

# Supplementary Report on The Financial Conduct Authority by the APPG on Investment Fraud and Fairer Financial Services



*The entirety of this work is dedicated to the memory of [Ian Davis R.I.P.](#)*

**25th March 2025**

**Covering Instalments #1 and #2**

Please report any necessary edits through [this link](#), for example to report any broken links.

[@appgonifandffs](#)



## Contents

<a href="#">Version Control</a>	3
<a href="#">Developments</a>	4
<a href="#">Disclaimer</a>	6
<a href="#">Foreword by Bob Blackman CBE MP, Co-Chairman of the APPG</a>	7
<a href="#">My November speech in Parliament</a>	7
<a href="#">#1 The FCA’s response through internal FCA communications</a>	11
<a href="#">#2 The FCA response through statements in the press</a>	14
<a href="#">#3 The FCA response through Board Meeting minutes</a>	15
<a href="#">The importance of strong Ministerial oversight</a>	16
<a href="#">“Please don’t shoot the messenger!”</a>	18
<a href="#">The APPG’s approach to the FCA has always been appropriately courteous</a>	20
<a href="#">Does the FCA properly engage with consumers and those that represent them?</a>	23
<a href="#">About future instalments of this Supplementary Report</a>	28
<a href="#">Thank you</a>	28
<a href="#">The importance of both perception and reality</a>	28
<a href="#">CASE STUDY: THE WOODFORD SCANDAL</a>	30
<a href="#">WS1: IMPORTANT NOTES</a>	30
<a href="#">WS2: EXECUTIVE SUMMARY</a>	31
<a href="#">WS3: OVERVIEW TO EXPLAIN THE SCANDAL IN BROAD TERMS</a>	38
<a href="#">WS4: THE KEY CONCERNS ABOUT THE FCA’S HANDLING OF THE WOODFORD SCANDAL</a>	41
<a href="#">WS5: THE KEY POINTS IN THE TESTIMONY THAT HAS BEEN PROVIDED</a>	52
<a href="#">WS6: INDIVIDUAL TESTIMONIES FROM VICTIMS OF THE WOODFORD SCANDAL</a>	68
<a href="#">WS7: FURTHER SUPPORTING TESTIMONY, ARTICLES, EVIDENCE AND DOCUMENTATION</a>	73
<a href="#">WS8: TIMELINE OF RECENT KEY DEVELOPMENTS</a>	83
<a href="#">WS9: RELEVANT MEDIA COVERAGE SINCE 1st JANUARY 2024</a>	84
<a href="#">WS10: CORRELATION TO PRINCIPAL FINDINGS FROM THE NOVEMBER 2024 REPORT</a>	85
<a href="#">WS11: CORRELATION TO KEY THEMES IDENTIFIED IN THE NOVEMBER 2024 REPORT</a>	87
<a href="#">Case Study #2</a>	90
<a href="#">Case Study #3</a>	90
<a href="#">Overall conclusions and suggested next steps</a>	91
<a href="#">APPENDIX</a>	95

## Version Control

This is a Supplementary Report to the APPG on Investment Fraud and Fairer Financial Services' [Report on the FCA](#). This Supplementary Report is being published in instalments. Ultimately, the full set of instalments in this Supplementary Report will bring into focus whether the FCA is 'a very different organisation' as claimed by current FCA CEO Nikhil Rathi in his response to our November 2024 report, a statement the evidence shows we must refute.

This Supplementary Report and [the original Report](#) will also hopefully signal to the FCA's replacement CEO (who according to [comments in the press](#) is expected to take control of the organisation in October this year) that the FCA needs to drastically improve its effectiveness as far as consumer protection and consumer engagement is concerned.

## Developments

### 1) 3rd February 2025

Instalment #1 was issued on 3rd February 2025. It focused on why the APPG decided it necessary to produce this new report. It is available [here](#) and the press statement that was issued on the same day is available [here](#).

Instalment #1 explained that subsequent instalments will each be a study of how the FCA has handled a particular recent scandal, with an emphasis on what the FCA's decisions and actions have been, and how those decisions and actions have adversely impacted consumers and the reputational integrity of the sector, thereby harming trust and confidence in the UK's financial industry and consequently acting as a brake on growth.

### 2) 25th March 2025

This Instalment #2 was issued on 25th March 2025. It was published alongside an Open Letter that accompanied its release, [which can be accessed here](#).

The Open Letter was sent to Dame Meg Hillier DBE MP, Chair of the Treasury Committee and in CC to other key stakeholders, including some of those able to formally hold the Financial Conduct Authority to account:

- Emma Reynolds MP, Economic Secretary to the Treasury.
- Helen Charlton, Chair of the FCA's Financial Services Consumer Panel.
- Mel Stride MP, former Chair of The Treasury Committee.
- Ashley Alder, Chair of the Financial Conduct Authority.
- Nikhil Rathi, CEO of the Financial Conduct Authority.
- The Rt Hon. Lord Forsyth of Drumlean, Chair of the Lords Financial Services Regulations Committee.

Instalment #2 differs from Instalment #1 in these ways:

- The title page has been changed to reflect Instalments #1 and #2.
- It has a different publication date i.e. DATE TO BE DECIDED, not 3rd February 2025.
- The Contents section has been updated as necessary in light of the changes made.
- There are these edits in this Schedule of Release section.
- There has been an expansion of the Disclaimer, to elaborate on the importance and validity of perceptions, whether they are right or wrong.
- There have been various edits in the Foreword including:
  - Additional comments about the work of the Consumer Financial Protection Bureau in the USA have been



- The 'thank you' section has been insignificantly changed and shown earlier in the document.
- A new section on perception and reality has been added.
- The case study about the Woodford Scandal has been added.
- The two tables near the end of the document now include the Woodford Scandal.
- The Conclusions and Suggested Next Steps section has been updated to take into account the case study on the Woodford Scandal; and in particular to invite harmed Woodford investors that wish to, to provide testimony about the FCA's handling of the Woodford Scandal.
- The bar charts displaying individual FCA leadership team members' diary engagement have been moved to the appendix. The main section now only includes the combined chart showing data for the entire FCA leadership team.

## Disclaimer

Any written testimony available in and through this Report, and the testimony in [the original November 2024 Report](#) to which this is a supplement, including any documents they link to, constitutes the personal perceptions of those who gave testimony. Although the APPG does not have the means to verify any allegations made, and cannot attest to the accuracy of any testimony, nonetheless, we consider it important that the APPG accurately reflects the views of those that have given testimony, as part of what appears to be a consistent pattern of complaints made regarding the conduct of the FCA.

The APPG, including its secretariat, cannot be held responsible for the accuracy of any allegations made by those that have provided testimony. We have acted in good faith, and to the best of our abilities in executing our task, which has been to collate and report testimony and evidence stated by the testimony-givers without filtering, screening, censoring or quality controlling it beyond what has been absolutely necessary, to protect the integrity of the exercise as a whole.

Furthermore, we have made use of Chat GPT to, for example, provide the initial basis of our commentary on what each of the scandals has been about, and the writing of Executive Summaries, but we have then checked what Chat GPT generated for accuracy and we quality controlled what it generated before making use of it.

## Foreword by Bob Blackman CBE MP, Co-Chairman of the APPG



I am proud to be a Co-Chairman of the APPG that published the Report on the Call for Evidence about the Financial Conduct Authority, on 26th November 2024.

I would like to first urge anybody that hasn't yet read the original report to do so. It is available free to access in full, [here on the APPG's website](#).

When we were working on the original report we had no intention of producing a supplementary report shortly after, but doing so has proven necessary because of the unconstructive way the FCA has responded to the original report.

I shall now use the rest of this Foreword, which is the first instalment in a series of instalments that make up the entirety of the report, to explain why we feel compelled to produce this follow-up and to seek debates about the FCA in Parliament.

### My November speech in Parliament

The speech I delivered at the briefing in Parliament when we launched our original report had a section in it about a nagging concern I had. That despite the best endeavours of the APPG to produce a report the FCA would take seriously and engage with positively, there was the possibility that they might respond in a disappointing, dismissive, and defensive way.

For context and propriety I include the entirety of my 26th November 2024 speech, however the relevant section relating to my aforementioned concerns, - that the FCA might respond in a disappointing, dismissive, and defensive way... are highlighted in bold and blue.

.....

Start of speech delivered by Bob Blackman CBE in Parliament on 26th November 2024:

*"There's a great deal to go through in a short period of time so I'm going to keep my opening remarks relatively brief.*

To understand why the APPG decided to carry out a Call for Evidence about the Financial Conduct Authority, I'll first explain that the APPG's Purpose Statement is:

***"To advocate for the victims of financial misconduct, crimes, scandals, frauds and regulatory failures***

***...by driving positive, progressive, and purposeful reforms that achieve a fair, trusted and just system***

***...where the service providers, regulators and government agencies provide appropriate protection and deliver good outcomes, including redress for historical wrongs."***

*In an attempt to better understand whether the FCA is or is not providing appropriate consumer protection; is or is not delivering good outcomes; and is or is not enabling redress for historical wrongs, the APPG decided to gather evidence on what people think about the regulator, including from consumers, whistleblowers, FCA employees and others who've had cause to interact with it other than in the normal course of working in an authorised firm.*

*It was our intention that if the evidence gathered showed there are problem areas we would want to then explore those issues further, with a view to proposing potential remedies.*

*And given what we discovered through this exercise, it won't surprise you to know that many of us Parliamentarians are wondering whether the FCA in its current form is delivering on the objectives Parliament has given it.*

*But it would be a misconception to think that the FCA has only just become a cause for concern amongst politicians, because way back on 1st February 2016, there was a debate in the Commons where the motion was:*

***"That this House believes that the Financial Conduct Authority in its current form is not fit for purpose; and has no confidence in its existing structure and procedures."***

*So, in many ways our report and the evidence that it's been built on is merely a rock solid confirmation that there is something seriously wrong with the FCA; it is impossible to come to any other conclusion.*

*And to be very candid with you, I get to that very same conclusion completely independently of the evidence that has been gathered. I say that because based purely on my personal interaction with senior people at the FCA over the last couple of years, through my role as Co-Chairman of the APPG, for example when trying to help the victims of the Woodford scandal and the Philips Trust Corporation scandal, I have come away feeling very disappointed for all kinds of reasons.*

*I'd like to move on now to spend a little time explaining what the Report is not. It isn't, and never was intended to be, definitive about what now needs to happen to fix the FCA. The APPG's job was simply to establish if there is cause for concern, and if so to put forward some constructive suggestions for change and invite Parliamentarians and relevant Committees both in the Commons*

*and in the Lords to use established Parliamentary processes to stimulate discussion, debate, fresh thinking and ultimately well-considered reforms.*

*But unlike back in 2016, the mindset amongst Parliamentarians must now be that ‘enough is enough’ - meaningful change must now happen.*

*I’m going to repeat that: meaningful change must now happen.*

*Making real change happen is why I got into politics.*

*Whether my work is about making life better for my constituents in Harrow East, or making life better for people who have become too frightened to invest because they, or somebody they know, have lost huge amounts of money through one FCA regulatory failure or another*

*- whether that be Woodford, Connaught, London Capital & Finance, the car finance scandal or any of the many others - it’s crystal clear that something needs to change.*

*So I am pleased, no, more than that...I am proud to stand behind the APPG’s report and I will be doing all I can as an elected representative to work with other Parliamentarians and relevant Committees such as the Treasury Committee and the Lords Financial Services Regulations Committee to ensure that this time we don’t just talk about fixing the FCA, we actually do it.*

***We know from public statements made by the FCA that they say it’s an organisation that welcomes scrutiny and challenge, and we are therefore hopeful that the FCA can consider the APPG to be a ‘critical friend’ and that they see our report as something useful to them.***

***My ask of the FCA is that they actually accept that there are good, evidence-based reasons why so many people believe it needs overhauling, or perhaps even abolishing; and that the FCA’s Transformation Programme has not been fully effective.***

***I should also say that we invited the FCA’s senior leadership team to these meetings today, and we have asked them to meet us after today’s meeting to discuss the report. And in our communication to the FCA we made it plain that we want to help it sort out its issues.***

***And it would be obvious to me, and no doubt obvious to all of you, that any response by the FCA that is in any way dismissive of this report would also be terribly disappointing, and point once again to the continued state of denial that it seems to be in.***

*I’d like to end with some very sincere and very well-deserved thank you’s:*

- Thank you all for being here.*
- And huge thanks to the 175 respondents to the Call for Evidence; everything in the report has been built on the foundations of your testimony, you gave us huge amounts of valuable intelligence*
- Thank you also to the panel of independent experts who helped formulate the recommendations for reform*

- And thank you to the APPG’s secretariat for working closely with the Parliamentarians, the respondents and the panel of independent experts to produce the report

Let’s please show our appreciation to everybody involved in creating the report, including of course everybody that’s made the effort to be with us today; thank you.

End of speech delivered by Bob Blackman CBE in Parliament on 26th November 2024.

.....

For the record, and the avoidance of any doubt I wish to politely and respectfully state that I *am* disappointed with the FCA’s response. I made that perfectly clear when I put a question to Tulip Siddiq MP when she was the City Minister during Treasury Questions on Tuesday 3rd December.

