# Richard Desmond’s lottery bid mired in £1.3bn legal dispute over contract process



Billionaire media tycoon Richard Desmond's quest to secure a lucrative contract to oversee the UK National Lottery has taken a contentious turn as his companies face scrutiny in a £1.3 billion lawsuit against the UK Gambling Commission. According to recent court arguments from Allwyn, the successful bidder for the contract, Desmond's firms — Northern & Shell and The New Lottery Company — reportedly lack the liquid assets necessary to cover potential legal costs, which could reach £55 million should they lose the case scheduled for October.

The legal drama features allegations from Northern & Shell that the bidding process for the National Lottery contract was riddled with flaws, ostensibly leaving Desmond at a disadvantage. The firm contends that the Gambling Commission's actions during the procurement process were not only opaque but also unfairly favoured Allwyn, a Czech-owned operator whose ultimate beneficiary is billionaire Karel Komárek. This assertion underlines a growing tension in the gambling sector, where the stakes are high and reputations on the line.

In a recent court session, Allwyn urged the judge to impose a 'security for costs order', which would necessitate that Desmond's companies set aside funds for potential liabilities. The situation has been complicated by the claim that Northern & Shell does not possess sufficient liquidity — a matter disputed by Desmond's legal representatives, who argued that to suggest the companies would abandon their financial responsibilities would be "fanciful". They stated that Northern & Shell, with £20.8 million in cash reserves, could certainly cover any adverse costs, although the New Lottery Company reported a loss before tax of £127,000 in 2023.

Adding to the complexities, a High Court ruling recently allowed Northern & Shell to utilise internal documents mistakenly disclosed by the Gambling Commission, which could bolster its case. Presented as a ‘bombshell’ by their legal counsel, these documents include over 4,300 items, although only certain materials were deemed usable by the court. This unexpected turn could provide crucial evidence to challenge the validity of the commission's process, heightening the stakes for all parties involved.

Meanwhile, Northern & Shell has also raised concerns regarding a potential conflict of interest involving NM Rothschild, which advised the commission during the bidding process. The firm has sought disclosure of relevant documents from Rothschild and Allwyn, suggesting that their intertwined relationships compromised the integrity of the selection process. Rothschild has dismissed these requests as intrusive, while Allwyn has labelled them an unfounded fishing expedition.

Desmond's legal strategy is notable not only for the financial impact it may have but for its implications on future contracts awarded by the Gambling Commission. He has vowed to leverage EU laws retained post-Brexit, alleging that the commission's procedures contain "numerous manifest errors". The fallout from this lawsuit could ultimately redirect funding away from charitable causes traditionally supported by Lottery revenues, an outcome that has raised concerns among stakeholders.

Critics of Desmond's approach contend that the lengthy litigation could diminish the public’s trust in the Lottery's governance. The Gambling Commission has remained tight-lipped on these ongoing proceedings, heightening the sense of uncertainty that surrounds this contentious legal battle.

As the trial approaches, all eyes will be on the court’s rulings — not only to determine the fate of Desmond’s allegations but also to assess the future landscape of the National Lottery, a cornerstone institution in British public life that has generated billions for good causes since its inception in 1994. The outcome could redefine how contracts in this highly competitive sector are awarded, setting a precedent for accountability and transparency that may resonate for years to come.

