

Problems within the Management of European Football Clubs and Countermeasures: A Case Study on Manchester City and the Financial Fair Play

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Abstract: Football nowadays is definitely one of the most important ways of entertainment in people's life. Football leagues such as the Premier League are attracting millions of viewers from all over the world. But when people talk about football, fairness is something that should guarantee to the fans. Thus the UEFA has introduced Financial Fair Play in order to achieve equality in European football clubs' finance and management. In this investigation, the aim is to research how European football clubs could work under the restrictions of the Financial Fair Play and provide a case study on Manchester City's breaches in 2023. This paper is to research and compare recent cases of other teams' violations and estimates the best way European football clubs can survive under the policy, and provided a possible sanction to Manchester's case, which could be summarised as a 15-to-30-point point deduction and a fine of around \$600 million. Thus the UEFA could make it the fairest for every group of clubs and fans and form an equal environment for European Football.

Keywords: finance and management, financial fair play, European football

1. Introduction

Football, one of the largest, most famous, most popular, and most influential sports in human history, originated over 2000 years ago in ancient China and was named Cuju. The brilliant ancient Chinese, like the famous Gaoqiu, were very talented, but unfortunately, China is not a strong country in football anymore. England, France, Germany, Spain and Italy are five strong countries with football and their leagues are called the 'Big Five' [1]. Those countries have strong strength in their football clubs and national teams, and people are very into football. In England, the Premier League is the most popular football league, including teams such as Arsenal, Chelsea, Liverpool, Manchester City, Manchester United, and Tottenham Hotspur. Premier League teams compete for the top four places and try to avoid being in the last three. The top four teams would be allowed to play in the Champions League, the tournament with all strong teams in Europe, and the fifth place will play in the Europa League [2]. The last three teams would be relegated to the second tier of English Football, and the three best teams in the second tier will join the Premier League in the second year [2]. Manchester City is one of the dominant teams in the Premier League. With tons of good players such as Sergio Agüero, Yaya Toure, Kevin De Bruyne, Erling Haaland, etc., Man City has won so many titles and stayed in the top four for the whole decade. Although City has not yet made significant achievements in international

tournaments, they are showing a bright future for them while Harland is leading the scoring table with 28 goals but is only 22 years old, and young players like Phil Foden and Ruben Dias and Julian Alvarez are showing their talent.

However, this caught the FA's attention. Combining every good player in the world into one super team is against the principle of International Football. The FA started to investigate the finance and management status of the club. With a three-year investigation inside the club, the FA found over 100 breaches of Financial Fair Play for Manchester City [3]. This was not great news to City, and they were to face harsh punishments from the Premier League. Although this was a sensational event for the world when the news first came out, it did not last long. But football fans should not let this scandal drown. Although the illegal behaviors have not been fully verified letting them fade away will break equality and equity. Fans should raise awareness of international football, avoid any unfair advantage and form an international football society with equal opportunities and treatment [4].

The purpose of this paper is to investigate the seriousness and severity of Manchester City's violation of the Financial Fair Play, what City had violated, and provide a prediction on how Manchester City should be punished. To do this, Manchester City's breaches and other teams' violations would need to be compared and analysed. Through comparison, the FA could take harsher actions to deal with violations that are less severe than other teams' and more conservative actions to deal with more severe violations than other teams have. This investigation also provides a possible way for clubs to deal with the FFP by spitting the bills over periods of time so that the expenditure of each year could match the requirements of the Break-even rule in the FFP.

2. Financial Fair Play: Regulations against Power of Money

When the Russian Billionaire Roman Abramovich became the official chairman of Chelsea FC in 2003, which cost him £140 million to buy the club and £121.3 million to buy players, the money-driven football era began [5]. To prevent this situation into an unstoppable trend, the UEFA (The Union of European Football Association) issued a policy named "the UEFA Financial Fair Play" (FFA) in 2010 [1]. In order to maximise the effect, the FFA introduced two key criteria: Club licensing and Club Monitoring. Club licenses are required for player transfers and other trades. Club monitoring is more complex. It requires specific branches under this rule, such as the Break-even. Break-even requires the "relevant" income to balance the "relevant" expenditure [1]. This would limit the possible input of money from wealthy owners of the club and prevent a "super" team with too many good players. With this restriction, clubs with wealthy owners, such as Chelsea, Manchester City and Paris Saint Germain, are very likely to break the rules, and indeed they did.

