

Written evidence submitted by Supporters Trust At Reading on 13th May 2024

House of Commons Public Bill Committee - Football Governance Bill

This submission is made by the Supporters' Trust At Reading (STAR), the independent, officially recognised body that represents the interests of Reading FC supporters to the Club, the media and the local community. The submission is made during the involvement of STAR in the Sell Before We Dai (SBWD) campaign, which was formed in June 2023 to work towards a change in ownership of Reading FC from current owner Mr Dai Yongge.

Executive summary

The submission builds on the experience of Reading FC's fans since Dai Yongge purchased the club in 2017. During that time, the club has been deducted 18 points over the last three seasons for late payment of wages or taxes, and repeatedly placed the club's future in jeopardy. It is our belief that a stronger regulator could have prevented this.

It welcomes the Football Governance Bill but highlights key areas that must be considered to ensure the proposed Independent Football Regulator (IFR) has the relevant powers to prevent other clubs going through the experience we have in the last few seasons - including that its founding principles should include proactive engagement with supporters, not just clubs and owners.

It provides additional areas that should be considered within the Bill, including the;

- Implementation of the 'golden share' recommendation from the Fan Led Review has not persisted through to the Football Governance Bill. While additional elements in the bill strengthen the role of Supporters' Trusts, current mitigations do not provide sufficient ability for Trusts to enact legal action against negligence, malfeasance, or financial mismanagement. Empowering Supporters' Trusts effectively may reduce burdens on the incoming IRF.
- Expansion of the licensing system to include periodic renewal and review of owners' licences, not just on purchase of a club.
- Expansion of the definition of an unsuitable owner to include those *individuals that knowingly flout obligations, endangering the financial stability and integrity of football clubs.*
- Consideration of including provisions to prevent owners of clubs from using other assets, particularly training facilities, as security for loans or liabilities,

and should also ensure football stadia have Asset of Community Value (ACV) status conferred upon them as default.

- Addition of a new 'Reading FC' clause - which focuses on club stability and accountability, specifically targeting unsuitable owners who jeopardise clubs' financial viability and integrity, and an amendment to clause 52 to include for the provision of a 'Financial Solidarity and Survival Fund' or ensuring that these points are suitably captured in the regulator licensing scope.

Section 1 - STAR Response to Football Governance Bill

1. We welcome the Football Governance Bill as a commendable step towards improving football governance. The experience of fans of Reading FC under current owner, Mr Dai Yongge, who purchased the club in 2017, shows the urgent need for an action to ensure independent regulation of football, and the need to address the shortcomings of the current model of football governance led by the EFL, FA and Premier League.
2. Reading FC is a club with a proud 152 years of history and has been an important part of our town and the wider county of Berkshire. Through cup wins, the historic 2005/06 season, days out at Wembley, seasons in the Premiership and WSL - both Reading FC and Reading Women FC have represented our community at the highest level, but the actions of our current owner have put all of that in jeopardy over the last few years.
3. Under the ownership of Mr Dai, the club has been docked 18 points over the last three seasons, including six for late payment of wages or taxes. He has individually faced penalties from the EFL, but none of those actions have resulted in a change in his behaviour. Instead, these sanctions have penalised the players, staff, and fans of the club. In evidence to the Culture, Media and Sport Committee in January, Rick Parry, Chair of the EFL, admitted that despite the sanction imposed, the EFL were '[not in a position to easily force him to divest of the club](#)'.
4. We are cautiously optimistic about the proposed changes recommended by the Bill. However, we have some concerns about the effectiveness of the proposed independent regulator in general - and would recommend to the Committee that, as the Bill passes through Parliament, that close attention is paid to ensuring that the proposed regulator would have the necessary powers to prevent other clubs going through the experience we have in the last few seasons.
5. Fans recognise the need for regulation but emphasise that powers of the Independent Football Regulator (IFR) should be more akin to the Charity Commission rather than other regulatory bodies like Ofwat. The IFR's

effectiveness will depend on its ability to address systemic issues and protect clubs' financial sustainability.

6. Setting minimum standards for fan engagement in the Bill must be praised, but stronger mechanisms are needed to ensure meaningful fan representation in decision-making processes. The IFR's founding principles should include proactive engagement with supporters, particularly through their democratically elected representative bodies of Supporters' Trusts, not just clubs and owners.
7. While a strengthened Owner and Directors Test (OaDT) is well-received, we would like to see further clarity on the differences between the existing test and enhanced versions. Ensuring suitability of club owners and directors is crucial to maintaining the integrity of English football, but without a strong independent regulator, concerns will persist about club ownership. Additionally, it would be beneficial to clarify whether there will be one OaDT process led through the IRF, or whether this will be an additional and duplicative process that sits on top of existing Premier League and EFL tests.
8. In particular, the regulator must have the powers to ensure that it is able to address the growing interest in English football from owners from across the world. Under Mr Dai's ownership, we have had concerns about Chinese government regulations potentially restricting the volume of funds that can be transferred to the UK - and how the decision of non-UK governments, therefore, could force clubs into administration or worse due to non/late payments in the future.

