properties to demonstrate that there were funds there. A lot was going on at that time—as much as we could do, within the rules. Every effort was being made for the club to continue. Then, once the CVA happened, it became absolute that the clock should start ticking, and there were 14 days for him to comply or the club would lose membership of the league.

Q139 Clive Efford: You were aware that he had businesses that had gone into



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liquidation at almost the same time he took over the club?

Debbie Jevans: Yes. He complied with the rules of the owners and directors test. He did not have ownership or interests in another club and he was not a banned director. He passed the rules as they are currently written. That test was a part of the overarching action that was taking place. He complied with those rules.

Q140 **Clive Efford:** But the fact that he had those companies going into liquidation could not be taken into consideration, because the rules only take into consideration events like that that are related to football.

Debbie Jevans: The owners and directors test is an objective test with a set of criteria with which he complied.

Q141 **Clive Efford:** But there was information—Companies House records show that, two days before Steve Dale bought the club, his property company, Dale Acquisitions Ltd, was liquidated, having not filed accounts for the previous seven years. Was the Football League aware of that?

Debbie Jevans: When he announced that he had bought the club, he had to comply with the owners and directors test, as it was written. He complied with that, which was the first part. The second part, which is objective, was about him as an individual. Moving forward from that, it was the source and sustainability of funding.

Q142 **Clive Efford:** Going back to my original question, do we see anything in that that needs to change?

Debbie Jevans: That is absolutely part of what Jonathan Taylor is going to look at. I do not want to pre-empt that, but he will look at that and the points that you absolutely rightly make. We need to be cognisant of that. We need to look at that and, as a consequence, understand whether things need to be changed in that regard.

Q143 **Clive Efford:** How do we get to a position where somebody who wants to buy a football club has to go through a proper fit and proper person test before they can do so?

Debbie Jevans: It is an interesting point. There is the objectivity. If you put a subjective element into that test, that is when it potentially becomes challenging, and Greg can talk to this in detail as well. The test is very objective, as opposed to any subjectivity about what is fit and proper, which can potentially be challenged, as an individual. "What is a fit and proper person?" That is the challenge that we are currently faced with, and that will form a big part of the review that is ongoing, but what we have at the moment is a very objective test. There is no subjectivity to it.

Q144 **Clive Efford:** We have heard from Richard that you apply a test for somebody when they are looking to take over a club.

Richard Masters: We do, but it is the same test. Normally, we are not in a situation where somebody is taking over a club without coming through the front door, introducing themselves, telling us who they are, and us being able to conduct proper due diligence on them.



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Q145 **Clive Efford:** What is the big difference with clubs in the Premier League in those circumstances? Is it the complexity of the finances?

Richard Masters: In this particular situation, as far as I understand it, you have a club teetering on the brink under the ownership of Stewart Day, who is desperate to offload some of his obligations, and Steve Dale thinks that he might be able to make a fist of it and takes it over for £1, while ignoring any of his obligations. Here we are, looking at the rulebook, but his behaviour is driving this entire thing. He decided not to tell anyone in the Football League. He decided not to fill in his owners and directors form at the right time and go ahead with the procedure. He says it is because the company was about to go into liquidation. That is a very different situation from the Premier League, where you have the time to consider people on their merits, because they come through the front door.

Q146 **Clive Efford:** Do you think that as a result of your process, because you have that opportunity, you are able to avoid catastrophe and unsavoury individuals becoming involved in Premier League clubs?

Richard Masters: Yes, and they have to pass it on an annual basis, as well.

Q147 **Clive Efford:** How do we get that process, where people have to come through the front door, own up and say, "Here I am, and I want to take this club over" into the Football League?

Debbie Jevans: What Richard has articulated well is that he would ordinarily expect that to happen, as the EFL absolutely would ordinarily expect it to happen. In this situation, the person turned up having purchased the club, and in that situation, from that moment in time, you are in a sense playing catch-up. He then did the test, which he passed, and he never provided the source and sustainability of funding. Is that something that we need to look at before that club is able to participate in the league? Yes, and that will absolutely form part of this review. I agree with the point you are making.

