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UK regulator urged to publish findings into Woodford saga

MP Bob Blackman says lack of transparency risks 'damaging consumer confidence in industry'

By Amie Keeley | 29 February 2024

A Conservative MP has urged the Financial Conduct Authority to publish its full investigation findings into the collapse of the Woodford Equity Income fund and called for an independent review of the regulator's handling of the scandal.

Bob Blackman, the chair of the UK's all-party parliamentary group for fairer financial services, is also calling on the regulator to name other parties it is still investigating.

Blackman warns that the FCA's failure to do so risks "damaging consumer confidence in the industry and the standards of regulation and consumer protection that are in place".

This comes after a controversial compensation scheme for investors was approved in court last month, almost five years after the fund's collapse.

When it unveiled details of the scheme of arrangement last year, the FCA said it would publish the full findings of its investigation into Link Fund Solutions, the fund's authorised corporate director, along with an analysis of how the findings amount to breaches.

It said it would do so once the scheme had been approved and the sale of Link to Waystone Group had completed, which it was last October.

At the time, the FCA said other unnamed parties were still being investigated but it has not commented further.

Blackman says the FCA should have published its findings about Link before investors were required to vote on the redress scheme, and that while it is now of "minimal value" to those affected, the regulator "should deliver on its promise to publish its report".

"It is difficult to see why it should take so long to investigate and reach conclusions when the allegations against the firms are relatively straightforward," he says.

"There is a risk that by dragging its heels unnecessarily, the FCA is damaging consumer confidence in the industry and the standards of regulation and consumer protection that are in place."

Blackman says there may be "legitimate reasons" why investigations must remain confidential, but these should be "balanced with the need for transparency and accountability".

"Where a decision is taken not to name firms or cite the allegations against them, care should be taken to conclude investigations as promptly as possible, so there can be full disclosure. I am concerned that this has not happened in relation to Woodford," he says.

The FCA has revealed that its investigation "raised serious concerns" about Link's "management of the liquidity" of the WEIF and its actions "appear to have caused significant losses for those investors who remained in the fund when it was suspended".

It said the redress scheme it brokered with Link, which will see up to £230m (€265m) paid out, offered investors "the best chance to obtain a better outcome than might be achieved by any other means".

The FCA has been accused by campaigners of colluding with Link to get the redress scheme across the line to avoid scrutiny of its own role in the saga.

Blackman, who has previously called for an inquiry into the regulator's handling of the compensation scheme, says there should be an external review into the FCA's regulation of all parties involved.

"It is vital that such a review takes place, and that the choice of reviewer, terms of reference and operating protocols are set in consultation with those affected, so the exercise can be seen to be fully independent and therefore credible," he says.

It was reported in 2020 that the FCA was conducting a probe into the conduct of Northern Trust as the depositary for the fund.

Hargreaves Lansdown, one of the platforms that promoted the fund, has been the focus of a legal claim that was being brought by RGL, a claims management company, on behalf of investors.

The calls come as the FCA announced that it will name companies it is investigating more often as part of plans to be more transparent around its enforcement work.

Amit Vedhara, a board member of ShareSoc, says it is time for the FCA to be transparent over who else it is investigating and the status of its investigations.

"[There has been a] deafening silence from the FCA as they keep schtum on who else is to blame for Woodford losses," he says.

Ryan Johnson, head of Lloyd Expert Consultancy, says there should be an independent judge-led inquiry into the FCA's handling of the Woodford affair, akin to the Connaught Review.

"The regulator had enough information at different points throughout this investigation to provide reassurance, or at least the direction of travel, to investors, experts and the Treasury Select Committee to say [these are the things we are looking at] and the concerns have been heard. But [it] failed to do that," says Johnson.

The FCA did not comment when asked about when the full investigation findings relating to Link would be released or the status and names of other parties still being investigated.

The regulator has to adhere to certain obligations around confidentiality set out in legislation and has previously responded to concerns raised by MPs, including letters to the Treasury Select Committee.