Section 2 - Additional areas for consideration in the Bill

1. To strengthen the Bill, we propose several items are reviewed and considered that may address some of the key areas of concern that we have:
2. **Golden Share:** It is deeply disappointing that the 'golden share' recommendation from the Fan Led Review has not persisted through to the Football Governance Bill. Such a mechanism would be crucial for safeguarding the interests of fans, particularly through Supporters' Trusts. A 'golden share' would empower fans by granting them a stake in the club's decision-making process. It would also allow Supporters' Trusts to act as custodians, ensuring the long-term protection of football clubs.
3. Specifically, a 5% model or a dedicated 'golden share' option would provide options for legal redress—such as injunctions, derivative actions, share sale orders, or winding-up orders—that are currently unavailable to Trusts. By omitting this safeguarding opportunity, it risks compromising the very essence of

community-based football clubs, as realised by Supporters' Trust at Reading (STAR) during ownership of Dai Yongge. We would urge the committee to consider the inclusion of a 'golden share' provision within the Bill.

4. **Enhanced Licensing Regime:** Expand the licensing system to include periodic renewal and review of owners' licences, ensuring ongoing suitability and accountability, rather than solely club-related licensing on purchase. This would include an annual review ahead of a licence being reissued to allow a club to enter into the following season's competitions. The IRF will be permitted to order a review on more than one occasion per season, where closer monitoring feels appropriate.

Since his purchase of Reading FC in 2017, two other clubs (Beijing Renhe FC in China, and KSV Roeselare in Belgium) have both been placed into administration after being owned by Mr Dai, but under the current system there was no mechanism for the EFL or FA to consider if this should be a cause for concern for the ability of Mr Yongge to properly fund Reading FC.

5. **Investigating Owners:** Clarification on how the IFR will suspect and investigate serious criminal conduct, especially for non-UK-based owners, is necessary. Additional clarification required on whether serious criminal conduct alone is sufficient and how the UK government plans to deal with other governments when conducting a criminal investigation into an overseas owner, especially those who are perceived as adversaries to the United Kingdom.
6. **Unsuitable owners definition:** The bill should expand the definition of an unsuitable owner to include those *individuals that knowingly flout obligations, endangering the financial stability and integrity of football clubs*. This would allow for greater action to be taken against club owners who act with disregard for their responsibilities and obligations, and who prioritise profile or interests over the well-being of the club, its fans, and the broader football community.
7. Their actions may include financial mismanagement - including diverting club funds for personal use, willingly and consistently flout obligations such as defaulting on payments including HMRC, staff or player wages. The definition of "financial mismanagement" also includes an owner engaging in bad faith with financial practices in relation to profit and sustainability rules - and withholding critical information from the authorities to prevent proper oversight.
8. While football ownership involves risk and challenges, there comes a point where an owner's actions surpass acceptable limits. The case of Dai Yongge at Reading FC exemplifies this. When an owner's decisions jeopardise the club's existence or lead to extreme financial distress, they cross the threshold of

suitability. Continuous **or** sporadic late or non-payment of creditors, including HMRC, players and staff and companies who help to enhance the club's performance on the pitch and off it (e.g. catering for the fans' matchday experience) is a key indicator that an owner is an unsuitable custodian.

9. Additionally, a small tweak to clause 37 would considerably strengthen Section 37(2) requires the IFR to consider government "trade and foreign policy objectives" when assessing club owners and directors. This narrow focus may not capture all relevant factors or empower trade and foreign policy objectives to be considered from a nuanced and individualised perspective. Amending the text to read as "In making a determination under section 28 or 34, the IFR **may** also have regard to the foreign and trade policy objectives of His Majesty's Government in the United Kingdom, **and due regard to conduciveness of the public good of the UK.**" would strengthen the bill in two elements. 1) changing must to may would empower the IFR, rather than instruct it 2) the additional text would empower the IFR to engage with a broader set of governmental stakeholders when necessary and ensure that economic interests are not the sole focus in determining ownership fitness. This would therefore enable a holistic consideration to whether an applicant's character, conduct, or associations pose a threat to UK society.
10. **Home Ground Security:** The bill should consider including provisions to prevent owners of clubs from using other assets, particularly training facilities, as security for loans or liabilities, similar to the protection for home grounds. Our experience at STAR has been that Mr Dai has arranged the affairs of Reading FC to ensure that the club's various assets (the Club, our Stadium and Training Ground) are split across different commercial entities. That has allowed him to propose the sale of our training ground to local rivals Wycombe Wanderers FC - an action that was only stopped due to a combination of outcry from fans of both clubs and from across the football community and the actions of Reading fans identifying existing land registrations which would complicate a sale.
11. **Asset of Community Value status:** The bill should also enter football stadia to have Asset of Community Value (ACV) status conferred upon them as default under the Localism Act 2011, Part 5, Chapter 3. The ACV should be allocated to a designated Supporters' Trust or an equivalent fan organisation. We are fortunate that the actions of Reading Borough Council to place our stadium under an ACV has reduced the risk that our current owners would sell the stadium for a use other than that for football, but other clubs might not be as fortunate.