This is the question I put to the then City Minister:

**If she will make an assessment of the potential implications for her policies of the APPG for Investment Fraud and Fairer Financial Services’ publication entitled Report on the Call for Evidence about The Financial Conduct Authority, published on 26 November 2024.**



**Bob Blackman**

Conservative, Harrow East

4. UIN 901582: tabled on 27 November 2024



One can access the few minutes of the exchange between myself and the former City Minister on Parliament TV [here](#). Given that the first responsibility of a Government in a democratic society is to protect its citizens, I wonder if the former City Minister will ever regret her statement that she had



confidence in the FCA despite her reading the evidence we provided, which shows in great detail how so many people have been terribly let down by a regulator that has been tasked by Parliament with an objective to provide an appropriate degree of consumer protection.

Perhaps her statement in support of the FCA will prove to have been an error of judgement?

I certainly have no regrets for my statement to Tulip Siddiq MP; I said:

*“The fact is that the FCA has been completely defensive in response to the report”* because I believe that to be the case, and I’ll now go on to explain why.

I have seen the FCA’s response in three forms:

## #1 The FCA’s response through internal FCA communications

A Freedom of Information Request by former FCA employee Mr Ahmet Latif has made some of the FCA’s internal communications about the APPG’s report available for all to see, through the web portal known as WhatDoTheyKnow, which is run by the charity [mySociety](#).

Mr Ahmet Latif’s Freedom of Information Request to the FCA was:

*“I refer to the numerous national press, professional services and other coverage following publication of the APPG report on the fca, on 26 November 2024.*

*The Guardian summarised the report's findings as follows:*

*"FCA is 'incompetent at best, dishonest at worst', claim MPs and peers".*  
<https://www.theguardian.com/business/2024...>

*Given the exceptional criticisms levelled at the fca , and the consequent urgency of the situation regarding the report's findings, I would like the following as soon as possible:*

*All published and written statements and responses to the criticisms of the fca arising from or related to the APPG report. This should include all internal and external fca publications, press statements, reports, and emails.”*

The response Mr Latif received is available [here](#).

To my mind, reading through the FCA’s internal communications about the APPG’s report that Mr Latif’s Freedom of Information Request has exposed, it seems there has been a deliberate attempt by the leadership team to deflect away from the issues our report has raised.

There is a particular point made that I feel is worthy of specific attention. It’s first made in part of this email sent by Ruth Wharram, who has a senior comms role at the FCA:



**From:** Ruth Wharram  
**Sent:** Tuesday, November 26, 2024 10:34 AM  
**To:** CEO Actions  
**Subject:** FW: Comment request: APPG report

In the email she states in a section on satisfaction with the FCA that:

- 85% of FCA stakeholders (including consumer groups and politicians) agree the FCA achieves its objective of protecting consumers

I imagine the term ‘FCA stakeholders’ are those described as such in the [FCA’s Annual Report and Accounts 2023-24](#), at page 43, namely:

### Our stakeholders

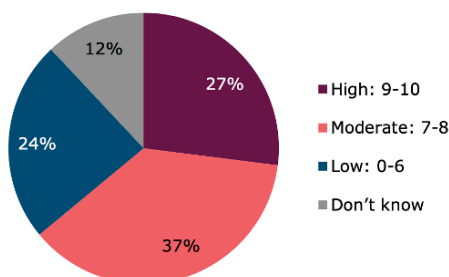
Our key stakeholders include our:

- employees
- consumers and consumer organisations
- regulated firms and individuals
- parliamentarians
- other regulators and regulatory partners
- suppliers
- the community and environment

I believe that anybody reading the 85% statement above would no doubt come away with the general impression that the vast majority of FCA stakeholders, which would seem to include Parliamentarians plus consumers and consumer organisations based on the list shown here, are of the view that the FCA is achieving its objective of protecting consumers, because that’s what’s stated.

If that were actually the case then perhaps the FCA is doing a decent job of protecting consumers after all. But is that actually the case? According to what is shown on page 237 of [the FCA’s Financial Lives Survey 2022, published in July 2023](#), a rather different picture emerges about what consumers think of the FCA. Please see Figure 6.12:

**Figure 6.12: Levels of trust in the FCA to protect the best interest of consumers (2022)**



**Source:** FLS **Base:** All UK adults who have heard of the FCA (2022: 1,483) **Question:** FCA4. Based on your current knowledge, how much do you trust the FCA to protect your best interests as a consumer of financial products and services?

The survey question consumers who were aware of the FCA responded to was:

*“Based on your current knowledge, how much do you trust the FCA to protect your best interests as a consumer of financial products and services?”*

As 6.12 shows, only 27% had a high level of trust in the FCA to protect their interests; 37% had a moderate level of trust in the FCA to protect their interests; and 24% had a low level of trust in the FCA to protect their interests.

So that’s a very different picture to the notion that

*'85% of FCA stakeholders (including consumer groups and politicians) agree the FCA achieves its objective of protecting consumers.*

...so Figure 6.12 in the survey isn't where the 85% statistic comes from.

Then where does it come from?

Perhaps it comes from the research conducted by insight specialists BritainThinks, which is now known as Thinks Insight & Strategy? I mention that organisation because they are referred to in the FCA's [Annual Report and Accounts 2023-4 on pages 44/45](#), as shown below.

**Consumers and consumer organisations**

In pursuing our statutory objective to protect consumers, our Board recognises the impact our decisions have on people's daily lives and the UK economy. This means it is important that we actively consult with consumers and consumer bodies.

Through our Consumer Network, we aim to improve our relationship and engagement with consumer organisations. The Network consists of 30 different consumer organisations including debt charities (Money Advice Trust, StepChange), consumer-facing organisations (MoneySavingExpert, Which?) and related charities (such as Age UK, Scope, Shelter).

We also annually engage insight specialists, BritainThinks, to survey what key stakeholders, including consumer organisations, think about the FCA and the work we've done over the past year.

---

Financial Conduct Authority

**Chapter 6**  
Annual Report and Accounts 2023/24 **45**

This survey also allows us to look back at how perceptions have changed over the years and to revisit specific challenges from previous years. Publishing these findings internally helps our employees to understand our stakeholders' perceptions of us and in planning for the year ahead.

But there is an inference in the note above that the research findings are made available only for FCA staff, "Publishing these findings internally" is the phrase used.

One can't help wondering why valuable research about the FCA, a public body, that includes research on consumers and consumer organisations isn't published for all to see; and whether the research is made available to all FCA staff or just some. And, also whether any external organisations are allowed to see the research, and if so what the criteria is to disclose the findings transparently to some organisations but keep the findings secret from others.

Helpfully, there is [a copy of an old Britainthinks survey about the FCA that has kindly been made available online](#) by [the Consumer Credit Trade Association](#).



Reading the report, it is packed with very useful insights into the FCA. But it is marked Private and Confidential.

Private from whom, and why?

What is it that the FCA wants their staff to know, but not others? And do all FCA staff receive it, or just some?

Given that [the FCA claims to embrace transparency](#), why all the secrecy and the lack of transparency?

## #2 The FCA response through statements in the press

There has been [widespread media coverage](#) of the APPG's report, where the amount of coverage supports the idea that the FCA's conduct is a major public interest issue.

The FCA has made several comments about the APPG's report. It is this statement made by Nikhil Rathi during [his interview with the BBC's Moneybox](#) that concerns us most:

*"We entirely recognise and empathise with the distress that is caused when consumers lose money from wrongdoing in financial services and as we've seen from some of the testimonies in that report, which go back to episodes from many, many years ago for example LCF, that that distress can last for a number of years.*

*There were specific reviews into those incidents conducted by independent parties and **we've implemented the recommendations of those reviews and we're a very different organisation that has taken far reaching action since that time and that's why we wouldn't recognize the characterization and some of the adjectives used in that report.**"*

We do not believe there has been any independent verification that the FCA has successfully implemented the recommendations of previous independent reviews. Nor do we believe that the FCA's Transformation Programme, a programme it had to implement because of several

excoriatingly critical reports of the FCA, has been a success and has led the FCA to be *‘a very different organisation.’*

The steady stream of new evidence since our original Report was published (many new testimony-givers have been in touch with the APPG, including ex FCA staff) has made it easy for us to conclude that we were right in believing the FCA has not been transformed.

Where possible, we will share that new testimony in further instalments of this Supplementary Report, where my expectation is the reader will conclude that we are right to posit that the FCA is far from *‘a very different organisation’* but rather one that remains in dire need of urgent reform and transformation. We believe the FCA needs to be made fit for purpose, becoming an organisation that safeguards and protects consumers in full compliance with its mandate.

### #3 The FCA response through Board Meeting minutes

The APPG’s report was discussed by the FCA’s Board on 28th November 2024. The relevant parts of the Board minutes are shown and the full minutes can be accessed [here](#).

#### FCA Board

---

- 2.8 The Board noted and reflected on the content of and implications of the Report on the Call for Evidence about the FCA, published by the All-Party Parliamentary Group (APPG) on investment fraud and fairer financial services. The Board noted the importance of receiving and acting on feedback, including where it was critical of the organisation. That said, the Board did not consider that the report’s overall conclusions, or the wider picture it painted, presented a balanced reflection of the organisation.
- 2.9 The Board discussed its approach to strategic communications in the context of the APPG report and the often-conflicting external expectations of the organisation and the need to be clearer on the approach to this within communications.

Two thoughts come to my mind regarding the comments above.

Regarding 2.8, the APPG report’s conclusions and the wider picture it painted were not intended to present a balanced reflection of the organisation. Rather, they were intended to point to the need for discussion and debate about the numerous red flags that were reported.

It is therefore disappointing that the FCA did not respond to our request to talk to them about the report, or even acknowledge or reply to our emails about it - more on that later.

Regarding 2.9, it is not surprising that there are often-conflicting external expectations of the FCA, because it is tasked with several objectives that, as explained in detail in our report, are in conflict with each other. I will come back to this point later when referencing the approach taken by the USA's Consumer Financial Protection Bureau, which is dedicated to consumer protection only, and does not have conflicting interests or priorities.

## The importance of strong Ministerial oversight

Earlier I speculated if former City Minister Tulip Siddiq MP would ever live to regret her statement that she had confidence in the FCA, despite her having read our report. It is worth considering just how vital it is that the Minister responsible for any [independent public body or any arms-length body](#) is able to provide the oversight, governance, challenge and scrutiny that is needed.

The Post Office scandal highlights what happens when there is ineffective, Ministerial challenge, especially when the entity itself is providing a consistently inaccurate account of what is happening within it; as has been the case with the Post Office scandal.



The Post Office scandal undeniably highlights this problem and underscores exactly why the Government has good reason to reform how [independent public bodies and arms-length bodies such as the FCA are governed](#), and further how that governance is held to account.

The FCA, like the Post Office, has too many red flags. And like the Post Office the FCA's lack of objectivity and self denial of the problem only serves to emphasise how critical the need for a resolution is.

Others share a similar view. For example, [this Civil Service World article entitled "Labour MP calls for arm's-length body review to avoid future Post Office scandal"](#) includes these comments:


- "We're conning ourselves into thinking that these organisations are separate from government and are somehow independent. They're not, so therefore we need accountability."
- "You need a system whereby they're accountable to parliament but also whereby the government is able to intervene more directly on occasions. It's no good just hiding behind the fact that they are arm's length."
- "There is a big issue across the civil service and public sector and that's about how we deal with it when things go wrong."



- "There is not an open culture trying to admit when things have gone wrong and to put them right. There seems to be a tendency to not just ignore, but actually try and put off the settlement of some of these cases."

Concern about the lack of accountability of independent public bodies and arms-length bodies was a matter we raised at the launch briefings for our report on 26th November. We showed the slide below, which shares a statement from [forensic accountant Kay Linnell](#) who gave a great deal of valuable testimony to the inquiry about the Post Office scandal, and who has, for many years, worked in close support of, the now knighted, Sir Alan Bates who we all know because of the acclaimed ITV drama about the Post Office scandal.

Here is Kay's statement that she kindly provided as she couldn't attend the briefings in person:




## Statement from Kay Linnell: Forensic Accountant & Chartered Arbitrator, [Kay Linnell & Co](#)

*"I am writing in a personal capacity rather than as a member of the Justice for Sub Postmasters Alliance in respect of the campaign against the disgraceful treatment of Sub Post Masters by Post Office Limited, and by the supervising Department of Business and Trade, to comment on the commonalities between the treatment of Sub Post Masters, and the victims of maladministration, suspected financial crime and fraud perpetrated on those people and organisations who have suffered as a consequence of regulatory failure by the Financial Conduct Authority; for example in the [London Capital & Finance](#) scandal, and the many others.*

*The Post Office scandal has taught us that arms-length bodies must not be allowed to 'go rogue' through a lack of transparency, scrutiny, challenge, supervision, oversight and accountability; and in particular through the presiding Minister ignoring cries for help, and choosing to believe powerful vested interests rather than the innocent, the weak and the vulnerable.*

*It should be noted that denying justice to those who have been treated in a grotesquely unjust manner can, and sometimes does, lead to widespread righteous indignation and even a sense of national shame. And sometimes heads roll, eventually.*

*[The Report](#) by the APPG on Investment Fraud & Fairer Financial Services is clearly a serious attempt to wave a red flag to the relevant Minister and Parliamentarians. Let's hope it is treated with the seriousness it deserves and that the Ministers and officials do not respond with wilful blindness, or allow the wool to be pulled over their eyes by those with a selfish agenda, again."*



Kay is absolutely right when she comments that the APPG's report is a serious attempt to wave a red flag to the relevant Minister and Parliamentarians. Again, I wonder if former City Minister Tulip Siddiq MP would ever live to regret her statement that she had confidence in the FCA, despite her reading our report.

