

KPMG fail again

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The FT [reports this morning that](#):

Betfair returned £80m to investors in violation of accounting rules, the gambling company has admitted.

The embarrassing breach — which occurred in 2011, 2012 and 2013 before being noticed — consisted of Betfair paying out more in dividends and share buybacks than it was legally permitted to.

What intrigued me about this report are three things. The first was that the auditors who failed to spot this were not mentioned. They were KPMG.

The second was that the issue was dismissed as a minor technical matter. It isn't. Rules on distributions to shareholders are there to protect creditors. That is what the auditors are also meant to do. And they didn't. And yet there is no mention of whether or not action against KPMG might follow.

The third interesting element was that the ICAEW guidance on distributions by quoted companies is noted as having legal status. Now I happen to think that is probably true, but the question has to be asked why that should be the case? Why is it that a technical guidance note issued by a private sector accounting body apparently has the force of law in this country, and should that be the case?

The issue is important because it is fundamental to the legal interpretation of what a true and fair view really means. Right now we have an absurd situation where what the ICAEW says on the subject appears to have legal status and yet their members seem unaware of it. It's an issue in need of urgent clarification. If KPMG were brought to book on it that might help. Then some issues would have to be resolved.