

# Article

## Case Messi/FC Barcelona

Some notes on the ‘Messi case’ (if there was actually a case)

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The fact that Spanish clubs/Sociedades Anónimas Deportivas (SADs) were spending beyond their means led LaLiga to impose a set of restrictive measures to ensure a fair balance between income and expenditure, always focusing on the long-term economic sustainability of these entities. One of these measures affects the amount clubs/SADs can use to pay their players’ salaries. The LaLiga regulations are comprehensive and complex. This article uses the example of Leo Messi and FC Barcelona to provide some practical clarifications.

### 1. Intro

We do not know if it can truly be said that there was a ‘Messi case’ in Spain, or simply that, once again, the strict economic control rules imposed by LaLiga not so long ago have once again been applied, albeit with much more media attention because it concerned a player as famous as the Argentinian.

LaLiga, like all major football leagues, has for years imposed economic and salary rules on clubs to ensure their viability and that of the tournament. The salary cap is the amount that the club can allocate without infringing these rules to pay the salaries of the first team players and coaching staff. FC Barcelona’s official statement on the matter dated 5 August 2021 said (free translation):

‘Despite an agreement having been reached between FC Barcelona and Leo Messi and with the clear inten-

tion of both parties to sign a new contract today, it cannot be formalised due to economic and structural obstacles (Spanish LaLiga regulations).

In view of this situation, Lionel Messi will not continue to be linked to FC Barcelona. Both parties deeply regret that in the end the wishes of both the player and the Club cannot be fulfilled.

Barça would like to thank the player for his contribution to the institution and wishes him all the best in his personal and professional life.’

### 2. But what exactly do the LaLiga regulations say?

Clubs must, as a general rule, present their budgets for the following season on 30 April, i.e. for the 2021/2022 season, clubs/SADs presented their budgets on 30 April 2021. Once these budgets have been reviewed by the financial control department and validated by the Validation Body of LaLiga, from the third week of May onwards, the Sporting Squad Cost Limit (*LCPD*, because of its initials in Spanish) of each club/SAD is determined. This figure is not fixed, since, as we will explain below, it can vary for different reasons.

The LCPD includes the cost of the eligible and non-eligible squad. The eligible squad are the players linked to the club/SAD by an employment contract attached to the first team, i.e. numbers 1 to 25, both inclusive, as well as the coach, assistant coach and physical trainer of the first team. Specifically, the key components that comprise the cost of the eligible squad are: (i) salary payments, in cash or in kind (housing, vehicles, travel, etc.), fixed or variable; (ii) payments for the assignment

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of individual or collective image rights; (iii) the amount of the annual amortisation of the cost of acquiring federative rights; (iv) social security contributions or contributions to pension plans or other forms of social security; (v) indemnities or compensation payable by the club/SAD for the termination of employment contracts; (vi) the cost borne by the club/SAD of the remuneration or otherwise of a player whose federative rights have been temporarily transferred to another club/SAD; (vii) collective bonuses for the achievement of sporting objectives; (viii) at least 25% of the acquisition price of the club's transfer rights which are the subject of an option to purchase in the case where the club/SAD enters into a temporary transfer contract as a transferee, where it can be determined that the transferee club has already assumed the obligation to exercise the option to purchase; (ix) expenses for the acquisition of players/coaches (e.g. payments to agents or intermediaries); and (x) the amount of the mandatory licensing fees for players and coaches.

On the other hand, the non-eligible squad are the players linked to the club/SAD by an employment contract attached to the other teams, subsidiaries and dependents of any category, as well as the coaches and trainers of these teams.

### 3. But can the LCPD initially granted be changed?

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As already mentioned, it can. The main budget modifications that can lead to changes in the LCPD are: (i) signing of new sponsorship/advertising contracts (in any case, these contracts are subject to the assessment of the Validation Body of LaLiga, which estimates the fair value of the transaction and the real market price, as well as verifying that the operation makes economic sense, in order to avoid, for instance, sponsorship from certain States); (ii) income from the sale of players; and (iii) capital contributions (although this contribution may not be allocated 100% to the LCPD and only a % of the same depending on the group in which the club is classified, in addition to the fact that it must be distributed over four seasons in the case of a 1st Division club). That is to say, by way of example, a 1st Division club/SAD belonging to group B and making a contribution of EUR 50 million, will be able to allocate EUR 32.5 million (65% of the contribution) to its LCPD, distributed, of course, over four seasons.