In January 2024, Kay Linnell participated in an event that was run by the APPG's secretariat entitled "What are the similarities between the FCA and the Post Office?" An overview of the event can be found [here](#), the recording of it is available [here](#) and the slides used are [here](#) and [here](#).

## “Please don’t shoot the messenger!”

A glance through some of the comments in [the media coverage](#) might lead the reader to conclude that the APPG’s approach to the Report had been in some way unfair, unbalanced or even a deliberate attack on the FCA. That isn’t the case at all. Our role is simply to accurately and authentically reflect the testimony and evidence, and propose ideas for reform worthy of consideration by Parliamentarians and others.

It should be noted, as mentioned in the original report, that the APPG invited the FCA’s leadership to seek respondents to our Call for Evidence alongside the outreach the APPG was undertaking, but the FCA did not take up our invitation to do that. Undeniably, this was a missed opportunity to garner an even broader range of respondents.

Given that all this was set out clearly in our original report, perhaps those that commented that they thought our Report had been in some way unfair, unbalanced or even a deliberate attack on the FCA didn’t actually read the Report in full? For if they had, perhaps they wouldn’t have decided to “shoot the messenger.”

The FCA and others have to accept that the points made by the APPG are completely in keeping with, and reflective of, the evidence gathered. Further, it would be irrational, in fact dishonest for the APPG not to have properly shared the views that had been expressed. It is not for the APPG to dilute or sanitize people’s views of the FCA, even if the message is somehow awkward, inconvenient or embarrassing for the regulator.

The slide below shows the “word cloud” generated at the Report’s launch briefings in Parliament. Attendees were asked what one word best describes FCA. The resultant word cloud reflects their responses to the question. The source data for the word cloud below is [here](#) and the full slide deck for the briefings is [here](#).





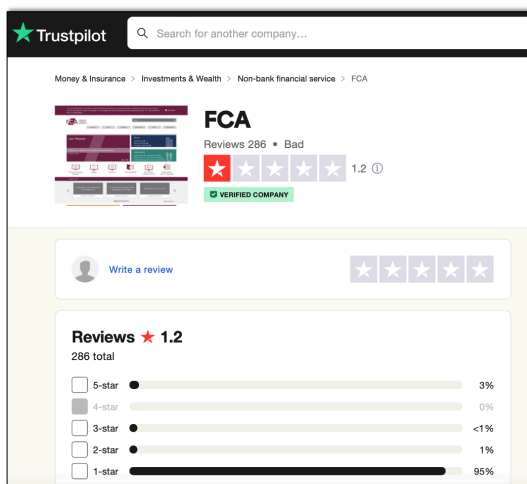
Accordingly, the work of the APPG cannot be characterized as unfair, unbalanced or even a deliberate attack, when it is merely reflecting what people are thinking and wanting to say about the FCA.

Moreover, it is worrying that a consistent theme is emerging, namely the very stark contrast between the findings of research about the FCA that the FCA has organised itself i.e. that:

*“85% of FCA stakeholders (including consumer groups and politicians) agree the FCA achieves its objective of protecting consumers”*

...and what independent people the APPG has interacted with, think about the FCA. The views reflected by the APPG’s work do not tally with the FCA’s *“85% of FCA stakeholders (including consumer groups and politicians) agree the FCA achieves its objective of protecting consumers” statement*, however the APPG’s work does broadly tally with numerous independent reports referred to in our original Report, namely:

- Raj Parker’s [Review of the FCA’s Handling of the Connaught Income Fund Series 1 and Connected Companies](#).
- Dame Elizabeth Gloster’s [Report of the Independent Investigation into the Events Relating to the Financial Conduct Authority’s Regulation of London Capital & Finance plc](#).
- The Work and Pensions Committee’s [Protecting Pension Savers – Five Years on from the Pension Freedoms: Pension Scams](#).
- John Swift KC’s [Independent Review into the Supervisory Intervention on Interest Rate Hedging Products](#).
- The National Audit Office’s (‘NAO’) [Investigation into the British Steel Pension Scheme](#).
- New City Agenda’s [‘Cultural Change in the FCA, PRA & Bank of England: Practising What They Preach?’](#)
- The TrustPilot [commentary](#) about the FCA, where 95% of those giving feedback gave it the lowest rating possible; 1 out of 5, resulting in its overall rating being ‘Bad.’



Of course, it could be argued that the 174 testimonies about the FCA that were reflected in the original Report, and the 111 individuals that provided their ‘one word’ feedback about the FCA for the word cloud, and the 286 individuals that provided input into the Trustpilot survey adds up to only 571 people (some of whom may be double-counted).

We are not suggesting, and never have suggested, that our work is a comprehensive research study. We have simply tried to do a decent job of alerting the FCA to

problem areas, with the limited resources and bandwidth that we have.

Sadly, our evidence-gathering has led us to the unavoidable conclusion that, based on all the testimony we have seen, there is still something seriously wrong with the FCA.

The FCA has not substantively challenged the key points made beyond its nebulous claim that the issues raised are ‘largely historic’, something we unreservedly reject for the reasons already given. Therefore, we have no reason to soften our position, which is that there remains something seriously wrong with the regulator. It should also be recognized that many of these ‘historic’ issues raised in our original report have still not been resolved.

The new testimony we have received since our report was published, including from previous employees of the FCA, has reaffirmed the validity of our view, leading us to conclude that the *‘incompetent at best, dishonest at worst’* narrative that was expressed in the first Report is still a valid perspective.

Therefore, the notion that our original Report was in any way unfair, skewed or a deliberate attack on the FCA does not stand up to scrutiny. In these circumstances it is entirely fair to comment that the FCA’s own narrative of

*“85% of FCA stakeholders (including consumer groups and politicians) agree the FCA achieves its objective of protecting consumers”*

...is an observable outlier; a narrative that stands in stark contrast to the empirical evidence.

I therefore believe our Report on the FCA remains a credible body of work, and the APPG continues to unreservedly stand behind it.

As explained earlier, each future instalment in this supplementary report will be an individual case study that reviews how the FCA handled a particular recent scandal, with an emphasis on the FCA’s decisions and actions, how those decisions and actions have adversely impacted consumers, and adversely impacted the reputational integrity of the sector, thereby harming trust and confidence and consequently acting as a brake on economic growth.

We hope that our original report, this supplementary report and any future debates in Parliament about the FCA will signal to the regulator’s new CEO (who, according to [comments in the press](#) is expected to take control of the organisation in October this year) that the FCA needs to improve its effectiveness as far as consumer protection and consumer engagement is concerned.

## **The APPG’s approach to the FCA has always been appropriately courteous**

For the avoidance of doubt, the way the APPG has communicated with the FCA has not in and of itself ever been a reason for the APPG to be dismissive of our Report. Our default position has

always always been to be appropriately courteous when engaging with the FCA i.e. to be polite and respectful.

These two emails to the FCA's CEO and Chair about the Report are good examples of our attempts to politely seek engagement:

1) APPG Email sent to the FCA on 20th November:

**From:** Andy Agathangelou [APPG Secretariat]

**Date:** Wednesday, 20 November 2024 at 12:01

**To:** Nikhil Rathi [FCA CEO]; Ashley Alder [FCA Chair]

**Cc:** Bob Blackman CBE MP [APPG Co-Chair]; Sam Rushworth MP [APPG Co-Chair]; Sarah Bool MP [APPG Vice-Chair]; Lord Davies of Brixton [APPG Vice-Chair]

**Subject:** Invitation to briefings in Parliament regarding the APPG's report

*Dear Nikhil and Ashley,*

*I hope you are both well.*

*I'm making contact in my capacity as Chair of the Secretariat Committee to the APPG on Investment Fraud and Fairer Financial Services, on behalf of the APPG's Officers, cc'd, to invite you to the briefings taking place in Parliament on Tuesday 26<sup>th</sup> November.*

*The briefings cover the APPG's Report on its Call for Evidence about the FCA; an endeavour we have of course previously made you aware of.*

*As explained [here](#), the overall purpose of the exercise is to improve our understanding of how the FCA is perceived, with the intention that if the evidence gathered indicated there are problem areas we would explore those issues further, with a view to proposing remedies.*

*We understand from public statements made by the FCA that your organisation welcomes scrutiny and challenge, and we are therefore hopeful that the FCA can consider the APPG to be a 'critical friend.' With that spirit in mind, we can report that the APPG's work has brought to the surface numerous perceived problems at the FCA, but also, and more importantly, numerous pointers to how those problems can be resolved.*

*And of course, even if the FCA were to disagree with every point made in the report, we hope you would still see value in having a better understanding of how the FCA is seen by a wide range of stakeholders, including of course Parliamentarians.*

*We are happy for yourselves and any of your senior colleagues to attend one or more of the briefings, so feel free to [share this link](#) amongst your senior leadership team as you wish, including Directors, Non-Exec Directors and members of the FCA's Financial Services Consumer Panel.*

*Also, we would like to propose a meeting, subsequent to the briefings, between the APPG and the FCA to discuss how the APPG and the FCA may be able to work together on any areas in which we find there to be agreement.*

*Please let me know if you have any queries; we stand ready to assist in any way that we can that is somehow relevant to the [APPG's Purpose Statement](#).*

*I hope that's all OK.*

*Kind regards,*

*Andy*

*Andy Agathangelou FRSA*

At the time of writing, no reply was ever received to that email.

2) APPG Email sent to the FCA on 26th November:

**From:** Andy Agathangelou [APPG Secretariat]

**Date:** Tuesday, 26 November 2024 at 00:19

**To:** Nikhil Rathi [FCA CEO]; Ashley Alder [FCA Chair]; Executive Casework Unit

**Cc:** Bob Blackman CBE MP [APPG Co-Chair]; Sam Rushworth MP [APPG Co-Chair]; Sarah Bool MP [APPG Vice-Chair]; Lord Davies of Brixton [APPG Vice-Chair]

**Subject:** Invitation to briefings in Parliament regarding the APPG's report

*Dear Nikhil and Ashley,*

*I hope you are both well.*

*I am following up on my email below, and have cc'd your Executive Casework colleagues in case my previous email below didn't get through to you?*

*We are pleased to now provide you with a copy of the APPG on Investment Fraud and Fairer Financial Service's Report on its Call for Evidence about the Financial Conduct Authority, through this link:*

<https://www.appgifffs.org/wp-content/uploads/2024/11/FINAL-Call-for-Evidence-Report-PUBLIC.pdf>

*...or this QR Code:*



*Please don't hesitate to let us know if you have any queries.*

*Would you like a 'right to reply'?*

*We can still arrange to meet to discuss relevant matters, and if you/none of your colleagues can attend the briefings in Parliament later today we would be happy to provide a special briefing for you, as we continue to stand ready to assist in any way that we can that is somehow relevant to the [APPG's Purpose Statement](#); we do want to be as helpful as we can be.*

*I trust that's all OK and we look forward to hearing from you soon, or better still to hopefully see you both at today's briefings.*

*Kind regards,*

*Andy*

*Andy Agathangelou FRSA*

But at the time of writing, no reply was ever received to that email either.

To be blunt, just like the many individuals that provided testimony to our original report, we have often struggled to get engagement with the FCA, despite the obvious relevance of [the APPG's Purpose Statement](#) to the FCA and [its objectives](#), and despite what the FCA says about how important it believes engagement with stakeholders to be.

## **Does the FCA properly engage with consumers and those that represent them?**

The comment is often made that when the FCA issues consultations it gets a very low level of response from pro-consumer organisations. There are many reasons for that, and perhaps one is that the FCA doesn't invest a sufficient amount of time, engaging with pro-consumer groups.

The issue of whether consumer-focused organisations have sufficient engagement with the FCA to enable the FCA to form an accurate picture regarding consumer concerns and the basis for their criticisms of the FCA was one of the issues raised in our original Report. For the detail on this subject, please see the section entitled "Concern: The FCA is poor at supportive stakeholder engagement and communication" that starts on page 311 in [the original Report](#).

Some of the key points in that part of the Report were as follows:

### In relation to the concern

- The FCA should be, and should be seen to be, highly motivated to represent the interests of the consumer.
- The evidence available through sources such as the testimonies provided through the Call for Evidence and [its appalling ratings on Trustpilot](#) suggest it fails to portray a positive pro-consumer profile.
- There are several facets to the FCA being poor at stakeholder management, much of which is rooted in the poor way it communicates with people interacting with it.
- People have described their experience of interacting with the FCA as 'frustrating', 'disappointing', 'slow', 'hopeless', 'upsetting', 'exasperating', 'painful', 'uncooperative' and so on.

