



# NET LOSS?

**Should struggling football clubs be allowed to go to the wall? LEN SHACKLETON (a supporter of non-league Southport) tackles this thorny problem...**

**It seems rarely a week goes by without news of a lower league football team lurching into financial crisis.**

At the time of writing, League Two team Macclesfield Town are facing a winding-up order from HMRC (temporarily suspended as the club seeks new investors) over unpaid taxes. In December 2019, their players went on strike over unpaid wages and former manager Sol Campbell is said to be owed £180,000.

Earlier this season, League One Bury FC were expelled from the English Football League (EFL) because of their

inability to meet their financial and other obligations.

Another League One club, Bolton Wanderers – not so long ago a Premier League outfit – has teetered on the edge of footballing oblivion, incurring points deductions and fielding uncompetitive teams made up of youth team players.

Bury's demise led to calls for the government to intervene, with a petition demanding a Parliamentary debate, and Sports Minister Nigel Adams and MP Damian Collins (who was then heading the Digital, Culture, Media and Sport

Select Committee) calling for a reprieve.

But should clubs like Bury be reprieved?

Bury's expulsion was understandably upsetting for fans, players and other employees of the club - but that would be the case for employees of any business that goes bust.

Businesses go bust all the time, and quite rightly too: creative destruction allows new businesses and new goods and services to break through and widen consumer choice. In football, for every Bury there is a Forest Green

## BUSINESSES GO BUST ALL THE TIME – AND QUITE RIGHTLY TOO

or Salford City.

Government intervention is often called for when old-established businesses go under. A plausible case can sometimes be made for temporary support, particularly where economists can discern negative externalities such as the collapse of employment in isolated areas, and its knock-on effects on shops and suppliers. Even here, however, the sensible response is to make resources available to aid readjustment rather than keeping the failing business on life support.

But football has a special problem. Unlike most other consumer services, there are no real substitutes for a lifetime's devotion to a club and its location. It's not like the disappearance of a favourite type of car or clothing brand or chocolate biscuit, where time tends to heal rather more quickly than you expect.

However, far too much is made of the terminal nature of a club's liquidation. Although it is rare for a club to collapse while a member of the English Football League, those clubs relegated to the National League (linked to the EFL by promotion and relegation) collapse quite frequently.

Recent examples of ex-EFL clubs fallen on hard times include Halifax, Chester, Hereford and Darlington. Yet in each case the fans remained

loyal, the club was reformed at a lower level and fought its way back up the football pyramid. Crowds at these clubs' grounds are often as high as they were when in the EFL – testimony to Life After EFL Death. And they can always hope to rise higher.

Bury had been extremely badly run by at least the last two owners, but they, the owners of Bolton Wanderers and dodgy football club bosses elsewhere have been indulged for far too long by the EFL authorities.

## ALLOWING INSOLVENT CLUBS TO CONTINUE DAMAGES THE COMPETITION'S INTEGRITY AND REPUTATION – AND HARMS OTHER CLUBS

If Bury had been given a reprieve, allowing the club time to get its house in order, it would have created a moral hazard problem – rather like that associated with financial regulation before the banking crisis.

Banks were regarded by governments as "too big to fail" and thus took unwise risks with other people's money.

The temptation is for politicians to say venerable clubs like Bury (who joined

the League in 1894) and Bolton (founder members in 1888) are "too old to fail". But this temptation should be resisted; allowing insolvent clubs to continue damages the competition's integrity and reputation – and harms other clubs.

For example, Bury "won" promotion last season from League Two with a relatively expensive squad of players and coaches – which it's now clear they couldn't afford. Those clubs that lost out to Bury in the promotion race were beaten unfairly.

The EFL needs to apply much tougher rules to its members, requiring far greater financial

disclosure and setting a much higher bar with its "fit and proper" criteria for club owners and directors.

This might keep more clubs away from financial meltdown. But if another club does hit the rocks, politicians – with their fancy words and short attention span – should stay well clear ●

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### FOOTNOTE:

There are already signs of new footballing life in Bury.

A new club, Bury AFC, has applied to join a league lower down the footballing pyramid from next season.

Eventually, they hope to play their fixtures at Bury's old ground.