Q148 **Clive Efford:** The review will look at that specific evidence.

Debbie Jevans: Yes.

Q149 **Clive Efford:** Thank you. If the purpose of the test is to protect the game from disrepute, should it not apply equally to monitoring and protecting the ongoing running of clubs?

Debbie Jevans: There is ongoing monitoring of that. For all leagues, there is ongoing monitoring of the club. In Leagues One and Two, there is regular dialogue with HMRC, and they provide monthly updates to the leagues. There is constant monitoring and annual accounts have to come in, so it is not a one-off test that happens; it is ongoing.

Q150 **Clive Efford:** But again, is there something wrong here? We have this ongoing monitoring, but we are looking at Bury, where the problems were ongoing for a very long time—you were aware that, under the



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previous owner, Mr Day, players were not being paid and so on—and then the club changed hands, so an enormous amount of time has elapsed. If this ongoing monitoring is effective, why did it drift for so long?

Debbie Jevans: The players were being paid under the previous owner. It was under Steve Dale that that didn't happen, and that was when the PFA spoke to us.

Clive Efford: Sorry, I got that wrong. I misheard earlier on.

Debbie Jevans: That was probably my mistake. The previous owner took loans out against the club, as Greg has articulated, but the players were being paid, they were competing, and the matches were undertaken. Then he arrived at the EFL saying that he had sold the club to Mr Dale. Mr Dale was then under the owners and directors test, and from there on in is where the challenges started, with no source and sufficiency of funding. Is that what we need to look at? Absolutely; I agree with what you have said.

Q151 **Clive Efford:** So, again, that ongoing monitoring process, picking up an early warning and moving more quickly is something that will be part of the review?

Debbie Jevans: Something we need to look at, yes.

Q152 **Clive Efford:** What about the voice of the fans in all this? We heard earlier on that fans have said that they can be an early-warning system, but we also heard that they do not feel that they are listened to. Is that something that the review will look at? One of the witnesses earlier on said that they had spoken to Mr Taylor and that he was going to take that on board, but can we have a reassurance from you that the fans' position in this will be looked at?

Debbie Jevans: Categorically yes, 100% in that regard. This is not just an EFL review with the EFL looking at itself. It is consulting widely with stakeholders; both the FA and the Premier League will be part of that, as will the Football Supporters Association, as will the PFA. This is going to be a wide, independent review. What I will say on the supporters is that we recognise what came out of previous work that has been done here on the involvement of supporters. There is far more regular dialogue now with the clubs and between the clubs and supporters. It is legislated that they must have two full meetings a year. Are two meetings enough? No, and there is a lot of dialogue around that, but the engagement is a lot more than it used to be between fans and clubs, and that is absolutely right.

Q153 **Clive Efford:** If alarm bells are rung and monitoring shows that there is a problem, what sanctions are we looking at in the future? Is it possible to remove an owner?

Debbie Jevans: In the sanctions that we are looking at as part of the owners and directors test, the owners own the club. One thing that is really important is that the EFL runs the league, but it does not run football clubs. Owners own and run football clubs, and there are very



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many good owners within the league who successfully invest a lot of money in those clubs and run those clubs, year in, year out and provide entertainment for the fans. As we look at what we do going forward as part of the owners and directors test, which is an annual test, it will form part of that review. I don't know what the output will be, but, as I have committed to doing, we will make that final report public.

Q154 Clive Efford: Richard, you said that there is an annual assessment of owners and directors of clubs in which they have to meet your criteria. What are the sanctions there if they do not?

Richard Masters: If they do not meet them?

Q155 Clive Efford: If they do not meet them.

Richard Masters: They would have to resign as a director.

Q156 Clive Efford: And an owner?

Richard Masters: In those circumstances, you would be in uncharted territory. At that point, our situation is different from the EFL's: you have a three-person board at the Premier League, none of whom are involved with clubs. A decision such as that, about what to do with an owner who subsequently failed an owners and directors test, would be taken by an independent commission.