### How bad is the problem and what are its consequences?

- The FCA does not operate in isolation; it needs to function within an ecosystem of various stakeholders. It is obviously therefore vital that it is able to engage and communicate with those stakeholders effectively. The testimonies show that it does not do that. This is, therefore, a particularly serious problem.
- All of this leads to people feeling that not only is the FCA unwilling to help them, it actually gets in the way of progress. This leads to a very strong sense of alienation and, sometimes resentment.
- The financial loss to investors has led to immense suffering and anguish. This is something that cannot be wiped away by a few sentences, or a soundbite.
- There has been a collapse in confidence in the FCA's ability to protect consumers.
- The failure to relationship manage the victims of scams effectively contributes to an adversarial dynamic.

Given the importance of this topic, and the APPG's own experience of how poorly the FCA has engaged with it, we have now gone on to analyse [the relevant data that is in the public domain](#) about the diary engagements of the FCA's Chair, Executives and Non Executives, to see if the data tallied with the view that the FCA does not engage sufficiently with consumer-focused organisations.

To keep our analysis of the data as straightforward as possible we simply categorised all the meetings held (based on [the data available on the FCA's website](#)) into one of three types:

- #1 Where the FCA's meeting is with an individual or organisation with a consumer perspective, such as consumers, consumer campaign groups and consumer advocacy groups.

- #2 Where the FCA’s meeting is with an individual or organisation with an industry perspective, such as trade bodies, think tanks funded by the industry, professional associations and so on.

Note, as stated thus on [the FCA’s website](#) shown below, it excludes meetings with regulated firms from the information it publishes so this category is very under-reported.

This list does not include:

- internal FCA meetings
- meetings with regulated firms
- information which is restricted from disclosure
- information which we consider otherwise confidential

- #3 Where the FCA’s meeting is with an individual or organisation that is neither consumer-centric or industry-centric, such as members of the media, internal meetings, government-related entities and any instances where neither ‘industry’ or ‘consumer’ is the best fit; we can think of these meetings as ‘other’ or ‘neutral.’

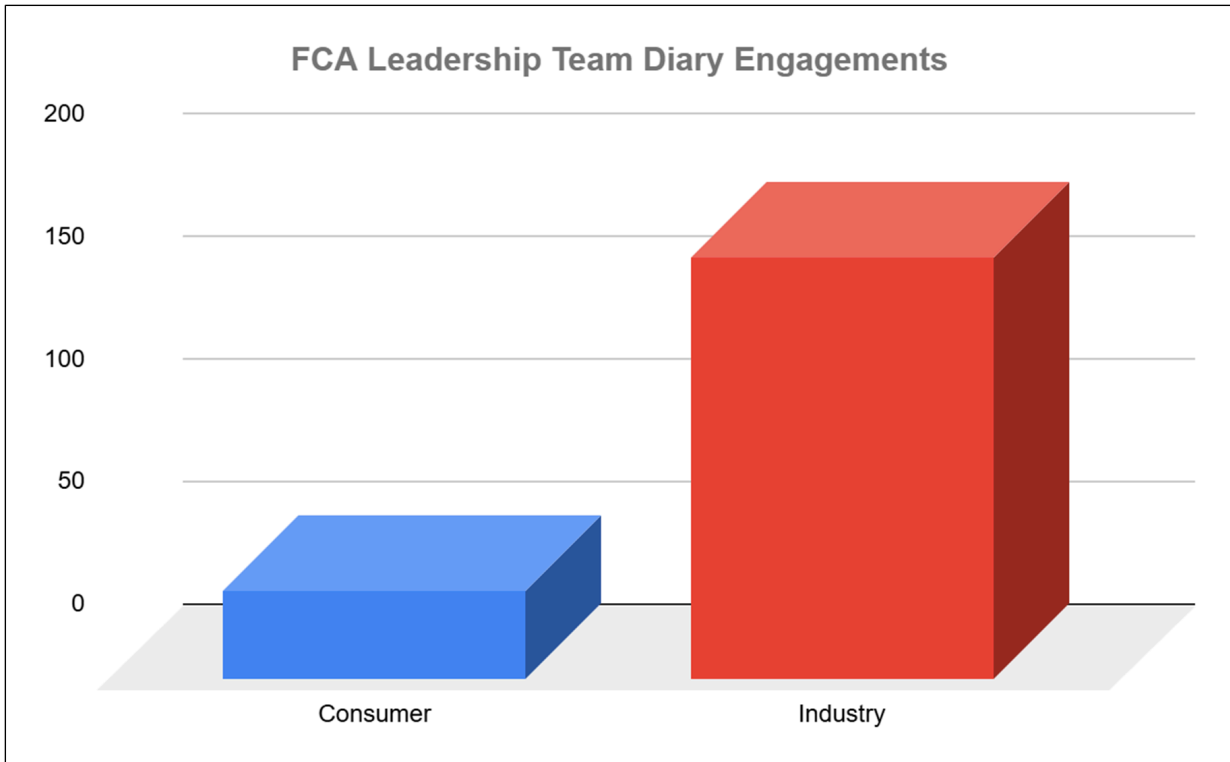
We are very open to the idea that the FCA’s meetings data could be analysed better than we have, but we are comfortable making the general statement that the data would seem to suggest the perception that the FCA does not engage sufficiently with the consumer perspective is also a reality i.e. the FCA doesn’t appear to want to engage with those with a strong pro-consumer orientation. Since the FCA has been given an objective, by Parliament, to provide consumers with an appropriate degree of protection, one wonders why this is the case. Likewise, how much does the present reality reflect the culture of the FCA and how it sees its priorities and purpose?

To access our ‘workings out’ see [here](#); and for a visual representation please see the bar chart below, where we have stripped out the other/neutral meetings and are showing the all-important relativity between consumer-oriented meetings, and industry-oriented meetings. I find it interesting that even the individual with ‘Consumers’ in his job title (Sheldon Mills, Executive Director, Consumers and Competition) has a worryingly low proportion of meetings with consumer-orientated organisations (see his individual chart in the [Appendix](#)).

And do bear in mind that if the data were to include regulated firms, the picture being painted would show an even lower proportion of meetings with consumer-oriented stakeholders.

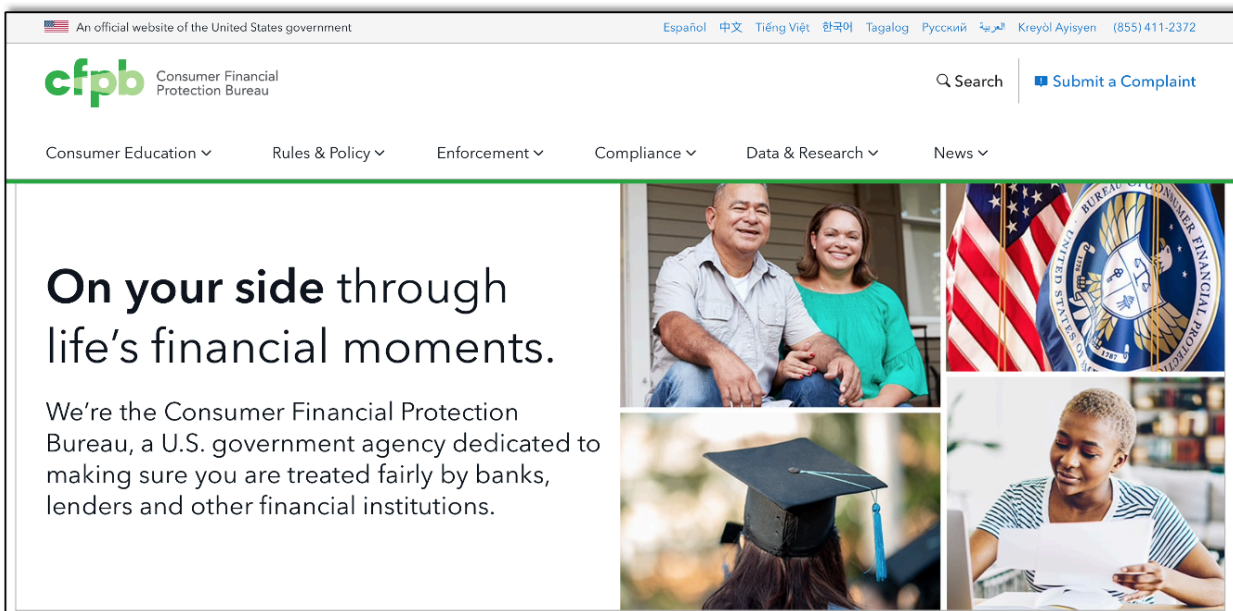
When all the data is aggregated for the whole leadership team this is what we see:





Another way to describe the aggregation of the data as shown in the bar chart above is to state that for every one consumer-orientated meeting, the FCA has almost five with the industry. Should that ratio not be more balanced? If the FCA thinks not, then it is crystal clear that there isn't yet, an organisation in the UK that is sufficiently focused on protecting the interests of consumers of financial services products and services as their top priority; and preferably their sole priority?

As I touched on earlier, perhaps what is needed in the UK is an organisation similar to [the USA's Financial Services Consumer Protection Bureau](#), which is dedicated to the purpose of consumer protection and is free of the many competing and conflicting interests the FCA has.

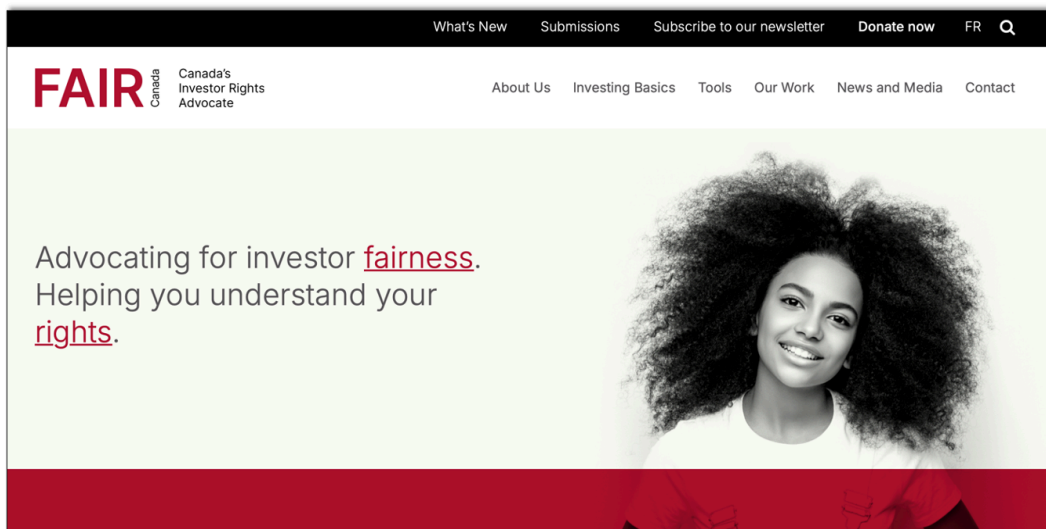


As of 3rd December 2024, The Consumer Financial Protection has secured over \$21 billion in relief for American consumers through enforcement and supervisory actions, which includes monetary compensation, principal reductions, cancelled debts, and other forms of consumer relief. The work of the Consumer Financial Protection has recently been suspended,

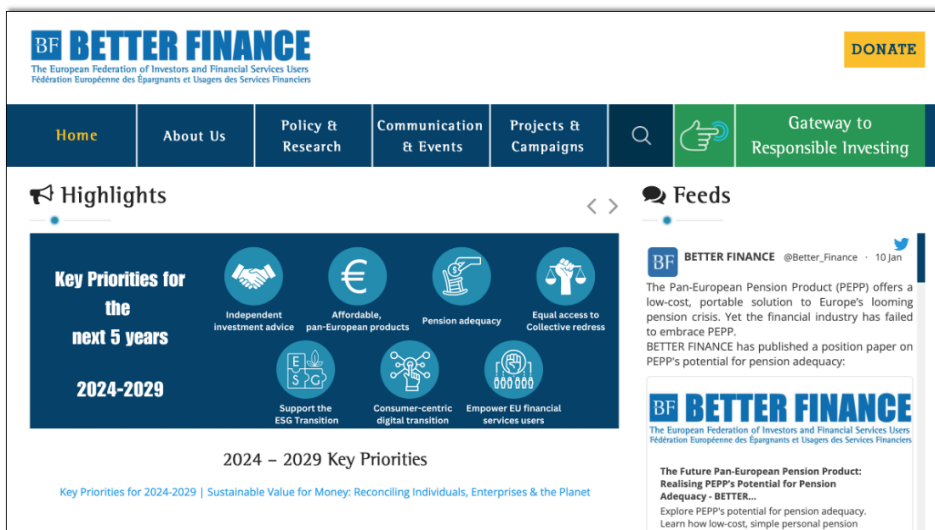
If it were not possible for a similar organisation to be created for the UK, could the FCA itself be sufficiently reformed so that it does a decent job of protecting consumers' interests moving forward? I believe it is time that Parliamentarians took the opportunity to discuss these and related questions properly; stimulating that kind of debate is precisely what our November report was designed to do.

