



Fairer Financial Services

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For immediate release

The All-Party Parliamentary Group on Fairer Financial Services regrets today's announcement that Mr Justice Richards has approved the implementation of the proposed Scheme of Arrangement for Link Fund Solutions Limited, the Authorised Corporate Director of the Woodford Equity Income Fund.

'The Scheme of Arrangement is disastrous for Woodford investors, and even worse for society as a whole,' claims **Bob Blackman CBE MP, APPG Chair**. 'It delivers substantially less than 10 pence in the Pound of investors' individual loss calculations and bars them from pursuing their claims via the Financial Ombudsman Service (FOS) or the courts.

'It also sets a legal precedent that Schemes of Arrangement can be used by financial services firms to deprive customers of their statutory rights to pursue complaints with the Ombudsman and, if the business fails, to receive redress from the Financial Services Compensation Scheme (FSCS).

'The Court's decision means other financial services providers can now seek to exploit the same manufactured loophole. It creates needless jeopardy for consumers and can lead to a catastrophic decline in confidence in our financial sector, causing avoidable harm to the economy and our international competitiveness. It will also make the UK more vulnerable to bank runs. It's a huge backward step on many fronts, and for what?'

'The controversial and fiercely contested Scheme of Arrangement was shaped, negotiated, announced and publicly advocated for by the Financial Conduct Authority, the UK's principal financial regulator, which has a specific remit to secure "an appropriate degree of protection for consumers."

'It is unclear to me why the FCA backed the Scheme, which does not appear to be in the interests of Woodford investors, consumers as a whole, or UK PLC. There are also serious concerns about some of the claims made by the regulator about the Scheme - for instance, that investors will recover 77 pence in the Pound, or that it offers better recoveries than those available by other means. For all these reasons, the APPG is urgently seeking meetings with the FCA's senior leadership, and with the Minister

responsible, Economic Secretary to the Treasury, Bim Afolami MP. We are keen to establish why the regulator has acted in this way and explore what defensive measures are now needed to prevent anything similar happening again.'

Schemes of Arrangement have previously been used by controversial firms in the financial services sector, such as Wonga, Amigo and Provident Financial. 'It's a loophole ruthlessly exploited by bad actors to evade insolvent liquidation. Consumers in lender cases did not have FSCS protection, but in the Woodford and all other investment scenarios (pensions IFA ISA Insurance etc), consumers have twin protection of the FOS and the FSCS, which guarantees that compensation would be paid even if the firm defaults.' explains Blackman.

Lord McNicol of West Kilbride, who is a [member](#) of Bob Blackman's APPG, adds:

'I am surprised the FCA has engineered this outcome, as I have had recent [confirmation](#) from the Treasury that they have no appetite to remove these important statutory protections, which are an expression of UK national policy.'

Fellow APPG member **Baroness Bowles of Berkhamsted**, who is also on the new [Lords Financial Services Regulatory Committee](#) set up to scrutinise the work of the FCA and the Prudential Regulation Authority (PRA), comments:

'Parliament did a good job creating statutory protections for consumers back in 2000 through FSMA; those protections are good for individuals and the integrity of the UK's financial services market as a whole.

'When the public chooses investments based upon the protection of the FOS and the FSCS guarantee, it is the duty of the state to honour those protections. Clarity in FSMA protection is vital to maintaining public confidence in the UK finance industry and the FCA's statutory objective of protecting them from bad actors.

'The FCA told the court it inspected Link and Woodford Fund only a year before the spectacular collapse, and concluded no intervention was necessary. That is self-evidently a failure in regulation. The FCA then negotiated a deal with Link over several months, announced and then promoted the deal to effect the Scheme. The intention was to prevent further scrutiny by the courts and the FOS.

'I'm keen to get to the bottom of what has happened here, and why - it seems rapaciously regressive for a regulator to be deliberately unravelling part of the fabric that has helped maintain confidence in the financial services industry.'

Dame Siobhain McDonagh MP, APPG member and a long-standing member of the Treasury Select Committee stated:

'My constituents, like all constituents, want the same thing – to be able to save and invest, whether for retirement, something special or just for a rainy day, in the knowledge that the regulatory framework Parliament has tasked the Financial Conduct Authority to operate,

works.

‘But it clearly doesn’t - the Woodford court case shows that the consumer protections we all thought were rock solid actually aren’t, because the regulator has been willing to take those protections away. The big question is why?’

Further information: contact Andy Agathangelou, Chair, Secretariat Committee to the All-Party Parliamentary Group on Fairer Financial Services:

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The publicity photos of the Parliamentarians mentioned are available below:

Bob Blackman CBE MP: <https://members.parliament.uk/member/4005/portrait>

Baroness Bowles of Berkhamsted: <https://members.parliament.uk/member/4562/portrait>

Lord McNicol of West Kilbride: <https://members.parliament.uk/member/4702/portrait>

Dame Siobhain McDonagh MP: <https://members.parliament.uk/member/193/portrait>