Q157 Clive Efford: I will not pursue that any more. The trust in the owners and directors test is low, and the Government in its written evidence to us has called for greater transparency in how it is administered. What is your response to that? Would you like to go first, Debbie?

Debbie Jevans: I do not wish to keep repeating myself, but with the owners and directors test, being transparent is important. We have to be transparent; that is the only right and proper way to do business. I welcome the fact that you have had us in here today and asked the questions that you have. The owners and directors test, how it is applied and how it will be applied going forward, is transparent. It is open, what is done. It is written in the regulations what an owner has to adhere to in order to become an owner of a football club. Are we going to look at that? Yes. Should it be transparent? Absolutely.

Q158 Chair: On the owners and directors test, isn't the problem that it is too specific? Someone could acquire a football club who is known to be under investigation for money laundering but has not been convicted of any offences, and the test does not stop them buying the club. We saw the case, which became slightly farcical, with Massimo Cellino and Leeds United, where, depending on what stage he was at in the Italian courts, he was either in breach of tax offences or not. He had been convicted of fraud in the past, but that conviction was spent.

Many people say that there does need to be a degree of subjectivity in this, and that does exist in other sectors. It exists in broadcasting: Ofcom issues licences, and uses its power to determine whether someone is likely to comply with the code, based on their track record, both as a



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broadcaster and in other sectors. I hear what you are saying—that it is transparent and clear—but I think there are some massive gaps in that process, as well, which probably allow some people into football, whom you all would rather keep out. I don't believe that you want to attract bad owners, but I sometimes consider that you don't have the power to say no to some of the people you would like to say no to.

Greg Clarke: We operate within the legal framework. I sat in a disciplinary tribunal with said owner, where the greatest minds in the legal profession—I don't say that lightly, because he was represented by the ex-director of public prosecutions, so he was not under-lawyered—were arguing about whether he had a conviction, because, under the Italian legal system, a court of first instance is not a conviction, and it has to go through appeal; it is exactly the opposite. We won that argument. It cost a fortune. He was banned for 90 days.

You also get situations where previous convictions of other owners for fraud were spent under the Rehabilitation of Offenders Act. It is very difficult under the test of objectivity to be able to use the old cut of the jib test, which is to say, "We don't like the look of this guy. He has too many things that are spent to make him a good owner of a football club." But we have a statutory framework that stops us doing anything about it. There is a statutory framework around Ofcom, which doesn't exist for football.

Chair: We could create one.

Greg Clarke: You could do, but you would be a wiser man than me. I have sat there on long nights trying to figure out how to make this better. The people trying to get in and buy big football clubs have some very bright people and lawyers advising them.

Q159 **Chair:** But everyone has to comply with the law of the land. I know you said earlier that both the Government and the football authority said that football should be a self-governing world, but, as you say, you are dealing with people with very deep pockets who are very tenacious. One way to give the football authority those powers would be to create some statutory powers, which Parliament could create, not for Parliament to enforce, but for the football authority to enforce, so that you have a legal framework to work within, rather than the rules you have at the moment, which are similar to any other rules that exist in company law.

Greg Clarke: I am hoping that one of the outputs of the Taylor inquiry is that a very smart lawyer they have hired—a good QC—will come up with some suggestions on that front.

Q160 **Chair:** The final thing I want to raise is on club indebtedness. Again, I am referring to the Deloitte study that I mentioned earlier, in which figures show that many clubs are owned by a parent company, which their owner also owns. That parent company can be quite asset-rich, but the club can be massively indebted. The club then lives off loans from the parent company to the club itself. If anything happens to the parent company and the owner, and those loans are called in, the club could be left in an even more exposed place. Do you think that this is something that needs



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to become part of the framework, for clubs at all levels—looking at the reliance of clubs on loans from owners, effectively to stop them becoming insolvent and therefore to prevent the potentially precarious position that they are in? Even within sporting competition, do you think that is fair?