Similar state-supported organisations with a sole focus on representing consumer interests without the distraction of conflicted and competing priorities also exist in other parts of the world.

For example, Canada has [Fair Canada](#):



...and the EU has [Better Finance](#):



However, we shouldn't forget that even if reforms took place that fixed the FCA's failure to provide an appropriate degree of protection for consumers, that wouldn't take care of other red flag areas identified in our original report, such as the perception/reality that:

- The FCA's handling of whistleblowers is appalling.
- The FCA has a toxic culture, with staff critical of it being managed/bullied out.

## About future instalments of this Supplementary Report

As explained, we wish to share evidence including testimony we have received since the November 2024 report was published, to refute the notion that the issues we raised in November are just historic, a thing of the past, and that the FCA's Transformation Programme has been such a success that it is now *'a very different organisation.'*

To do so we will be gathering evidence from recent decisions made and actions taken by the FCA, and this will be made available on a case study, by case study basis.

In an attempt to correlate the new evidence we will be publishing in the supplementary report, (alongside the content of the original report), our analysis of each case study will include a 'Yes' or 'No', in response to a question about whether the case study supports each of the principal findings in the main report (see them [on page 10](#)). To enable this information to be shown as clearly as possible we will be using the tables that you see after the Case Studies.

## Thank you

The original Report and this Supplementary Report are produced at no cost to the APPG, without donations or corporate sponsorships, and largely on the basis of volunteers providing their time and expertise, working in the public interest, including of course those that have stepped forward to give testimony.

Therefore, in closing my Foreword, I wish to once again put on record the APPG's thanks to all involved in this endeavour; not just those who are helping to put this Supplementary Report together but also everybody involved with our original November 2024 report too.

## The importance of both perception and reality

The work of the APPG is not an attempt to provide a definitive, exhaustive, comprehensive account of what has happened; it does not have the resources or mandate to do that. Rather, its work is an authentic attempt to show the views of those that have interacted with the FCA and/or been impacted by its decisions and actions, supported by evidence wherever possible.

The reader may conclude that the opinions expressed by those that have given testimony are wrong. The APPG is not in a position to judge either way. But the APPG shares the opinions given

by those that have given testimony on the basis that they reflect the true and considered beliefs of those that have given them, and in general terms the concerns expressed by those that have given testimony tallies with the lived experience that the APPG has had when observing and interacting with the FCA.

Furthermore, the broad similarities in the opinions and perceptions shared from a wide range of stakeholders leads us to believe that whilst not everything stated is necessarily correct, the general picture of the FCA being an organisation with deep and serious issues; not just in the past but also now, is correct; and particularly valid.

Perceptions do matter in all sectors, but particularly so in the financial industry. That is because it is a sector that must be trusted, implicitly, to be successful; if you take trust out of financial services there really is very little left. The word credit stems from the Latin 'credere', meaning to 'believe' or 'to have trust'. And, of course, the phrase 'I promise to pay the bearer the sum of...' lies at the heart of our entire financial system - we are just emphasising the point that trust is at the centre of all financial services.

The reality is that any reputational damage that impacts the financial sector or the regulatory framework that governs it, is important. For all these reasons it must be accepted that if there are many people with an adverse view of the FCA, given that it is the regulator [tasked by Parliament to protect market integrity, consumer interests and so on](#), it matters; regardless of whether the reader believes they are factually correct in all instances, or not.

We, therefore, invite the reader to absorb all the content we have provided, especially in relation to the case studies, with that in mind, recognising that what is being shared reflects the sincere, lived experiences of those that have stepped forward to give testimony. This is not fiction. This is fact

And we are very grateful to them all for doing so.

*Bob Blackman* CBE

[MP for Harrow East](#)

[Co-Chairman, APPG on Investment Fraud and Fairer Financial Services](#)

[Like Bob on Facebook](#)

[Follow Bob on X/Twitter](#)

[Bob Blackman MP - Data Privacy Notice](#)

# CASE STUDY: THE WOODFORD SCANDAL

## WS1: IMPORTANT NOTES

- 1) This Report, along with the November 2024 Report and linked documents, reflects the personal views and experiences of contributors. While the APPG cannot verify the accuracy of claims, we aim to present the shared perspectives and evidence in good faith.
- 2) The APPG's work is not exhaustive but highlights concerns raised about the FCA. Consistent perceptions from diverse stakeholders suggest significant, ongoing issues. Trust is crucial to the financial industry, and widespread negative views about how the FCA carries out its responsibilities carry weight, regardless of factual accuracy, because perceptions about a regulator, and the optics through which it is seen matter for it to have legitimacy.
- 3) We invite readers to view the content, especially the case studies, as sincere lived experiences shared in good faith.
- 4) We would be delighted to 'correct the record' wherever necessary if there are any factual inaccuracies.
- 5) The case study repeats some key points several times. This has come about because of the co-created way that it has been produced, i.e. by a group of people working on it collaboratively, and because the backbone of the report is based on the testimony of respondents completing a questionnaire, whereby some points were raised in response to different questions asked.

We have decided that because each time a particular point is repeated additional information and context is added, thereby helping the reader fully understand the point being made; and we have therefore decided to leave in the repetition.

- 6) Please note that the sections in this particular are numbered WS1, WS2 and so on, with WS standing for 'Woodford Scandal.' This will assist with navigating through the document when more case studies are added in subsequent instalments.

## WS2: EXECUTIVE SUMMARY

The Woodford scandal is arguably the most significant investment failure in UK history, with wide-ranging consequences for investors, financial institutions, and the broader regulatory environment.

### What the Woodford Scandal is not about

It must be understood from the outset that this scandal is not about normal investor losses due to poor investment returns or choices. This scandal is about an entirely different matter, and it would be wrong to characterise harmed investors as being individuals unhappy with normal investment risk/reward outcomes.

Furthermore, the Woodford scandal is not about FCA employees as a whole making mistakes or acting in bad faith; the issues our analysis point to suggest quite the opposite i.e. the problems that exist are a direct consequence of decisions and actions taken by the FCA's Board and leadership team, for they are, for example, the individuals who:

- Determine the approach to be taken in relation to policy around investigation and enforcement.
- Orchestrated that the Authorised Corporate Director (ACD), i.e. the entity with primary governance responsibilities for the Woodford Equity Income Fund (WEIF) be Capita Financial Managers (CFM), later renamed Linked Fund Solutions (LFS), a company that had already been under serious regulatory scrutiny.
- Signed off on the misleading communications around the '77p in the pound on losses' messaging.
- Made the decision to take away investors' statutory consumer protection rights after the event.

None of the above, or any of the many similar issues, would have been the responsibility of any FCA staff outside its Board and senior leadership team.

### What the Woodford Scandal is about

Investors' complaints revolve around their belief that they have been given wrong and misleading information, initially by Woodford and then the FCA; and then denied the statutory rights they had been informed would protect them if, and when the worst happened; statutory rights which were sanctioned by Parliament through the Financial Services and Markets Act 2000.

At the core of the scandal was the collapse of the Woodford Equity Income Fund (WEIF), managed by Neil Woodford, once lauded as Britain's most successful stock-picker. Between 2014 and 2019,

the fund attracted billions in retail investment. However, mismanagement, risky investment decisions, and critical failures of regulatory oversights culminated in its suspension in 2019, and subsequent liquidation, causing severe financial losses for an estimated 400,000 to 500,000 investors. The FCA's investigation is still yet to be finalised over 5 years on.

Neil Woodford built his reputation on prudent, high-performing investments while managing funds at Invesco Perpetual. He then launched his own firm, Woodford Investment Management (WIM) in 2014 and his flagship fund, WEIF, promised investors a low-risk strategy, primarily focused on large, stable companies that would generate reliable dividends, but including a small element of more risky growth orientated start up companies.

However, over time, Woodford deviated from this stated strategy, reallocating significantly larger portions of the fund's capital into high-risk, illiquid investments, primarily in unlisted or early-stage biotech and technology companies. These assets, while potentially lucrative, were unsuitable for an equity income fund, marketed as low risk, and were originally slated to be restricted to only a small proportion of the fund.

In short, WEIF failed to operate within the fund's mandate. This misalignment, compounded by poor performance and growing investor redemptions, created a liquidity crisis, ultimately rendering the fund unsustainable. When Kent County Council, one of WEIF's largest investors, requested a £263 million withdrawal in June 2019, the fund's inability to meet this redemption request led to its suspension and eventual closure.

A compounding factor was the licensing by FCA of Link Fund Solutions Ltd (LFSL) as the Authorised Corporate Director (ACD) for the Woodford Funds, without ensuring that LFSL had adequate insurance or capital resources to cover its liabilities arising from the management responsibility for substantial financial assets, the latter many times greater than the value of the Woodford funds. The lack of adequate provision of these resources meant that only a minor part of overall losses could be reimbursed from one of the companies having responsibility for the failure.

### **Key questions that the FCA should be tasked with answering**

The rest of this Executive Summary, and the full details about the Woodford scandal that follows it will cover a range of serious issues that have been brought to our attention by victims of the Woodford scandal. Given the very large number of impacted investors and their well-publicised dissatisfaction with how the FCA has handled the matter, it is likely that there will be continued challenge of the regulator until important questions surrounding those serious issues are answered; questions such as:

1. Why has the FCA taken so long to complete its investigation into the Woodford scandal, despite the [Treasury Committee compelling it to do so](#)?
2. Why did the FCA not act meaningfully and promptly in response to the red flags reported to it by credible individuals, when the scandal was in its nascency, in 2015?



3. The Woodford failure led to the closure of Link Fund Solutions Ltd (LFSL), the entity that had been responsible for the governance of the failed fund, and the sale of the remainder of its business, together with the team having responsibility for the Woodford failure, to another company.

The LFSL team remains in being and is carrying on the same business as before, but in another company. It is understood that this team has a previous track record of failure, with similar oversight failure issues having occurred before in relation to the Arch Cru and Connaught failures.

How many times does the FCA propose to make the same mistake again, having apparently not learned from previous experiences?

4. Is there any substance to the belief that many investors have, that the FCA deliberately issued a misleading statement suggesting that harmed investors would get “77p in the pound” on their losses?
5. Did the FCA knowingly preside over a conflicted, unfair and inappropriate voting framework for the proposed Scheme of Arrangement that numerically disadvantaged ordinary retail investors, causing informed investors to feel the vote was rigged?
6. To what extent was the FCA’s true motivation for developing and endorsing the Scheme of Arrangement (that it worked on with Link Fund Solutions, the entity that had been responsible for the poor governance of the failed fund), about it being a means through which claims on the Financial Ombudsman Service and the Financial Services Compensation Scheme could be prohibited, so as to avoid there being calls for the FCA to be abolished?
7. Why did the FCA fail to use the Financial Services Compensation Scheme to top up the shortfall between what it assessed to be the loss (£300m) and the amount that could be levered from the closure and liquidation of LFSL?
8. The FCA recently announced an investigation into Neil Woodford and his management company. Did this start at the same time as the LFSL investigation? And what is the likely timescale for this new investigation, and will any outcome be limited to funds that can be obtained from those investigated, or will there be access to the FSCS if there are insufficient company resources to cover further losses?
9. Is the FCA concerned that there may be an impact arising from the removal of the once inviolable statutory protections enshrined in the Financial Services and Markets Act 2000, through the mechanisms of the Financial Ombudsman Service and the Financial Services Compensation Scheme, on investors' trust and confidence in the UK investment industry, which may in turn jeopardise the prospects for economic growth in the sector?

10. Does the FCA acknowledge that it is bedevilled by conflicts between its consumer protection function and its remit to promote the interests of the financial industry; and if so, how does it manage those conflicts whilst providing an appropriate degree of consumer protection?
11. Why has the FCA's engagement with harmed investors and those representing them been so poor throughout the entirety of the Woodford Scandal?
12. How much damage has the FCA's handling of the Woodford Scandal caused to the growth prospects of the UK's financial services sector, because of the way it has undermined trust and confidence?

The rest of this Executive Summary, and the full details about the Woodford scandal that follows it, will:

- Provide the full context and significance for the questions outlined above.
- Explain the rationale behind why they should be put to the FCA.

### **The regulatory failings that enabled the Woodford scandal are among its most troubling aspects**

The FCA, which has an annual budget of over £700,000,000 per annum, raised through an industry levy, is tasked with regulating firms like WIM. It has been roundly criticised for its inaction and lack of effective oversight, both before and after WEIF's collapse.

Despite early warnings given to it from within Woodford's organisation and also external experts about the deviation from the fund's declared strategy and increasing risk profile, the FCA did not intervene decisively. The FCA, as the responsible regulator, failed to act on clear signs of mismanagement, such as WEIF's repeated breaches of its investment limits into unlisted securities. These breaches were obscured through the use of questionable practices, including Guernsey-listed entities that created a false impression of compliance.

Moreover, the FCA approved key entities involved in the scandal, including the ACD, LFS, despite that entity's poor track record with prior investment failures like Arch Cru and Connaught; failures that the FCA made dubious decisions about; dubious decisions that some believe subsequently hampered how the FCA would go on to deal with the Woodford scandal.