For clubs that violate the "sacred" rules of FFA, there are eight possible sanctions or punishments that could apply, including suspension of the club from playing league matches, points deductions, a recommendation to the board that league matches be replayed, a recommendation to the board that the league expels the respondent club, order compensation, cancel or refuse registration of players, conditional punishment, and order the club to pay costs.

3. The Spectacular Occasion of Premier League and Manchester City

The premier league is the football league with the highest level in England. It started in 1992, includes twenty clubs, and takes 38 games every season. With the Spanish La Liga, German Bundesliga, Italian Serie A, and French Ligue 1, they are called the Big Five European Leagues. In the recent five years, teams from the premier league have qualified in the knockout stage nineteen times and made it to the final six times, and two teams (Chelsea FC and Liverpool FC) won the championship. As clubs in Premier League are showing dominant strength in the Champions League and the Europa League, the premier league has been taken as the best league in the world.

Manchester City has dominated the Premier League by winning four championships in five years. This situation started right after the Vice President of the United Arab Emirates, Sheikh Mansour, bought Man City in 2008. Before 2008, Man City was a mid-table team, ranked in the 10th place in the 08-09 season. However, with the extensive investment by the Arab billionaire, City soon raised to 5th place in the 09-10 season, then to 3rd place in the 10-11 season and finally got their first Premier League title in the 11-12 season [6]. With 16 titles (including six Premier Leagues, two FA Cups, three Community Shields and six EFL Cups) after Mansour took over the team, City had rushed into the big 6 from the mid-table within ten years [6, 8]. In this ten-year transformation, Mansour must be the most important and outstanding person.

4. Manchester City: Accusations against the FFP

On February 6th, 2023, the EPL published an announcement named 'Premier League Statement', in which it provided more than 100 allegations against Manchester City [3]. These accusations incorporate 50 breaches related to financial information, 8 breaches related to manager remuneration, 25 breaches about profitability and sustainability and 30 breaches due to lack assisting to Premier League's investigations [3, 7]. The earliest violation could be drawn from 2009, which started right after Mansour's ownership began [3]. In 2020, Manchester City was accused of breaking the FFA rules and facing a two-year ban from European Football. But with their strong law group, the ban was cancelled, and the €30 million penalty was reduced to €10 million.

After three years of further investigations, EPL finally found enough strong evidence to charge Man City [3]. City is facing possible deduction of points and penalty, and the most severe punishment could even be expelling from the Premier League.

4.1. FFP: Target and Restrictions

Financial Fair Play is a policy aiming to reduce any circumstances that would create monopolies and any unequal treatment of individuals or groups [7]. This would make their targets large and strong teams, especially those with strong financial forces. With this characteristic, wealthy clubs such as Chelsea, PSG, Barcelona, Real Madrid and Manchester City are definitely at the top of the list. In the policy, the rule about Break-even would be the most complicated one for clubs to manage. This rule would severely limit expenditure by forcing clubs to balance their relevant income and relevant expenses [7-9]. The relevant income includes all revenue streams and revenue from player transfers and finance income [7-9]. The relevant expense includes all costs of player transfer, finance costs, all expenditures except those on facility buildings, and taxation [7-9]. With these two factors limited, wealthy owners need to consider the consequence of paying high transfer payments and high wages to players will be limited with from the earnings of money on player transfer (transfer payments normally take the most percentage on relevant income, so income on other infrastructures is usually not enough) [10].

4.2. Analysis of Violations in Finance and Management

In the announcement that Premier League published, City violated over a hundred rules [3]. One of the reasons City is being investigated is that they have not fully disclosed faculties' and players' remunerations [3, 7]. The actual wage of the manager and transfer fee of players are likely to be a lot higher than the official contracts. In 2020, City was already alleged for seriously misled the European Football governing body. Also, Man City did not cooperate with the investigation group. However, there are violations which do not really matter. For example, one of the breaches stated that the grass in City's stadium was too long [3, 7].

The major problems for Manchester City and other clubs that violated the FFP before were finance. From 2008 to 2022, Man City spent €1.44 billion on player transfer, ranked at the top of the world, exceeding the second place for €0.4 billion, whereas the total profit from selling players is only €795.69 million [11]. The €0.6 billion difference would lead them to massive problems.

