



Bringing Experienced Owners Together - Joining Forces to Buy Better Horses - Campaigning for Change

**BEST OF
THE BLOG**

#23 SEPTEMBER 2015

We Are in Syndicate Season – How Many are Ripping Off the Owner?

“The traditional racing mind-set doesn’t seem to understand the need for proper transparency and active management of costs (downwards). There is a laissez-faire attitude which is completely unacceptable.”

Recently I posted a blog on over-charging by agents and trainers. I know from communication that I've had with owners in my network that this theme definitely struck a chord. Indeed, as well as the specific examples that I quoted, a clear theme emerged that the "racing mind-set" of those who work in racing just doesn't seem to understand the need for proper transparency and active management of costs (downwards). In most other walks of life, and particularly in modern companies, this *laissez-faire* attitude towards over-charging (which is either incompetence, greed or alas on occasions corruption) would be completely unacceptable. In these days of price comparison web sites and consumer guides, customers would just switch allegiance to other suppliers.

Those who have been reading the blog since Owners for Owners was set up will know that I've had a particular crusade to reduce the over-charging that takes place in some syndicates. Indeed this message is increasingly being recognised by the racing authorities and it is likely that a code of conduct will emerge fairly soon, which I have personally been making some input into. One of the big problems is that some potential owners have little insight into the costs and practices of syndication. As naïve owners they can be lambs to the slaughter in the hands of the less scrupulous syndicators. Look out for these unacceptable practices:

1. No contract and no cooling-off period. The owner has no real clarity on what is being provided.
2. Inadequate term definition. You don't know how long you're going to be in for.
3. Unclear and / or no defined exit routes from the syndicate. No annual review process.
4. No breakdown of the precise horse acquisition cost. The owners end up paying far more than this. So from day one, the value of their investment is reduced by syndicate manager profiteering.
5. Use of free shares by racing managers, enabling them to participate in the benefits but not the costs.
6. Undeclared retrospective rebates from trainers retained by the syndicate manager.
7. Inflated operating costs. No itemised annual estimate of ongoing costs. Inadequate coverage and disclosure of a racing manager's annual fee vs. additional (hidden) charges for overheads.
8. Undisclosed supplementary costs.
9. No service standards and no commitment to provide an enjoyable owner experience.
10. No communications schedule and therefore no commitment to provide regular information.
11. Little owner involvement in the key decisions relating to the horse. Limited access to trainer / horse.
12. Undisclosed, opaque syndicate manager's expenses e.g. travel, flights, hotels, meals, hospitality, etc.
13. Back-handers and luck money on horse purchase retained by the syndicate manager.
14. Expensive phone lines for information on your horse.
15. Trainer syndicates which end up charging double margins, i.e. on training fees and then syndication.
16. Offloading of crooked and useless horses to a syndicate. No access to sales vetting or vets' reports.
17. Undisclosed conflicts of interest e.g. syndicate manager buying horses from related parties.
18. Retention of sales money or high percentage deductions by the syndicate manager against sale.
19. Owner benefits being retained for the syndicate manager e.g. lunches, badges, boxes, car park admission, prizes, prize-money, breeding rights, use of colours, running horse in manager's name.
20. No proper dispute resolution process. Only way to exit the syndicate is by abandoning your share. No valuation or buy-out procedures. Syndicate manager has complete control, and a vested interest in prolonging the syndicate for as long as possible in order to maximise fees / overhead contribution.

September is often the start of the “syndicate season”. The yearling Flat sales are under way and the main NH season about to start. Lots of trainers and syndicate managers have bought horses and are desperate for owners to take them over. If any of you are thinking of buying into syndicates this autumn, you would be strongly advised to evaluate their offers in line with this list of 20 practices. If in doubt, ask questions of the syndicator and commit to being “an informed customer”. Don’t join the gullible and be ripped off. There is nothing wrong with a syndicate manager being paid reasonable remuneration for the work done. As always, it is the definition of “reasonable” that matters. Look closely at the actual costs, the syndicator’s total profits and what they are offering you in terms of added value benefits of being an owner with them.

If you join a well-run, properly transparent and professionally managed syndicate the chances of success increase enormously. Enjoy the journey.