### **Regulatory failings continued after the fund collapsed**

The aftermath of the fund's collapse has been marked by further regulatory controversy, which has undermined trust and confidence in the UK's financial services sector and the regulatory framework that is meant to be governing it, with obvious adverse consequences for the sector's growth prospects.

In particular, the FCA's handling of investor compensation arrangements has drawn sharp criticism for its development and endorsement of a Scheme of Arrangement, in conjunction with LFS. While the FCA publicly claimed the scheme would provide investors with "77p in the pound" for their losses, this figure was misleading - some suggest it to be a ten times overstatement. Yet the FCA refused to issue a clarification or correction of the misleading press statement they had issued when respectfully requested to do so and when it had been reported to them that it was a matter of fact that investors were being misled by the statement the FCA had issued. Also, the "77p in the pound on losses" was applicable only to a small tranche of "illiquid assets" and not the entire fund; which again was inaccurate and further gave a false representation of likely compensation overall.

As a consequence of the misleading narrative around what investors would receive through the Scheme of Arrangement (SoA, and the way retail investors were mathematically outnumbered by the investment platforms they had used to invest in WEIF, an all-important vote was won by the opponents of the ordinary retail investors who were actively campaigning against the SoA.

Note that only a minute minority of investors were sufficiently engaged to even begin to understand the nuances and intricacies of what was taking place that were relevant to the vote, and only a small fraction actually voted. It therefore appears that the vast majority of those who voted in favour of the SoA were misleadingly reassured by the "77p in the pound" messages being reported in the press, off the back of the FCA's misleading press statement.

As predicted, many investors received far less than 77p in the pound; they typically received just a tenth of that. Furthermore, the SoA blocked investors from accessing their statutory protections under the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS). By endorsing this approach, the FCA appeared to be prioritising the financial sector's stability and its own reputation and institutional survival, over the interests of individual investors.

It should also be mentioned that the FCA only revealed its intent to investigate Woodford at the time of the SoA outcome. There was no indication of when that started, nor is there yet any clear idea of whether the outcome is imminent or whether it is still years away.

### **The human impact**

The human impact of the scandal has been profound. Many investors, including retirees, lost substantial portions of their life savings, resulting in financial hardship, stress, and erosion of trust in the UK's financial system. For many, the losses were compounded by feelings of betrayal - both by Neil Woodford, who failed to manage the fund as promised, and by the FCA, which failed to ensure the appointment of a competent and properly resourced ACD, or to use the powers it has to protect consumers' interests, even resorting to engineering away consumers' statutory protections enshrined in the Financial Services and Markets Act 2000. Investors have reported losing confidence in the UK financial sector and have shifted their investments abroad or avoided managed funds entirely, preferring lower-risk options like savings accounts.

### Significance beyond this scandal alone

The Woodford scandal has broader implications for the integrity of the UK's financial sector. It has exposed regulatory issues related to fund liquidity, investor protections, investigations and enforcement. The debacle has become emblematic of deeper systemic issues within the UK's financial sector, where the scandal is even now ongoing - for even now the FCA has yet to issue its final report, despite investigating the scandal for over five years and being chased to act swiftly by the Treasury Committee.

Furthermore, the FCA's approach to the scandal evidenced deeper conflicts of interest, whereby the FCA's dual mandates - to promote market health and protect consumers are often at odds with each other.

The FCA's typical response to suggestions that it has fundamental conflicts of interest is to refer to the idea of 'finding the right balance' amongst its objectives or some such language. However, this is an unhelpful distraction from the harsh reality of the situation; it is continuously having to make unsatisfactory choices between opposing options. So much so that the FCA could be described as being rather like a taxi driver being given opposing directions by two passengers at the same time - one directing to turn left, the other directing to turn right, because they disagree on where the taxi should be going.

Furthermore, the Woodford scandal has underscored the FCA's tendency to react slowly and inadequately to red flags, often prioritising damage control over decisive action. These failings have eroded trust in the UK as a safe and reliable financial market, driving capital and new listings to other jurisdictions, as the empirical evidence would seem to suggest.

### Calls for reform have grown louder in the wake of the Woodford scandal

Stakeholders, including investors, policymakers, and independent experts, have emphasised the need for a more transparent, responsive, proactive, and accountable regulatory framework.

Suggestions include:

- Splitting the FCA into separate bodies focused on consumer protection and market oversight.
- Increasing the FCA's accountability to Parliament
- Ensuring that regulators prioritise investor interests over institutional relationships.
- Structural reform of the regulatory architecture to rebuild confidence in the UK's financial services sector and prevent a similar crisis in the future.

The Woodford scandal is a stark reminder of the devastating consequences of mismanagement and regulatory failure. It highlights the critical importance of investor trust, robust oversight, and the need for swift and effective enforcement when things do go wrong.

The scandal's fallout continues to resonate, serving as both a cautionary tale and a call to action for comprehensive regulatory reform. Only by addressing these systemic issues can the UK restore its reputation as a global leader in financial services and provide the consumer protections that Parliament has legislated for and its citizens deserve.

## WS3: OVERVIEW TO EXPLAIN THE SCANDAL IN BROAD TERMS

### Introduction

The Woodford Scandal refers to the dramatic collapse of Woodford Investment Management (WIM), a high-profile UK-based investment firm founded by Neil Woodford, once considered Britain's most successful stock-picker. His flagship Woodford Equity Income Fund (WEIF), which managed billions in investor money, was suspended in 2019 and later liquidated, causing significant financial loss for thousands of investors.

The number of individuals impacted is unknown, but it is at least 400,000, making it a huge scandal by any measure, acting as a wrecking ball to the trust and confidence investors have in active investment management, and without doubt the wider integrity of the UK's financial sector and the regulatory framework that is meant to be governing it.

The overall number of impacted investors could be as high as 500,000.

### Neil Woodford's Reputation

Neil Woodford built his reputation as a star fund manager whilst at Invesco Perpetual. In 2014, Neil Woodford left Invesco to start his own firm, Woodford Investment Management (WIM), launching the Woodford Equity Income Fund (WEIF). This fund attracted massive inflows from ordinary retail investors, quickly achieving over £10 billion in assets at its peak.

Note that Neil Woodford's reputation led him to be awarded a CBE for services to the UK economy. The ensuing scandal has led to calls that his CBE must be returned; please see [here](#) and [here](#).

### The Problematic Strategy: Risky Bets on Illiquid Assets

Woodford marketed WEIF as a low-risk, income-focused fund, investing primarily in large, stable companies that paid consistent dividends. However, he gradually shifted toward riskier investments, pouring money into small, unlisted, and illiquid stocks, particularly in biotech and technology startups. While these companies had high potential returns, they produced little or no dividend income and were difficult to sell quickly, especially if large redemption requests from investors made that necessary.

Many argue these small, unlisted, and illiquid non-income producing stocks were fundamentally unsuited to a fund whose primary purpose was to generate an income on a relatively low risk basis, creating a complete misalignment of suitability. These types of investments were really only suited to the [Woodford Patient Capital Trust](#); a completely separate investment vehicle with an entirely different risk profile.

Clearly, WEIF did not operate as described to investors, and the illiquidity risk became a ticking time bomb. When these investments lost large amounts of money, with further substantial losses arising from the badly timed, inappropriate forced sale of these illiquid assets, investors felt misled by Woodford and let down by the regulatory framework that should have picked up on this and prevented these risky investments.,

As mentioned in the Executive Summary, it is important to note that investors have not been complaining about ordinary investment losses due to the inevitable ups and downs of the market; their complaint is that the fund was not run in accordance with its investment profile and mandate. i.e. they had been deceived, and that the regulatory framework not only failed to prevent the deception, it then failed to take the correct actions to remedy the situation, and has subsequently failed to facilitate rightful compensation for those harmed.

And as shocking as it might seem, the evidence points to the FCA actively strategising to prevent victims being able to gain access to rightful compensation.

### Initially as described, from 2014 to 2017

Initially, and in the main, WEIF was investing in high quality liquid stocks, exactly as expected of an equity income fund, i.e. it was behaving as expected, compliant with its investment profile and mandate.

### The Crisis Unfolds, 2017-2019

#### Underperformance and Investor Outflows (2017-2018)

- Many of Woodford's chosen stocks failed to perform, leading to poor returns.
- Concerned investors began withdrawing their money, forcing Woodford to sell liquid assets to meet redemption requests.
- This left the fund increasingly unbalanced, becoming ever more concentrated in illiquid assets, making redemptions even harder and harder to fulfill.

#### Kent County Council's Request (June 2019)

- One of WEIF's largest investors, Kent County Council, requested a £263 million withdrawal.
- Woodford was unable to meet this redemption due to his holdings in illiquid stocks.

#### Fund Suspension (June 2019)

- To prevent a "run" on the fund, it was suspended, blocking investors from withdrawing their money; i.e. they were prevented from getting their money out of the fund.
- The FCA launched an investigation.
- The concerns about failures in regulatory oversight continued to grow.

#### Fund Closure and Liquidation (October 2019)

- In October 2019, administrators shut down the fund, deciding to liquidate assets, and return money to investors.
- Note that Neil Woodford directly states in this [video](#) made at the end of 2024 that he stated to LFS and the FCA at the time that a sell down of assets was not in the best interests of investors, and should not go ahead; but LFS and the FCA disagreed, and a sell down of assets went ahead anyway.
- Predictably, investors suffered heavy losses, with many receiving only a small fraction of the original sum they invested in WEIF.

#### Aftermath and Regulatory Scrutiny

- Woodford Investment Management collapsed, and Neil Woodford himself lost his credibility.
- The FCA faced extensive criticism, with many feeling suspicious about why it as regulator had failed to pick up on the red flags that had been waved to it earlier.
- The scandal sparked debates about fund liquidity rules and investor protection, because there had been such a grave and obvious regulatory failure, with far-reaching consequences.
- In 2023, the FCA declared its support for a much-criticised £235 million compensation scheme for affected investors, built around a Scheme of Arrangement (SoA), but Woodford himself faced no criminal charges, and there were no financial or regulatory penalties or sanctions imposed on him or the other companies involved by the FCA.
- There were numerous reasons for the criticism, including for example, misleading communication by the FCA about the SoA that gave the false impression that investors would receive 77p in the £ for their losses - more detail on that important point later.

In short, the Woodford Scandal remains one of the biggest investment failures in UK history, with many believing it to be one of the FCA's worst and most damaging regulatory failures.



## WS4: THE KEY CONCERNS ABOUT THE FCA'S HANDLING OF THE WOODFORD SCANDAL

### Decisions influenced by previous decisions

Many knowledgeable people believe that the FCA found itself compromised by prior historical decisions, actions and inactions, all of which inhibited it from acting as it should have done over the entirety of the Woodford affair, even up until now. Conflicted and competing interests from the past made it problematic, if not virtually impossible, for the FCA to do the “right thing” consistent with the role of an uncompromised regulator acting in good faith.

For the FCA to “do the right thing” would have revealed earlier mistakes and/or malpractice; that could not happen because such a volte-face would have been an immediate threat to the FCA's very existence, so consequently no material sanctions were applied to any connected parties, despite the fact that they had so obviously failed investors.

### Concerns and alleged regulatory failings by the FCA pre-June 2019

Many of the alleged regulatory failings that occurred in the Woodford Equity Income Fund (WEIF) are set out in Owen Walker's book, [Built on a Lie: The Rise and Fall of Neil Woodford and the Fate of Middle England's Money](#).

Briefly, the concerns and allegations include:

- Facilitating the accelerated authorisation of WIM, potentially overlooking shortcomings in governance and compliance.
- Allowing the authorisation of Craig Newman as Chief Executive Officer of Woodford Investment Management Limited ('WIM') despite him having been dismissed by Invesco Perpetual for allegedly having misappropriated client data.
- The FCA's failure to check, as part of its standard due diligence process, that the individuals authorised as non-executive directors of WIM were correctly registered with Companies House as directors. The fact that the non-executive directors were not correctly registered at Companies House should have been seen by the FCA, and their interpretation of that reality should have been to consider the circumstance to be an obvious 'red light' pointing to them probably either being disenfranchised, having concerns about the risks associated with the role, or both.
- Failing to remove permissions of Capita Financial Managers Limited (CFM, later renamed Link Fund Solutions), the largest independent Authorised Corporate Director ('ACD') in the market, despite its failings in relation to two previous failed collective investment schemes, [Arch Cru](#) and [Connaught](#), then putting WIM under pressure to use CFM as its ACD. Note that according to Neil Woodford in [this video](#) made at the end of 2024, the FCA informed WIM that unless it appointed Link as the ACD, the FCA would not give WEIF approval.

Is what Neil Woodford is now claiming true?

If it is, how does the FCA explain such an irregular intervention?