Debbie Jevans: When we look at sustainability, the way that clubs are run and the reliance on money coming in from elsewhere, in my mind, that needs to be taken in the whole, as much as costs. We need to look at what is going out, as well. The Deloitte report said this in a number of ways. What happens with players' salaries and agents' fees? What happens to the costs that cause all these loans to happen in the first place? In my mind, the point you make, which is fair and right, needs to be taken in the whole, looking at how we govern ourselves and all the finances of football. I don't think it is just that one aspect.

Q161 **Chair:** Could you see, on the back of your review, the league recommending changes to those rules?

Debbie Jevans: I don't know. I am sure there will be many recommendations, and that may be one of them, but I don't want to pre-empt it.

Q162 **Chair:** For the Premier League, UEFA takes a view on this, as well.

Richard Masters: We do. The majority of our clubs go through the UEFA licensing scheme, as well. Our rule book is a licensing scheme in its own right. By the way, I don't think that Jonathan Taylor will not make any recommendations; I think he will, and we will be listening very carefully to those. From our perspective, the trend in terms of wage to turnover ratio in the Premier League has been going down over the last 10 years. It is now about 60%. Obviously, you have owners making non-interest-bearing loans to clubs—either that or external debt. Debt is not necessarily a bad thing, provided there is a sustainable business plan. Last year, or the last time we went through the process, 12 of our clubs reported pre-tax profits.

In the Premier League, you have a slightly different picture. It has always been that way. While Jonathan Taylor might be looking at the whole picture, the picture in the Premier League at the moment is okay.

Q163 **Chair:** Does that mean you are satisfied that the owners can afford the loans that they are making to the clubs?

Richard Masters: That is what the profitability and sustainability tests are about. They are about limiting the amount of investment at sustainable levels, and also at a level that all clubs are happy with.

Q164 **Chair:** Debbie Jevans, are you concerned that many clubs are in an indebted position, but the owners themselves have protected their liability by ring-fencing the assets of the club as separate companies. The football club itself is really just a pile of debt.

Debbie Jevans: Of course I am concerned when I see the debt that there is around football clubs. Richard talked to the Premier League, but I think



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the mood music has changed among EFL clubs because of what happened to Bury. Certainly the owners are now looking long and hard at the amount of investment that is made and the levels that there are for salaries and so on. So, yes, of course it does concern me, and we need to sit back and take a look at that if we want to ensure the long-term sustainability of the clubs and the sport.

Q165 Clive Efford: We heard from the supporters' representatives earlier on that they were aware of a number of clubs that were facing difficulties, and you implied that everything was healthy in the football league. Do you have a list of clubs on your watchlist, and are you concerned?

Debbie Jevans: We are constantly monitoring clubs—monthly—as to their current status, and in Leagues One and Two, if they get to the point where they are within 5%, an embargo is placed on them. So in the current situation around Macclesfield and the payment of the players, yes, we are monitoring that. We are constantly monitoring, but, in an overarching sense, the majority of clubs are in a decent place. The money is nowhere near the same as in the Premier League. We are aware of that and the investment of the owners, but I am confident that if you look at the league over the past years and the success of it, the league is in good shape.

Q166 Clive Efford: And the indebtedness is going up or down?

Debbie Jevans: Recently, if you look at the figures—we had the Deloitte report quoted—I think that, in League Two, it has probably gone up more than it should have done. That is something that we are sitting back and looking at. But it is in the overarching sense of the way that we run football. As part of this review, we want to understand better what we can do going forward to ensure that what has happened with Bury is a unique, one-off occurrence that does not happen again.

Q167 Chair: Just before we close, I want to ask a couple of questions about the report published today by the University of Glasgow on the link between dementia risk and former footballers, which shows the risk is considerably higher, or three times higher. This is a timely report that some people have been calling for for some time. How does the FA intend to act on the evidence that has been published today?