3. Recommendation of an additional "Reading FC Clause" - Ensuring Club Stability and Accountability' to be added to the Bill

1. Given our experiences, STAR would propose the committee considers adding an additional clause into the Bill which would aim to ensure club stability and accountability, particularly targeting rogue owners who threaten the financial health of clubs.
2. **Proposed “Reading FC Clause” Enhancements:** The proposed clause focuses on club stability and accountability, specifically targeting unsuitable owners who jeopardise clubs’ financial viability and integrity. It empowers the IFR to investigate and take necessary action against unsuitable owners, ensuring their removal from club ownership. Additionally, it emphasises financial safeguards by setting stringent requirements for club ownership to prevent sudden collapses due to mismanagement or lack of funding.
3. The proposed clause complements the existing bill by reinforcing the IFR’s role in safeguarding clubs and preventing financial crises caused by unsuitable owners. It enhances the bill’s intent by explicitly addressing the issue of unsuitable ownership and providing a mechanism for post-removal support to prevent club collapses.
4. In summary, the proposed “Reading FC” clause enhances the existing Football Governance Bill by providing specific provisions to tackle unsuitable ownership and ensure club stability. It aligns with the bill’s overall goal of sustainable football governance. By incorporating this clause, we strengthen the bill’s ability to protect clubs and their communities while maintaining transparency and accountability.

Proposed wording of a draft “Reading FC Clause” - Ensuring Club Stability and Accountability’

Whereas the stability and integrity of football clubs are of paramount importance to the well-being of local communities and the broader football community;

And whereas, unsuitable owners have, in the past, jeopardised the financial viability and existence of football clubs, leading to significant distress for fans and communities.

Be it enacted by the Parliament, that the Independent Football Regulator (IFR) shall have the following powers and responsibilities:

- **Removal of Unsuitable Owners:**

- The IFR shall have the authority to investigate and take necessary action against individual club owners who engage in practices detrimental to the financial stability, governance, or reputation of football clubs.
- In cases where such an owner is identified, the IFR shall have the power to force divestment and facilitate their removal from club ownership, ensuring that the club's interests are safeguarded.
- Any appeal or representations made by the owner of a football club must be submitted within a period not exceeding seven days following the initial decision or action that is being appealed.
- A hearing to consider such appeal or representations shall be convened no later than fourteen days after the expiration of the aforementioned seven-day period.
- **Financial Safeguards:**
 - The IFR shall establish stringent financial requirements for club ownership, including provisions for adequate funding, transparency, and accountability.
 - Clubs shall be required to demonstrate financial sustainability, with mechanisms in place to prevent sudden collapses due to mismanagement or lack of funding.
- **Support for Clubs Post-Owner Removal:**
 - Upon the removal of an unsuitable owner, the IFR shall work collaboratively with relevant stakeholders, including Supporters' Trusts (or diverse panel of fans if no recognised Supporters' Trust is in place), to ensure that the club remains operational during forced divestment.
 - Funding mechanisms, emergency grants, or other methods of financial support shall be made available to prevent clubs from collapsing once a rogue owner has been ousted. The most suitable method of financial support shall be decided by the IFR.
- **Levy for Survival Fund** (as introduced in Clause 52):
 - The IFR is also empowered to impose a levy on football clubs, scaled according to their revenue and profitability, to contribute to a 'Survival Fund'.
 - This fund is dedicated to assisting clubs in financial distress, ensuring their short-term operational needs and long-term sustainability.

4. Recommendation of an adjusted draft clause 52 to include for the provision of a 'Financial Solidarity and Survival Fund'.

1. This draft clause is designed to complement the existing provisions in the Reading FC Clause, focusing on the financial stability and accountability of football clubs - and could be included within clause 52. It introduces a systematic approach to supporting clubs in need, while also ensuring that the process is fair, transparent, and adaptable.
2. This clause aims to ensure that the wealth generated within the sport contributes to the resilience and continuity of all clubs, particularly those facing financial challenges. It is important that such a fund would be used conferred by the IFR only following a forced divestment to a non-benefactor model of ownership, for example a Supporters' Trust, and would be delivered in a similar fashion to parachute payments in enabling a short and focused transition to a sustainable financial model with oversight of the IFR.
3. We would propose that alongside the powers and responsibilities outlined in the "Reading Clause" - Ensuring Club Stability and Accountability, the Independent Football Regulator (IFR) shall also have the following authority:
 1. Levy for Survival Fund:
 1. The IFR shall have the power to impose a reasonable levy on football clubs, scaled according to the revenue and profitability of each club.
 2. The funds collected shall be allocated to a 'Survival Fund' dedicated to assisting clubs in financial distress, ensuring their short-term operational needs and long-term sustainability.
 3. The levy rate and collection methods shall be transparent, equitable, and subject to periodic review to reflect the changing economic landscape of football.
 - Distribution of Survival Fund:
 1. The Survival Fund shall be managed by the IFR and distributed to clubs under financial duress, as identified by objective financial health indicators.
 2. Distribution shall be contingent upon the submission of a viable recovery plan by the club, detailing the intended use of funds to restore financial stability.
 3. Clubs receiving support must agree to IFR oversight and adhere to strict financial management criteria to prevent future crises.