- Failing to challenge the longstanding practice of Hargreaves Lansdown Plc (HL) issuing ‘best buy’ lists to clients, which seemed to be motivated by potential conflicts of interest related to HL’s own commercial interests, rather than pure empirical research.
- Similarly, the FCA’s failure to investigate the trading relationship between HL and WIM, which may have resulted in HL placing its own commercial interests ahead of clients’ when promoting WEIF, [even after there were known concerns about WEIF](#), and HL including it in six Hargreaves Lansdown Multi-Manager Funds (HL MMF), which are open-ended funds of funds, managed by HL.
- The FCA undertaking its capital adequacy checks with insufficient rigour, that form part of its threshold conditions tests, in respect of WIM, CFM and perhaps HL.
- Taking no, or inadequate steps, to challenge WIM and CFM in relation to misallocation of client monies entrusted to the WEIF, including:
  - Undisclosed and potentially conflicted “related party” transactions.
  - Inappropriate investment in start-ups and early-stage businesses that breached its prospectus and the declared investment “style” that investors believed they were participating in. It must be stressed that Woodford was given a mandate to operate in a particular, described and prescribed way. That mandate was the control mechanism for internal and external supervision, and the basis on which investors invested their money i.e. Woodford made an offer to the public to attract its money and the mandate was the basis of that offer and acceptance.
  - Not only were investments not dividend-payers, they were high risk and likely to require further regular capital injections from shareholders in order to survive, thereby being clearly inappropriate for an equity income fund.
- WEIF took several measures to hide its activities, all of which the FCA and others (WIM, CFM and perhaps HL) should have spotted and called out the moment these bad practices first occurred:
  - The breaching of WEIF’s explicit investment limit in unlisted firms, including the use of a ruse to appear compliant, by placing some holdings in a bespoke vehicle listed on the Guernsey stock market, which was in fact a sham as there was no trading activity, it being wholly illiquid.
  - The use of an asset swap, through which WEIF transferred some unlisted holdings to the Woodford Patient Capital Trust (WPCT), an investment trust also managed by WIM, in return for newly issued shares in WPCT. These shares were acquired at a price considerably in excess of the market price, and given the dire performance

history of WPCT, was unlikely to have been in clients' interests. This transaction is also likely to have harmed the interests of investors in WPCT.

### Concerns and alleged regulatory failings by the FCA, since June 2019

There are also concerns about the FCA's actions and inactions since the WEIF was suspended on 3rd June 2019. The FCA announced [an investigation](#) within days; however, over five years later, no enforcement action has yet been taken. Further, the FCA has failed to use its powers to the full to take the steps necessary to secure the greatest possible legitimate redress for WEIF investors. Nor has the FCA yet moved to protect other consumers from the harms caused by any of the parties that stand accused of letting down those that lost money in the Woodford debacle.

In effect, nothing has changed. Investors continue to be at risk of a repetition of WEIF where the regulator remains asleep at the wheel, and innocent investors are left vulnerable to a repeat.

It is reasonable to assume and expect that a competent regulator, acting in good faith, allocating appropriate resources and having a duty to exercise its full powers, ought by now to have concluded its enforcement investigations and taken prospective punitive actions if appropriate.

Arguably, WIM and Capita Financial Managers (CFM, the former name of Link Fund Solutions) - and perhaps even HL - were insufficiently capitalised, and underinsured for the risks they were undertaking. Such a situation might have resulted in any restitution orders secured by the FCA, any court awards achieved through litigation (or via the FOS) pushing some or all of these entities into insolvency, which would ordinarily trigger the FSCS to act as designed, as a 'lifeboat fund' in the event of exactly such a failure.

But, and this is a key point, such a prospect should not be an inhibitor to the FCA taking the correct action. In terms of an analogy, the situation was rather like a policeman stopping a car driver and establishing that the driver had inadequate insurance; but then making a conscious decision to not enforce against the driver for having inadequate insurance because the policeman had a side-hustle - to reduce the waiting list of cases to be dealt with by the courts, and consequently letting the under-insured driver off the hook.

The fact that these firms were FCA regulated and the WEIF was a regulated product meant that the vast majority of investors should have been eligible to receive redress, from the FSCS up to its limit of £85,000 per eligible consumer; that's exactly how the system is designed to operate.

Given that WEIF attracted mostly unsophisticated, small private retail investors, it highlights the horrendous consequences of the FCA's regulatory failure, and consequently should have emphasised the importance of the FCA achieving full redress for all investors. Further, the FCA should have taken all actions necessary to protect other consumers from any similar future actions by the firms involved, something it has catastrophically failed to do.

In April 2023, the FCA [announced](#) that it had negotiated a goodwill payment of partial redress from CFM, which was renamed Link Fund Solutions Limited (LFSL). Capita Plc sold its financial services

division in order to fund a similar partial redress payment it made to [Connaught investors](#) in 2018. It is not clear why the FCA was allowing LFSL to propose a goodwill payment rather than mandating LFSL pay full redress for the failings the evidence shows it had made.

The goodwill payment was subject to investor approval in the [Scheme of Arrangement](#). A hotly disputed vote took place in December 2023. A Sanctions Hearing (the judicial process to establish whether the Scheme of Arrangement was to be approved) occurred in January 2024. Despite much opposition, the once-thought-to-be rock-solid statutory protections of the FOS and the FSCS that investors knew they had when they invested, were engineered away from them by the FCA-supported SoA.

One wonders if the Parliamentarians that legislated to create the FOS and the FSCS through FSMA 2000 would be happy for their work to protect consumers and instill confidence in our financial services sector, to be removed by a SoA designed by an organisation that had harmed investors, working in conjunction with a regulator that had its own reasons to avoid the proper use of the FOS and FSCS.

The significance of these statutory protections being removed after the event are best described by way of an analogy:

Investors were rather like high-wire artists in a circus, who knowingly began their act with a safety net in place designed to prevent them plunging to their death should something go wrong. Please note, as previously explained, the ‘something wrong’ in this context is not about the normal risks of investing i.e. the accepted chance of losing money through poor investment performance; it is about the ‘something wrong’ that relates to something of a structural nature going wrong i.e. [the kind of failures that the FSCS covers](#). In terms of the analogy, let’s say it’s about the risk that the high wire itself breaks, despite it being checked on a daily basis and signed off as being fit for purpose by the Health and Safety Officer responsible for the welfare of the circus staff.

Like the high-wire artists at the circus, performing their act above a safety net, investors invested on the basis that they too had protection, and would be saved (up to £85,000, the FSCS limit) if something went drastically wrong.

However, the FCA, the entity tasked with protecting investors, were complicit, with LFS, in removing the investors safety net after something went wrong; as if the person at the circus responsible for health and safety had murderously and swiftly removed the safety net after the high wire artists began plunging towards the ground.

No wonder investors are so angry with the FCA for conspiring with LFS to orchestrate the removal of their statutory protections, their safety net.

The absolute injustice of the situation was why barrister Damian Falkowski worked pro bono to defend investors rights; he put forward what were sound legal arguments, but unfortunately the FCA’s lawyers got their way in Court, investor protections were successfully evaporated away.

Respectful requests were made to the court for protection against adverse cost risks, such that an appeal to challenge the decision could be made. But the request was refused, so any chance of an appeal was quashed, only adding to investors' sense that they had been subjected to a miscarriage of justice.

### More on the Scheme of Arrangement and related matters

As explained, the FCA's 'solution' for harmed investors was the SoA that it developed with LFS. The SoA has been severely criticised by harmed investors. The key concerns being the sincere and serious suspicion, supported by testimony and evidence that:

- The FCA was motivated to avoid a claim on the FSCS to avoid it, i.e. the FCA itself, being closed down. Had the FCA regulated the situation properly, the WEIF debacle would never have occurred as it did, because it would and should have been caught early. This would have forestalled any significant FSCS payout, or in a worst case scenario, minimised it.
- The FCA's regulatory failures and the large scale of the WEIF fund, created an untenable potential levy on the FSCS scheme, such that the finance industry who pay the levy would have collectively revolted, most likely through their influential trade bodies. They would have pushed back against paying the levy, seeing it as an illegitimate, disproportionate and unjustifiable 'regulatory failure tax.'
- The FCA under such an existential threat from industry participants (which was mooted and real) were rightly concerned the FCA would collapse, its regulatory authority in tatters with the vast majority of good actors in the finance industry refusing to bail out the FCA for its catastrophic regulatory failure.
- Therefore, instead of regulating the scandal in the regular way, the allegation from investors is that the FCA deliberately misled investors into thinking that they would get '77p in the £' on their losses if they voted in favour of the SoA, knowing that one aspect of the SoA would be that it would block the investors having access to the FOS and the FSCS.
- The investors allege that the SoA was craftily and deceptively worded to appear as if it would pay 77p in the £; the headline in the FCA statement was "[FCA announces plan to deliver significant redress to Woodford investors](#)" and the main descriptive wording was "If the proposed redress amount of £235 million is paid in full then investors will have recovered approximately 77p in the pound. Their belief that the FCA deliberately misled has led to some investors believing the FCA may be guilty of Fraud by Misrepresentation under [the Fraud Act 2006](#)."
- The FCA improperly removed consumers' statutory protections, enshrined in the Financial Services and Markets Act 2000 through FOS and FSCS, jeopardising trust and confidence in the market, by destabilising consumer protections that could no longer be depended on.

- The FCA took the dramatic step of undermining the certainty of those statutory protections without knowing what the consequences of that action might be. Investors legitimately contend that the FCA deliberately, knowingly and purposely jeopardised the integrity of the UK's financial services sector, for its selfish and self-serving ends - the preservation of itself and its interests.
- Investors also believe the FCA acted in bad faith, breaching [Article 1 of the Human Rights Act 1998](#) - the right of an individual to enjoy their assets:

*“Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.”*

- The FCA failed to protect investors at every turn i.e. investors were ‘thrown under the bus’ by the FCA, in order to protect the FCA.
- The FCA has and continues to this day, to deliberately ‘drag its feet’ in relation to investigating the Woodford Scandal, despite numerous stakeholders including [the Treasury Committee](#) urging it to conclude its work on Woodford without any undue delay. It must be noted that at the time of writing, the FCA has a budget of over £750,000,000 per annum, and has been investigating the Woodford Scandal for well over 5 years. Yet it has still not issued a full report covering all aspects of the WEIF collapse, and related regulatory failures.
- It should also be noted that the prospect of its publication of this full report was used as a persuasive device in relation to encouraging investors to vote for the SoA, as investors were told it would not be published, unless the vote for the SoA went through.

Why did the FCA do that?

Investors argue the reasons are not hard to fathom, and some believe that the FCA acting slowly has become part of its operating model; its default way of dealing with problematic issues that arise being to deny, deflect and delay. By keeping everyone waiting in hope, the heat is taken out of the issue so it can later look back and say "it was all so long ago now, it's a historic matter, it's all in the past and we've all moved on since then".

### **The FCA's general problem with conflicts of interest**

Before commenting on specific conflict of interest issues of the FCA's handling of the Woodford Scandal, it is important to set out the inherent conflicts of interest the FCA has.

It has two competing strategic objectives:

- First, it is tasked with promoting and ensuring the overall health and functioning of the UK's financial system, defined as "Ensuring that the relevant markets function well."
- Second, it has Operational Objectives; of which the key principal ones are:
  - Protecting Consumers.
  - Protecting and Enhancing Market Integrity.
  - Promoting Effective Competition.

These competing objectives place the FCA in an awkward, compromised position, where it is constantly making trade offs and concessions that strike a balance. For instance strong consumer protection on banking malpractices or mis-selling conflicts with the duty to promote the health of the UK financial system, that necessarily means the strength of the major Banks, where their unacceptable business practises and certain failings have led to compensation of billions to consumers, such as the PPI and car finance scandals.

While substantial redress arrangements have benefited consumers, it has created substantial risk to Banks and key linked firms in the City of London, that the FCA wishes and is charged under another of its mandates to protect the health of, because they play a strategically important part in the UK's financial system and its ability to function smoothly.

To put it simply, the FCA is like a policeman who has a side-hustle - to bring down the waiting list of cases waiting to be dealt with in the Courts. Thus, the entire regulatory system is riddled with conflicts, but one thing shines out clear and certain, given the complexities and conflicts: Regulation must be quick, decisive and intervene early. This is the key takeaway from the Woodford scandal - be responsive, address red flag warnings quickly, and nip things in the bud before they get out of hand.

However, the general pattern that links numerous FCA-related scandals, has been for the regulator to revert to a kind of bystander role - calmly and passively observing proceedings rather than acting like the regulatory body charged with prevention, urgent investigation, and enforcement.

The FCA, or whatever might replace it if it were abolished, must be proactive, purposeful and potent, not seemingly self-possessed, introspective and [asleep at the wheel](#).

A particularly good example of this issue is the revelation during [a recent Treasury Committee meeting](#) that the FCA and the FOS were provided, way back in 2016, with a detailed account of the full nature and scale of the car finance scandal, by whistleblower Paul Carlier. This revelation has surely opened up what might turn out to be not just a can of worms, but a multi-billion pound barrel of them.

The car finance scandal is now so enormous that the Chancellor wrote to the Courts suggesting they consider the wider implications of their judgments, over an issue the FCA were informed of



nine years ago and allowed once again to become an existential threat as a result of under-responding; defining regulatory failure once again. The Chancellor's request for intervention in the scandal has been declined.

### The FCA's specific conflict of issues that applied in relation to the Woodford scandal

We will now turn to the specific conflicts of interest that compromised the FCA's handling of Woodford.