4.3. Possible Ways to Avoid Violating the FFP

To avoid violation of the Financial Fair Play, clubs should balance their relevant income and relevant expenses during the specific period. As the Break-even rule only requires those two factors to balance in three reporting periods, spending in those three periods should balance the income. However, it only counts for the money paid, so clubs can sign a lengthy contract to avoid breaches. As it has shown that for Chelsea FC in 2022, after Todd Boehly purchased the club from Abramovich, he started a spending spree. In the summer window, Chelsea bought Wesley Fofana for €804 million, Marc Cucurella for €653 million, Raheem Sterling for €562 million, Kalidou Koulibaly for €380 million, and Carney Chukwuemeka for €180 million. And in the winter window, Mykhalo Mudryk for € 700 million, Benoit Badiashile for €380 million, Noni Madueke for €350 million, Malo Gusto for €300 million, Andrey Santos for €125 million, David Fofana for €1200 million, a €110 million loan for Joao Felix, and the new World Cup Champion Enzo Fernandez for 1210 million. Although this a large number of money spent, the contract with them takes 6 years on average. This means that the money can be split into different reporting periods, and the relevant expenses will be much lower so it can match the relevant income.

5. Case Study: Other Teams' Violations and Sanctions

In 2019, Chelsea was accused of 19 breaches regarding 29 foreign players under 18. The Blues received a two-window transfer embargo until the 2020 summer window, a \$599,000 fine and being “given a period of 90 days to regularise the situation of the minor players concerned.”

In 2016, Real Madrid, Barcelona and Atletico Madrid were banned from the transfer market for two windows. They were also punished because they violated regulations from Article 19 while signing international players under 18. But later, Real Madrid's ban was reduced to one window, and the previous 360,000 Swiss Franc fine was reduced to 240,000.

In 2022, eight teams received fines from the UEFA, including PSG (€65m), AS Roma (€35m), Inter (€26m), Juventus (€23m), AC Milan (€15m), Besiktas (€4m), AS Monaco (€2m) and Marseille (€2m). And 19 other clubs (Barcelona, Chelsea, Dortmund, Lazio, Leicester, Lyon, Manchester City, Napoli, Rangers, Real Betis, Sevilla, West Ham and Wolfsburg) escaped the fine due to the Covid Exception.

In 2018, QPR was fined £42 million for violating FFP rules about exceeding the spending limit and given a one-window ban.

In 2023, Juventus was alleged of false accounting. Members of Juventus's board were banned from football activities by the Italian Football Federation, and Juventus was given a 15-point point deduction.

As these five cases had demonstrated, Juventus's case is probably the one with the harshest sanctions, and it has a similar reason to City. But City's breaches are more severe than Juventus's and lasted for a much longer period. So Manchester City's sanction should be harsher than just a 15-point point deduction. In 2004, Juventus was in a scandal called the Calciopoli, which involved bribing and pressuring the referee. This is a more serious case as it would directly change the result on the pitch [12]. Juventus was relegated to Serie B and stripped of two of its Serie A title. Three teams, including Fiorentina, Lazio and AC Milan, are also involved. Fiorentina and Lazio were banned from European competitions and played without audiences in the next two games. All three

teams got a 30-point point deduction. And all four teams were heavily fined. Calciopoli is one of the most serious scandals in football history. Man City's case is definitely not this serious, so City's sanction should be lesser [3, 7, 12]. As a result, Man City's point deduction should be around 15-30 points. A relegation would be unnecessary. And a fine of around \$600 million would be considerable.

6. Conclusion

In conclusion, Financial Fair Play is not finely working with all European football clubs. As the Premier League is developing as the fastest league in the world, clubs are seeking opportunities to get over each other. All clubs are trying their hardest as their legal right, and indeed, many of them would accidentally cross the line. With restrictions from the FFP, clubs' input of money would finally be limited, and unequal actions will be punished. In the case of Manchester City in 2023, the club's violations were found illegal. As the paper has discussed in the text above, the possible consequences Man City could face are predicted as a 15-30 point deduction and a fine of around \$600 million. This investigation gives the reader a brief understanding of Financial Fair Play and demonstrates how European football clubs are working under this rule. The case of Manchester City provides a typical counter-example of it. Other European football clubs and fans could learn from this case in this paper, and UEFA and Premier League could possibly take this study as a reference for a possible way to deal with City's case so that football clubs can be treated equally and give City fans a reasonable result. There are also constraints in this investigation. As the method is to study and compare different cases from other clubs, the results are only assumptions from history. Other investigators could use AI models to calculate, then they would have more suitable and precise data. And still, the official results are still under UEFA's discussion and consideration. The assumptions in this paper are only opinions of football fans who care about this case. Hope that the UEFA and Premier League can give all the fans an acceptable ending.

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