

Hanging On - Clubs on the Brink

Economies around the world are feeling the effects of the credit crunch, with companies and individuals finding credit harder to obtain. Football clubs, even without the threat of rising wages and falling property values, have always had a tough time staying in the black. According to the latest Deloitte Report the aggregate net debt of Championship clubs at the end of the 2006-7 season was €289 million. Similarly, the estimated revenue generated by promotion from the Championship to the Premier League is around €60 million. This is almost double the value of winning the Champions League.

Even leading Premiership clubs like Manchester United and Chelsea just like many companies, have taken on debt. The test of course is how manageable and sustainable the debt is. This sets apart the old Leeds regime from the current Glazer boardroom. However, even though some clubs have had to severely restructure their finances, which have resulted in sporting penalties like points deductions, some have managed to cling on and return to winning ways. In this article we will look at some of the clubs who have been sucked into administration, and others which have been on the brink and back and some which have found novel ways to save money and ultimately stay afloat.

What goes up, must come down...

Leeds United were a regular fixture at the top of the table in the early 2000s. With five finishes in the top 5 in the Premiership, together with reaching the UEFA Cup Semi-Final and a Champions League Semi-Final in consecutive seasons, things were looking bright for the Elland Road outfit. However, the club's strategy to borrow heavily against future revenue streams meant Leeds strongly relied on continuing appearances in the lucrative Champions League.

When Leeds failed to qualify for the Champions League in consecutive seasons, and were forced to sell off some of its better players, notably, defender Rio Ferdinand to Manchester United for record £30m fee, it signalled the start of Leeds' steady decline.

This culminated in the fire-sale of the club's training ground and Elland Road stadium, together with most of the club's most valuable players in 2003-4. With most of its better players transferred out Leeds' fate was sealed, and they crashed out of the Premier League that very season. The fate of Leeds United illustrates the fact that there is no guaranteed level of income in football, and directors must manage the club's finances and ambitions carefully for their own progress without risking its long-term future.

A close shave for Boro..

In the summer of 1986, Second Division Middlesbrough found themselves relegated, and a provisional liquidator was called in. Without the capital required for Football League registration, it seemed that the club's days were numbered. However, at the last minute, the club was acquired by a consortium led by 28 year-old Steve Gibson, and completed its League registration with 10 minutes to spare. Since then, the club has risen to new heights, climbing to the First Division in 2 years. Within 6 years, Boro was one of the founding members of the Premier League. Since then, they have been a regular fixture in the Premier League, and eventually saw silverware when they won the League Cup in 2004.

Strapped for cash? Ask the fans!

Some clubs have had to find novel ways to keep themselves afloat. Bournemouth's "Playershare" Scheme allowed fans to invest their own money in the squad, effectively buying shares in certain players. Fans could then recoup this money when those players were sold. This allowed the manager to sign players, even when the club itself lacked the necessary transfer funds. Although the risks for investing fans were high, they had the unique opportunity to make a direct contribution to their team's squad, and its performance on the pitch. The scheme supported the Cherries for a number of years, but it wasn't enough, and Bournemouth eventually went into administration in February 2008 and was subject to a mandatory 10 point deduction effectively condemning them to relegation.

Indeed, for the beginning of the 08-09 League Two Season Luton, Bournemouth and Rotherham began the season with minus 30, 19 and 17 points respectively.

In June 2008 the FA docked Luton 10 points after it discovered that the club were paying agents through third party bank accounts. The Kenilworth Road outfit were then dealt a second major blow when 20 points were deducted because the Club failed to satisfy the Football Leagues insolvency rules. The combined punishment, the largest in Football League history, leaves the club with a mammoth task of avoiding relegation. While critics have called the sanctions unduly harsh, the Football League has maintained that they have merely applied the letter of the law to what were substantial failings on the part of the club's previous boards.

KFC Uerdingen, on the verge of bankruptcy, made the decision to sideline manager Aleksandar Ristic and auction the opportunity to manage the club to the highest bidder on eBay. For anyone interested the winning bid was €2,688.05. No doubt many fans of Championship Manager were clamouring for the opportunity to try it in real life.

Uerdingen have also offered its fans the opportunity to buy places on the substitutes bench and participate in the club's matches! During a match against Bayern Munich, Uerdingen surprised everyone by bringing on substitute Marcus Oellers, an insurance salesman who had won an auction on eBay for 4 minutes on the pitch against the Bundesliga champions.

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