

STAR Meeting with the EFL

29 February 2024

15:00 - 16:00

Participants

BIRCH, Trevor (EFL)
CRAIG, Nick (EFL)
ROWAN, Mark (EFL)
NAGLE, John (EFL)
TURNER, Sarah (STAR)
BATTEN, Matthew (STAR)

Note of meeting:

Context around charges and decision

The EFL explained that the challenge it faces is that by necessity, the written reasons provided by the Commission do not set out all submissions of parties made before it. The judgment focuses on those necessary to justify the decision it has come to. NC explained that he wanted to use the meeting to add context to the judgement.

The EFL noted that fan focus will have been on paragraph 25 of the judgment:

"The EFL sought an immediate four-point deduction against the Club. Part of the rationale for this sanction was that any penalty should be more severe than previous sanctions as it is both necessary and appropriate to reflect repeated misconduct by an increased sanction."

The EFL explained that submissions of parties before Commissions are private and confidential unless contained within the published judgment. However, they could confirm that the referral was made against Reading FC under the 30-day rule (52.6), where defaults are covered across a wide variety of debts including staff (non-playing), players, HMRC and other football clubs.

The EFL explained that the following process is undertaken:

- Breach of 10 days - warning issued
- Breach of 20 days - fine issued
- Breach of 30 days - restrictions on paying fees for players are issued for 3 windows
- Breach of 45 days - clubs are referred to the independent disciplinary commission

The EFL noted that Reading FC is one of the first to be referred under this rule, which was updated in June 2023. The breach at the point of referral was in excess of 45 days.

The EFL noted that the challenge for them is that the Club had defaulted on other debts (including staff) to ensure it paid players, having previously been sanctioned for non-payment of players. This was stated publicly by the Club around the time of the Eastleigh game.

The EFL considered that this is not fair to the staff of the Club, or other members of the League, and considered that the sanction for the accrual of defaults merited a sporting sanction commensurate with the position if the Club had not paid players.

While it had been keen to separate the charges for the owner from sanctions for defaults, the EFL noted that, despite public narrative, the judgment is clear that the EFL made representations to charge the owner with further misconduct and seek his disqualification. Just to be clear the EFL did not seek a fine for the misconduct

The Independent Disciplinary Commission did not opt to disqualify due to concern of unintended consequences. The EFL noted that the owner has continued not to provide evidence as to why he has not or will not, fund the deposit account.

Why a Four Point Deduction?

The EFL noted that Reading FC previously, in August 2023, received a deduction of four points, three of which were suspended. The following month the suspended point deduction was applied. The principle the EFL adopts when seeking to ensure future compliance and sporting integrity, is that future sporting sanctions for the same or similar breaches should be in excess of what has previously been imposed. As a result, four points was therefore the minimum to represent an escalating approach to sanctions, in line with the precedents set previously in other disciplinary action pursued by the EFL.

The EFL noted that the panel agreed with the deduction of four points, but with two suspended which provides a partial mitigation. STAR challenged this point on the grounds of consequences of a deduction - noting the owner has effectively 'checked out', is funding the bare minimum, and the risk of sanctions is therefore harming sale changes.

The EFL noted that the owner continues to fund the Club and there have not been further breaches of wages/HMRC, although he is choosing not to fund the deposit account. ST noted sales in the January window are funding the Club, and that the original expectation was that this would fund to April but may now only cover up to, or part of, March.

The EFL stated that it accepts it is difficult for fans of individual clubs to accept sanctions but from an EFL perspective, Reading FC has taken a decision to assemble a squad at a certain level and based on the owner's position, has demonstrated it cannot now afford to maintain it. STAR questioned this noting that the EFL has signed-off on players and there is an agreed business plan in place. The EFL view is that this is the responsibility of Club Directors. At all times the Club was still compliant with the SCMP Rules and the financial restrictions as agreed with the Club. Where a proposed registration would not have been compliant, it would have been rejected by the League and / or the Club Financial Reporting Unit (CFRU).

STAR then queried the logical link between sanctions and sporting performance.

The EFL noted that League One is made up of Reading FC and 23 other clubs. It has been well established that there is a causal link between squad spend and performance which is an embedded principle in sanctioning. The EFL noted that points deductions are one consistent measure used across football in similar places.