### Reference Map

1. Paragraphs 1, 2
2. Paragraphs 1, 2
3. Paragraph 4
4. Paragraph 5
5. Paragraph 6
6. Paragraph 2
7. Paragraph 1

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## Bibliography

1. <https://www.ft.com/content/2293786c-9900-441a-8a46-ac66e1399245> - Please view link - unable to able to access data
2. <https://www.ft.com/content/2293786c-9900-441a-8a46-ac66e1399245> - Billionaire UK media tycoon Richard Desmond's companies, Northern & Shell and The New Lottery Company, are under scrutiny in a £1.3 billion lawsuit against the UK Gambling Commission over the National Lottery contract. Allwyn, the current operator, claims Desmond's businesses lack sufficient liquid assets to cover potential legal costs, estimated at £55 million, if they lose the trial scheduled for October. Consequently, Allwyn and the Gambling Commission have requested a 'security for costs order' to ensure Desmond's firms set aside funds for possible legal expenses. Desmond disputes this, asserting his companies have sufficient funds and contending that their commercial reputation would prevent them from avoiding legal responsibilities. The legal conflict centers around Desmond's claims of a flawed and opaque bidding process, which allegedly inflated his company's expenditure during the bid for the lottery contract. The Gambling Commission has declined to comment during the ongoing legal proceedings.
3. <https://www.ft.com/content/5c7cd71b-4730-4173-b2f0-2851198da218> - Media tycoon Richard Desmond's company, Northern & Shell, has drawn NM Rothschild into its legal battle against the UK Gambling Commission over the awarding of the National Lottery contract. At a High Court hearing, Northern & Shell accused the commission of failing to investigate a potential conflict of interest involving Rothschild, which advised on the procurement process. Desmond's firm, which lost its bid for the contract awarded to Allwyn in 2022, claims Rothschild's simultaneous relationship with Allwyn—through advisory and investment activities—compromised the fairness of the selection process. Northern & Shell is seeking the disclosure of documents from Rothschild and Allwyn to support its call for the commission’s process to be declared unlawful and to claim damages. Rothschild, not directly involved in the litigation, termed the disclosure request as intrusive and irrelevant, while Allwyn criticized the request as an unjustified fishing expedition. The case is expected to proceed to trial later this year.
4. <https://www.ft.com/content/1e1fd3b6-912d-490b-8f1f-9ab535377284> - Richard Desmond’s company, Northern & Shell, has received a significant boost in its legal battle against the UK Gambling Commission over the awarding of the National Lottery contract. The High Court ruled that the company can use certain internal documents that were inadvertently disclosed by the Commission’s solicitors, Hogan Lovells. These documents include internal presentations, emails, and reports. Northern & Shell, which lost its bid for the 10-year lottery contract awarded in 2022 to Allwyn, is accusing the Commission of conducting an unfair licensing process and seeks a court declaration and damages. The mistaken disclosure involved over 4,300 documents out of a 3 million-document pool. While the Commission initially challenged the use of 128 documents covering sensitive areas like bid evaluations and strategic planning, the court permitted Northern & Shell to use some of the materials that did not clearly contain privileged legal advice. Judge Jefford excluded clearly marked privileged documents but allowed others deemed not obviously protected. The scale of the error was described as “unprecedented” and likened to a “bombshell” by Northern & Shell’s legal counsel. The trial is expected later this year. Hogan Lovells and the Gambling Commission have not provided detailed public comments on the matter.
5. <https://www.theguardian.com/media/2023/dec/03/brexit-backer-richard-desmond-invokes-eu-law-to-sue-gambling-commission> - Richard Desmond, the Brexit-backing media tycoon, is invoking EU law to sue the gambling regulator after it rejected his 'fanciful' bid to run the national lottery, in a suit that could deprive good causes of millions of pounds. The former owner of the Daily Express has vowed previously to seek damages from the Gambling Commission after his company Northern & Shell missed out on a 10-year contract, worth £6.5bn, to run the lottery from next year. Desmond is expected to claim that the gambling regulator made 'numerous manifest errors' during a bitter and prolonged bidding war that ended when the commission named the Czech-owned operator Allwyn as the winner. The multimillionaire, who gave £1m to the UK Independence party (Ukip) in the run-up to the Brexit referendum, will rely partly on EU laws retained after the UK’s exit from the single-market bloc. Sources close to Desmond told the Financial Times earlier this month that he would seek up to £200m in damages from the Gambling Commission. He is alleging multiple flaws in the secretive auction process through which the regulator assessed his own bid and those of rivals Allwyn and Camelot, which has held the licence to run the lottery since its inception in 1994. The commission’s chief executive, Andrew Rhodes, has previously said that any damages that the regulator is forced to pay as a result of a suit by a losing bidder for the licence might ultimately come out of lottery funding dedicated to good causes. Tory donor Richard Desmond revives controversial east London housing developmentRead more National lottery: Richard Desmond takes legal action over licence awardRead more Owner of UK national lottery operator to sever ties with Gazprom MPs seek assurances that new national lottery operator will increase donations Lottery winner to represent England at pool after buying table with winnings EuroMillions: UK ticket-holder stakes claim for £111.7m prize UK EuroMillions ticket-holder claims £46.2m share of jackpot EuroMillions lottery: UK winner picks up £171m jackpot Camelot drops UK national lottery legal challenge Most viewed Most viewed
6. <https://www.cityam.com/richard-desmonds-firm-slams-flawed-process-that-handed-national-lottery-to-allwyn/> - Richard Desmond’s Northern & Shell group has hit out at the 'seriously flawed' procurement process that handed the National Lottery licence to Czech gambling group Allwyn Entertainment, a London court heard today. The company and its subsidiary, The New Lottery Company, filed a procurement lawsuit against the Gambling Commission in February over its decision to award the licence to Allwyn two years ago. At a hearing at the High Court on Wednesday, Northern & Shell’s leading barrister Michael Bowsher KC described it as a 'failed process' and said if the business had a 'real chance in a fair process', it would have won. Northern & Shell claims the Gambling Commission failed to 'ensure equal treatment of the applicants', adding that it provided 'unfairly favourable treatment to Allwyn', according to its written arguments. However, the regulator’s leading barrister Sarah Hannaford KC hit back, arguing that there was no dispute as 'The New Lottery Company did extremely badly in the competition'.
7. <https://www.inkl.com/news/national-lottery-richard-desmond-takes-legal-action-over-licence-award> - Companies owned by the billionaire Richard Desmond have launched legal action against the UK’s gambling regulator’s decision to grant Czech-owned Allwyn the licence to run the National Lottery. Desmond’s Northern & Shell and a subsidiary, the New Lottery Company, have taken legal action against the Gambling Commission, according to a high court filing dated 13 April – becoming the third party to challenge the award. The commission announced Allwyn’s victory in the fourth competition for the highly lucrative National Lottery contract last month, putting an end to 27 years of unbroken operation by Camelot.