



Gambling Related Harm APPG



The Rt Hon. Boris Johnson MP
Prime Minister
10 Downing Street
Westminster
London
SW1A 2AA

13 April 2021

Dear Prime Minister,

Football Index: Call for an Independent Public Inquiry

The collapse of Football Index, which billed itself as a stock market for footballers, is estimated to have cost tens of thousands of its users in the region of £90 million. Bet Index, the company that operated Football Index, is now in administration and has since had its license suspended by the Gambling Commission. More recently Footstock, a similar product, has surrendered its Gambling Commission license and gone into administration in Germany. Tens of thousands of people have lost life-altering sums of money as a result.

Football Index allowed users to buy “shares” in assets that represented footballers. Performance-related dividends would be paid out on shares in players: such as for goals, assists and clean sheets. The “shares” would, depending on this factor, fluctuate in value and could be bought and sold on a “stock market” created by the platform. The platform would act as the intermediary and take a commission on the trades.

Documents presented to the Gambling Commission in January 2020, exposed by the Guardian, warned of Football Index’s “pyramid structure”, and the risks of a “bank run”. The document warned that should user growth stop or decline, the company would not be able to pay liabilities to its users. Despite this it took the regulator four months to commence an investigation into the viability and sustainability of the product it had licensed.

The Gambling Commission was also warned, in January 2020, that Football Index “posing as a ‘football stock market’ has created a dangerous false sense of security over the money users have at stake on the platform, as the majority simply do not consider that they could potentially lose the entirety of it” as “the company keeps only a fraction of [the index value] in reserve creating a significantly high probability of a devastating ‘bank run’ where only a portion would get their money out before the platform closed its doors”.

Football Index were essentially operating a ‘fraction reserve banking’ system where only a portion of users’ money and overall ‘Market Cap’ was available to withdraw at any one time. Such a platform should arguably have been subject to liquidity controls and capital ratios, which regulation by the Gambling Commission did not require. As a result, Football Index was fatally and financially reliant on user growth to not only avoid insolvency but to avoid its own customers losing what has been estimated as being £90 million of their own money.

We are calling for an urgent independent public inquiry into the circumstances around the collapse of Football Index and Footstock, which should include the role of the Gambling Commission and the Department of Digital, Culture, Media and Sport (DCMS) in its terms of reference. From the evidence outlined above, it appears as though the Gambling Commission licensed what became a pyramid scheme, was subsequently warned that it had become a pyramid scheme, but by negligence or design allowed Football Index to overstate its financial position, reassuring its users to attract more investment and new money into the platform.



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An inquiry is needed to get to the bottom of who knew what and when. This scandal has brought into sharp focus regulation that is not fit for purpose and mechanisms for consumer redress that are non-existent. The Gambling Commission should not be allowed to mark their own homework. Allowing them to do so will mean affected individuals, their families, and the reputation of British gambling, will be left to pay the price for this failure. That is why we need an independent public inquiry.

We look forward to your response.

Yours sincerely,

Carolyn Harris MP

Chair, All-Party Parliamentary Group for Gambling Related Harm

The Rt Hon. The Lord Foster of Bath

Chair, Peers for Gambling Reform

The Rt Hon. Sir Ian Duncan Smith MP

Vice Chair, All-Party Parliamentary Group for Gambling Related Harm

Ronnie Cowan MP

Vice Chair, All-Party Parliamentary Group for Gambling Related Harm

The Rt Hon. Stephen Timms MP

Vice Chair, All-Party Parliamentary Group for Gambling Related Harm

The Rt Rev. The Lord Bishop of St Albans

Vice Chair, Peers for Gambling Reform

The Rt Hon. Baroness Armstrong of Hill Top

Vice Chair, Peers for Gambling Reform

The Lord Smith of Hindhead CBE

Vice Chair, Peers for Gambling Reform

The Lord Trevethin and Oaksey QC

Vice Chair, Peers for Gambling Reform

The Lord Filkin CBE

Vice Chair, Peers for Gambling Reform

Stuart McDonald MP



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Clive Lewis MP

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The Rt Hon. Alistair Carmichael MP

Jamie Stone MP

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The Rt Hon. The Baroness Harris of Richmond DL

The Rt Hon. The Lord Bradshaw

The Rt Hon. The Baroness Sheehan