The decision was ultimately made by the Independent Disciplinary Commission and consistency with approaches towards other clubs is important. Finally, the EFL stated that it is not their intent to impact a sale of the Club, but other clubs in the competition will expect regulations to be applied.

Profit and Sustainability

STAR noted the EFL remarks regarding the causal relationship between squad and spend, in the event that there is a correlation/causation then P&S enabling spend based on both turnover and blanket

allowable losses, means football is inherently set on a foundation of protecting elite and larger clubs, with the intent of limiting others to challenge. Noting the reference in the Guardian on 29 February - that the Premier League now wants the EFL to sign a new deal allowing relegated clubs to spend 85% of revenue on players while limiting EFL clubs to 70% - STAR suggested this will in effect create a closed shop. The EFL noted this point and STAR expressed their dismay at the position being reported in the media.

Suspension of Ownership

STAR queried what happens if the Independent Disciplinary Commission were to suspend the owner.

The EFL noted there would be a period of 28 days where Reading FC were marketed for sale and the EFL would have closer involvement in the sale process, working with the Club to seek to engage purchasers.

The EFL noted that suspension would be viewed as an incentive for the owner to sell, as the threat of suspension from the competition, let alone suspension itself, would reduce the value of the Club. Suspension at 28 days is an option, although with sufficient progress this remains an option rather than obligation. The EFL noted that this approach has risk as disqualification and failure to sell would lead to the Club being suspended which could be an existential threat.

Ongoing Sale of the Club

The EFL clarified that its Chief Executive was speaking to Nigel Howe at Reading FC frequently regarding ongoing matters. It was noted that Reading FC believes it has engaged an interested party they are exploring further, and the EFL hopes that this comes to fruition.

STAR queried how advanced this process was and whether checks had been undertaken. The EFL noted that it has not been approached by the Club in an official capacity as owners are not working under exclusivity, so engagement has been unofficial and informal (e.g. where individuals are known to the EFL). Reading FC has told the EFL that the funders identity cannot yet be revealed and there is no 'Letter of Intent' currently in place, so this is still at the early stages.

The EFL said it had been informed that the prospective funder is a credible individual and the broker is a sensible credible businessperson who has previously been involved at a football club.

STAR noted that they had been informed that proof of funds are in place. The EFL said they are unaware as no official approach has been made by the Club.

Fan Response to Sanctions

The EFL noted dismay at the reaction towards the organisation following the announcement of sanctions. The EFL stated that it understood while fans want the Club left alone, other clubs want a consistent approach to the application of regulations. The EFL noted that in a benefactor model, such as Reading FC, you can separate the owner from the Club to target the individual, but you cannot separate the Club from the owner entirely when it comes to the actions of the Club due to the owner, therefore sanctions are appropriate.

STAR noted that recent decisions had taken a more empathetic tone than the cover to the judgement provided - this made the announcement even more stark and will inevitably have played a part in how the decision landed. The EFL noted the position.

The EFL acknowledged the sentiment from Reading FC fans and asked what plans exist in relation to protests at upcoming games / in the immediate future. STAR updated that the current position, as of prior to sanctions, was to move to other non-disruptive means, to allow the sale opportunities to progress. STAR noted the current position therefore remains innovative while not jeopardising the future of the Club, working to keep the issues at Reading FC in the media and seeking to align the fanbase, support the team and express concerns regarding the owner. STAR noted the campaign is also focusing on other non-protest strands of activity.

AOB

The EFL noted they will shortly be having a meeting with local Members of Parliament.

The EFL also stressed their frustration with not being able to expedite a sale of the Club, reiterating that further breaches caused by the current owner will lead to escalating sanctions and it is for the owner to make good on his commitments and either step up and run the club properly, or sell.

STAR queried who the creditor is in the case of the deposit account for the 125%. The EFL confirmed the deposit account is to be in the name of Reading FC and not the EFL, so the funds remained available to the Club.

STAR noted that the owner paid historic fines the day before the last hearing but has received new fines. STAR queried the process of recovering unpaid fines where UK based assets are held, in the event that the owner were to sell the Club but be of the view that fines could continue to accrue as he won't pay them. The EFL said this matter would be addressed if required but had experience of pursuing debts.

The EFL and STAR thanked each other for taking the time to meet and listen to each other's views. Both parties acknowledge they have ideologically different positions on various issues but agreed that ongoing dialogue is constructive and appreciated.