Greg Clarke: We put together a medical advisory panel. I first asked the question in early 2017, shortly after I took over at the FA. I said, "Can we get an answer to this?" Historically, the medical profession was struggling to find a methodology that answered the question. They tried brain scanning a group of young people starting out in football, but so few of them made it into professional football that there were not enough to scan. That was 20 years ago. The University of Glasgow came back with a proposal, which was that Scotland's digital data records had just been put online—the first in the world. In addition to that, someone has just created a database of Scottish professional footballers. So we had a way of taking 7,676 Scottish professional footballers born between 1900 and 1976 and looking at their health outcomes. This was compared with 23,000 people who were drawn from the same postcodes as the footballers were born in, to allow them to be the same age, same social deprivation and same social



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demographics, and it showed that, compared to the control group, the professional footballers lived on average about three years longer but had 3.5 times the chance of getting dementia.

Now we have established a causal link between professional football and dementia, the next phase of investment we have put into the University of Glasgow is to try to find out what is causing it. It is not intuitively obvious what the problem is, because when most of these people played football, it was a fundamentally different game, with no substitutes, no concussion protocols and a very heavy ball. We need to unpack those things, find out what is causing dementia in professional footballers and whether that has any other impacts on the rest of the game—semi-pro, amateur, grassroots and youth—and then, when we have some facts, change the game to be safer.

Q168 Chair: Has the university given any idea, within its control group, of differences between footballers born in, say, the 1940s and those born in 1900? Again, the game would have been fundamentally different in those eras as well.

Greg Clarke: The next phase, which we should get delivered in six to 12 months from now, answers those questions. They will break it down by people who played in the '40s, '50s, '60s, '70s and '80s. For example, when I watched football in the '70s as a young teenager, there were no subs. If you got knocked out, they would put a wet sponge on your head. You had to get up and carry on playing. You could not go off, and they had no one else to substitute you. One of the things we are pushing on very hard—I have spoken to UEFA and FIFA today—is to introduce concussion substitutes as quickly as possible, so if anyone has a head injury, you do not just have a doctor who looks at them quickly and says, "You're okay" or, "You're not okay." You can send someone else on to play while that player is assessed, to ensure that we move away from time pressure on doctors to make really important health decisions. That sort of information will come out of the next phase of the study.

Q169 Chair: Do you think, on the back of the second study, the FA might review the rules around the way clubs manage concussion injuries and even the way in which junior football is coached?

Greg Clarke: Absolutely. What we have done at the moment is put out a directive re-emphasising the concussion protocols and a movement away from repetitive heading practice. In kids' games, for example, an average ball will be headed 1.5 times in a game. We play small-sided football, and they do not kick it up in the air; they kick it along the floor.

The medical profession is designing the next phase of the study to be able to test a lot of the hypotheses you have articulated, so that, if we need to change the game in any way, we will change it globally, not just in the UK, because kids in Africa and North America are just as important as our kids. We need to make sure that we share this learning. I am at the FIFA board on Wednesday this week in Shanghai, where I will be making a presentation to the board.



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Q170 **Chair:** You are right to say that it is better to bring in global changes if you can. Could the FA bring in its own rule changes even if there was not consensus at UEFA or FIFA that that was the way to go?

Greg Clarke: Yes, we could. We are a member of IFAB, which sets the rules of football. There are the four UK home nations plus four votes, and we can take recommendations to IFAB this year, which would go to the board in December and be voted on by the shareholders in February. However, at this moment in time, the medical panel made up of the best experts in this area are saying, "Don't change anything until we've got more data, because we don't know what to change."

Q171 **Chair:** Presumably, the rules of the game would need FIFA sign-off, but there are other things like coaching guidance to clubs that the FA could do domestically.

Greg Clarke: We have done that. Already, for example, in kids' football it is subs on and off. So if a lad gets his head bumped, you just take him off and put somebody else on. So we are reasonably well placed to protect children. If—not to hide behind a corporate veil—I thought there was anything to do to protect people playing football and we had some data, I would find a way to get it done.

Chair: That concludes our questions. Like Brexit, we have discussed many issues that we have discussed many times before, and there is no immediate resolution in sight to any of them, but, nevertheless, that does not mean that we should not talk about them. Thank you very much for your evidence this afternoon.