## 4. Then, why are clubs/SADs sometimes permitted to exceed the said limit?

Well, there is a particular rule (art. 100 of the LaLiga Regulations) which allows clubs/SADs to slightly exceed the limit in case they fulfil certain conditions (free translation):

- ‘1. Clubs/SADs which, once they have been assigned the Sporting Squad Cost Limit, and which on 1 July of Season T (in accordance with the provisions of these Regulations) cannot register any more Players due to exceeding the said Limit, may nevertheless register new Players provided that the sum of their respective individual Costs does not exceed:
  - a. Twenty-five percent (25%) of the sum of:
    - i. The decrease in the Initial Sporting Squad Cost Limit foreseen for Season T corresponding to the Players with whom their contractual relationship is temporarily or definitively terminated and which form part of their Initial Sporting Squad Cost Limit for Season T.
    - ii. On a transitional basis, for the 2020/2021 and 2021/2022 Seasons, the net profit from the transfer of such players. In the case of the transfer of players whose individual cost is at least 5% of the Sporting Squad Cost Limit, the percentage to be applied shall be increased to 50% in such individual cases,
 or
  - b. Of TWENTY-FIVE PERCENT (25%) of the difference between the Initial Sporting Squad Cost Limit and the Sporting Squad Cost Limit assigned by the Validation Body for Season T.
2. In the event that, in accordance with the provisions of Title III, the Sporting Squad Cost Limit is increased, the result of applying the corresponding percentages to the difference between the Initial Sporting Squad Cost Limit and the new Sporting Squad Cost Limit shall be recalculated...’

Finally, and what perhaps has created the greatest confusion, there are certain special rules for the computation of the cost of a player or coach in the case of clubs/SADs participating in the 2nd Division. Notwithstanding the various press articles that exist on the subject, these rules, which are set out in art. 41 of the LaLiga Regulations, were not applicable to the so-called ‘Messi case’.

What is determined by this specific provision is that, in order to establish the amount of the LCPD consumed by new signings of 2nd Division clubs, the sporting performance of the player/coach (matches played of at least 45

minutes), where he has participated (competition and league) in the last two seasons, and his age will be taken into account. Based on these parameters, if the player/coach meets them, the salary to be taken into account for the purposes of LCPD-consumption and irrespective of the conditions actually agreed by contract, shall be: (i) 50% of the salary received in the last two seasons (whichever is higher), or (ii) alternatively, in the event that the salaries of the last two seasons are not known, it will be six times the minimum salary. In other words, following (i) gateway, if the player/coach received EUR 250.000 in the previous season and EUR 200.000 two seasons ago, the salary will be 50% of EUR 250.000, bearing in mind that it will always have to be at least the minimum salary agreed by Collective Agreement.

Therefore, if a 2nd Division club wants to sign a free player who participated in the 1st Division in the previous two seasons with a salary of EUR 2 million/season and offers him EUR 200.000 (or the player accepts to play for free), LaLiga will always compute, as a minimum, EUR 1 million (i.e. 50% of what the player in question received in the 1st Division).

That said, each season, LaLiga's financial control department reviews and validates the budget of all clubs and determines how much each club can afford to pay the team's wages, based on its income. This amount is the result of removing structural costs and debt repayments from the annual budget. In the case of Barça, LaLiga limited the wage bill for the 2021/2022 season to EUR 347 million (the previous season it was EUR 506 million). The pandemic has caused the club's revenues to drop precipitously.

With his contract expiring on *30 June 2021*, Messi's renewal would have counted as a signing, so until Barça got rid of players and cut salaries, they could not sign him or any of the other new signings.

Other alternatives Barça could have explored in order to comply with LaLiga Regulations include trying to get income from other sources, something which however, by now, has not happened yet.

## 5. Would Messi have been able to play for Barça for free?

The short answer is no. Without going any deeper than that, there is a Collective Agreement in Spain of mandatory application which basically provides that any professional football player enrolled in a 1st Division club must receive a minimum stipulated wage. That amount of course differs in a huge way from the amount that Messi would have received, even if he decided to reduce his expectations by 50% (as apparently, he was eager to do so as per the press releases in this regard).

Lastly, taking Barça's actual disastrous economic situation into account, how were they able to sign Ferran Torres now? The easy answer is freeing up the wage bill. Again, from what has been reported, they sold players such as Coutinho, and others, such as Umtiti, are said to have both reduced and postponed their salary in a relevant way.