

Fraudulent misrepresentations and football

15 JANUARY 2008

CATEGORY:
ARTICLE

The Facts of the Case

The defendant had been employed as manager of Crystal Palace Football Club. His employment contract stipulated that he should pay the claimant football club £1 million if he left his employment prematurely and took up employment with a Premiership football club (the top division of English professional football). At that time Crystal Palace were playing in the Football League Championship, the second level of English football. At the end of the season the claimant club failed to obtain promotion to the Premiership. Discussions then took place between the defendant and the club chairman and it was agreed by way of compromise that the defendant should leave the club. Eight days later the defendant was appointed manager of a Premiership club. The claimant issued proceedings against the defendant claiming it had been deceived into releasing the defendant from his contract, believing he wished to do so for purely family reasons. The court ordered the trial of a preliminary issue, namely whether the claimant had released the defendant on the basis of fraudulent misrepresentation and whether the compromise agreement releasing him should be rescinded. The defendant argued that rescission was not appropriate because it was impossible to return the parties to the position they occupied prior to the execution of the compromise.

The Decision

The court found that the defendant had represented to the claimant club that he had not been in communication with another Premiership club and that impliedly therefore he did not intend to join such a club. The defendant knew these representations were untrue. The claimant club was induced to release the defendant from his contract on the basis of those fraudulent representations. The defendant was now employed as manager of a new club and Crystal Palace had employed a new manager. It would not be fair to the defendant's new club if the compromise agreement were rescinded because then the defendant would be employed by two clubs, which was impracticable. Practical justice required that a compromise agreement whereby the defendant had been released from his former employment should not be rescinded but rather the defendant should pay the claimant club appropriate damages.

Points of Interest

The defendant had clearly acted fraudulently and normally the consequence of such a fraud would be for the compromise agreement under which he had been released from Crystal Palace's employment to be rescinded. This would have revived the defendant's employment contract and required him to pay £1 million compensation to the claimant club. However, this would be unfair to the Premiership club which the defendant had now joined as clearly the defendant could not serve two masters. The case is a striking illustration of the flexibility of equitable remedies and the regard a court of equity has to the interests of an innocent third party (in this case the Premiership club) who might be unjustly affected by the exercise of the court's jurisdiction to rescind the compromise agreement.