The FCA's reluctance to act assertively and early in the WEIF circumstance may be as a consequence of it being conflicted by its own historical actions and inactions in relation to the entities involved. We now highlight why it may have been difficult for the FCA to enforce against these organisations:

- LFSL - the FCA allowed the firm to continue trading under the existing leadership team, its regulatory permissions intact, after it played a central role in consumers losing hundreds of millions of pounds, connected to the Arch Cru and Connaught scandals.
  - This line of thinking is credible since it is impossible to believe Link Group would have proceeded with the firm's acquisition ([for £888m](#)) without first taking soundings from the FCA, if not receiving specific assurances about any future enforcement actions in respect of the firm's potential prosecution/sanction for misconduct during Capita's ownership.
  - The reality being that the FCA desperately needed that deal to complete, so Capita could afford to pay partial redress to Connaught investors. Conflicts within conflicts, where the only certainty was that compromise would lead to suboptimal outcomes for investors and the undermining of the reputational integrity of the sector, along with the governance framework that is meant to oversee it.
- WIM - the FCA's role in persuading then compelling WEIF to use CFM (now LFSL) as its ACD, despite LFSL's previous misconduct in relation to Arch Cru and Connaught, as explained earlier. It should be noted that even Neil Woodford pushed back on this and didn't want it, as claimed in [this video](#).

On what basis does the FCA authorise and permit any firm to undertake these vital roles, when it has insufficient capital resources or insurance provision, sufficient to meet the cost of any resulting restitution order, civil litigation or FOS claims? Especially when any shortfall would pass to the FSCS.

The FSCS is funded by mandatory industry levy, and as touched on earlier, is widely described by market participants as a 'regulatory failure tax'. The FSCS forces the vast majority of well-run firms to contribute towards the cost of remedying consumer detriment caused by firms that fail, frequently due to misconduct.

Good companies argue that it is the job of the FCA to ensure that firms have sufficient resources to meet their liabilities, especially when they arise as a result of their own activities - the capital adequacy tests - which if properly implemented and policed, would prevent (so far as is possible) and thereafter to curtail, any misconduct. Therefore, when as now, claims pass to the FSCS, it is a reasonable supposition that such an outcome has only occurred as a result of regulatory failure. This regulatory failure happened multiple times at WEIF.

The FCA has been roundly chastised in several external reviews, relating to:

- [Connaught](#).
- [London Capital & Finance plc](#).
- [Interest Rate Hedging Products](#).
- [Review of the British Steel Compensation Scheme](#)

Against this backdrop of repeated regulatory failure, it is self-evident that the FCA was not only keen to avoid the political consequences of any regulatory action, but especially one that would result in a large increase in the FSCS levy. It therefore became a necessity for the FCA to prevent industry-wide rejection of any resulting FSCS levy and with it the demise of the FCA as a direct consequence.

Consumers are purposefully led to believe they can be confident of the FCA and the propriety of the firms it regulates. The stark reality, as the firms noted above conclusively prove, is this belief held by consumers is misplaced, no matter the FCA's responsibility to "Protect Consumers" under its Second Operational mandate.

When things go wrong because of the FCA itself, it is virtually impossible for consumers to sue the FCA for the losses they suffer as a result of regulatory failure. In particular, the legal threshold for demonstrating bad faith is unclear, and likely very high.

At its peak, the WEIF was worth more than £10bn. By the time it was suspended, this figure had fallen to around £3.6bn. Reasoned analysis indicates that about half the decline was due to redemptions; while the balance of the loss was directly associated with falls in the underlying value of the investments, while in contrast the wider market was performing relatively well and showed no corresponding loss of value. At the point of suspension investors still had close to £1bn trapped in WEIF. The cost of remediating what happened in the regular way that Parliament intended i.e. through the FOS and the FSCS would therefore have been sizable.

### **The wider cost of ineffective regulation**

It can be argued that the cost of fixing the situation is a lot lower than the cost of not doing so, because:

- First, if Woodford investors are wrongly left nursing huge losses, it blows a huge hole in the credibility of the UK asset management sector - an outcome the active management sector

can ill afford, especially at a time when active investing is already under huge pressure from passive investing alternatives, particularly Index Funds and Exchange Traded Funds.

- Second, failing to achieve full redress for Woodford investors would swell the numbers of British citizens whose net worth has been destroyed by our financial sector in circumstances that suggest the FCA is not up to the job of regulating.

The FCA's inability to regulate indicates that not only are the risks systemic, but the underlying conflicts that are driving poor regulatory performance are so widespread, they can't be resolved without a manifest change in the style and implementation of regulation, necessary to ensure it becomes functionally fit for purpose.

### **Ineffective regulation acts as a brake on growth**

Regulatory failure and weak regulations begets weak enforcement of those regulations. Such a compromised regulatory environment does not attract capital, it drives it away, and overseas, where it likely everafter remains.

This is the opposite of what is needed to stimulate growth in the UK economy.

New dynamic companies are already shunning UK stock market listings, while investors are choosing to reallocate capital elsewhere because of a deemed lack of attractiveness, opportunity, and concerns over investor protection. It should be self-evident to anybody aligned to the Government's growth agenda that the failings of the FCA must be addressed.

Lax and poorly enforced financial regulation by the FCA has resulted in the long list of scandals already mentioned, and many more that can be added.

The sad reality is there will be more, all resulting in unnecessary consumer losses, repeatedly indicating the UK has an unreliable regulatory system. In real terms, now that the certainty of the FOS and FSCS safety net protections have been engineered away, the UK has little more than a 'caveat emptor' environment - a primitive 'Wild West' market in which negligence and dishonesty can go unchallenged by a complacent regulator, where there is no effective route to redress for innocent victims because of the absence of a Duty of Care with a Private Right to Action.

Financial services represent around [8 percent of UK GDP](#) and constitute the country's [largest recipient of Foreign Direct Investment](#). It is hugely important to the economic and emotional wellbeing of our citizens, enabling them to buy homes, set up businesses, insure against adverse events, and save for all life's milestone goals such as studies, parenthood and retirement.

What should and can be a positive experience and contribution, regrettably has a flipside; the capacity to cause considerable damage if and when things go wrong. The purpose of financial regulation should be to prevent, minimise and mitigate harm, without impairing competition or unduly constraining choice.

To achieve this meritorious outcome regulation must be performed to the highest possible standard. The protection of consumers and maintenance of confidence in the UK financial sector is not optional when we must compete on a highly competitive the world stage.

When regulation fails, it is not only in the interests of society to remediate the negative externalities, for global competition makes it an imperative that we fix our underlying problems.

### **UK financial services desperately needs an effective conduct regulator**

For all these reasons, having a conduct regulator that seems unable to 'do the right thing' when things go wrong, not least because it is so compromised by previous failings, can only result in further miscarriages of justice, angry investors, and a festering sore on the face of the UK's reputational integrity.

The Woodford scandal indicates once again the FCA is unwilling and/or unable to effectively regulate. Investors are at the base of the UK Financial Services food chain, upon which all else is built, making their protection not only desirable, but essential.

The responses to this question about whether conflicts of interest caused the FCA to handle the Woodford scandal in such an irregular way point to the serious concerns that the issues the FCA have go far beyond 'innocent incompetence' by which we mean the ordinary, normal errors that any large and complex organisation with a challenging brief will inevitably make from time to time.

Rather, they point to something far more complex and far more troubling; the idea that the FCA can never perform satisfactorily because of the way it has been conceived and created, and the way that the lack of scrutiny and accountability being applied to it means that if it makes serious errors those errors can go unchallenged for years, and it is thereafter destined to act in such a way to obscure those errors.

In the case of the Woodford scandal it has been the harmed investors who have paid the price for that. Unfortunately, the evidence shows a similar pattern in other regulatory failure cases involving the FCA.

## **WS5: THE KEY POINTS IN THE TESTIMONY THAT HAS BEEN PROVIDED**

### **Introduction**

Several individual investors who have been impacted by the FCA's decisions and actions relating to the Woodford scandal volunteered to complete questionnaires designed to gather their views.

Their responses and the numerous underlying issues they point to have formed the backbone of this case study.

What follows in this section is based on an aggregation of their responses to the specific questions posed, providing a general narrative that reflects their consensus perspectives. The responses are derived from the questionnaire questions shown in blue.

### **How has the scandal impacted you, and if relevant your family?**

The scandal has had a significant financial and emotional impact on respondents. Many lost substantial savings intended for retirement, leading to stress, depression, and a loss of trust in the UK financial system, most especially with the FCA as regulator, whose actions went on to deny them appropriate compensation.

The scandal has adversely impacted their standard of living, with some having to extend their working lives and/or take on additional debt.

One respondent said the resulting loss of capital, income and investment opportunities had caused them immense stress and worry because of the adverse impact it had on their planned retirement.

Several respondents expressed frustration over the time and effort spent seeking redress, with little to no response from the FCA and related entities including the FOS and FSCS.

The Woodford scandal resulted in respondents losing confidence in the regulator, particularly in the integrity of the regulator; feeling abandoned by a system meant to protect them, where their MPs have also been rendered powerless to assist them, thus far anyway, despite many valiant attempts.

### **Regarding any financial loss you may have suffered, feel free to mention actual approximate amounts you have lost, or give a vague general description if you prefer, or feel free to skip this question.**

The respondents reported losses ranging from smaller amounts to large sums, spanning from £15,000 to over £100,000, including lost interest. Some have calculated their losses by comparing potential growth they would otherwise have achieved, had their investments been placed elsewhere using the [FTSE UK Private Investor Income Index](#); a standard methodology used by the

FOS. Several respondents highlighted that the redress received so far is minimal, perhaps around just a tenth of the “77p in the £” they had been informed of by the FCA.

### **What impact has the scandal had on your trust and confidence in the UK’s financial services sector and the way it is regulated by the FCA?**

The respondents reported having lost trust and confidence in the UK’s financial services sector, and the FCA’s role as a regulator. Most of them felt the FCA has failed in its duty to protect consumers, instead siding with financial institutions, being motivated to protect its own interests. Many now believe the FCA is ineffective, untrustworthy, and serves to shield the finance industry rather than enforce accountability and protect consumers.

There is also frustration with firms like Hargreaves Lansdown, Link Fund Solutions, the Financial Ombudsman Service and the Financial Services Compensation Scheme for their handling of the situation. One respondent noted they had always chosen financial products covered by the [Financial Services Compensation Scheme \(FSCS\)](#) for protection, but after enduring the Woodford Scandal and the losses suffered, they no longer felt any certainty that their savings were truly protected i.e. the once-solid reputational integrity of the FSCS has been shattered.

### **What impact has the scandal had on your willingness to purchase UK financial services in the future, and why?**

Respondents report an unwillingness to invest in UK financial services. Some have moved their investments abroad, particularly to the US and Europe, in some cases using non-UK investment products, due to a loss of confidence in UK regulation, and its lack of assured consumer protection.

Some have withdrawn entirely from investment funds, opting for safer assets such as savings accounts. One respondent said they feel trapped, because they lack the knowledge or means to invest outside the UK, but now take extra precautions, diversifying their investments more than they otherwise would.

Another said they have lost confidence in making investments, and don’t know who to trust for financial planning advice; note that some people invested into Woodford on the professional advice of an FCA-regulated adviser.

### **What do you think should happen to the FCA to make it a more effective regulator as far as consumer protection is concerned, and why?**

The respondents reported feeling that the FCA is failing in its duty to protect consumers and requires major reform. One respondent suggested it should be abolished and replaced with a new, more accountable organisation, while others called for a complete restructuring of the Regulator. Another respondent stated there should be a public inquiry and leadership overhaul, holding senior FCA figures accountable for the failures.

**If you have been involved in any whistleblowing-type activity in relation to the scandal, have you ever witnessed any actions or conduct that, in your reasonable belief, breached any law, regulatory code or applicable or relevant policy? If so, please explain which law, code or policy you believe was breached.**

All respondents indicated that they have not been involved in any whistleblowing activity related to the scandal.

**The Supplementary Report will focus on decisions made by the FCA and actions they have taken as of 1st January 2024, such that the FCA cannot hide behind the claim that the issues we are raising are just historic, i.e. that its Transformation Programme has already dealt with any changes needed; we'll come onto that more recent time frame shortly.**

**But first, focusing on the FCA, could you please provide an executive summary of what happened regarding the scandal before 1st January 2024, to help provide the reader with some useful background and context.**

Before 1st January 2024, the FCA's handling of the Woodford scandal was widely criticised for its inaction and mishandling. The FCA allowed Neil Woodford to launch his fund despite previous regulatory breaches, and despite these known failings, the FCA failed to adequately oversee Woodford, or LFS, which was responsible for the governance of the fund.

The scandal was known to industry insiders long before it became public, but no action was taken, until forced upon the FCA by Kent County Council's redemption request in June 2019. When the fund's issues became evident, the FCA took slow and inadequate action, further delaying and limiting compensation for affected investors, and to date failing to properly hold Neil Woodford accountable.

Respondents feel the FCA were complicit in conceiving, creating and promoting a flawed SoA, which undervalued investor losses, access to the FOS and the FSCS, and blocked further legal action, ultimately benefiting LFS over consumers. Many respondents believe the FCA's lack of urgency and failure to address these issues showed incompetence and negligence.

**Now for the all-important time period from 1st January 2024 until now. In as much detail as you can provide, what decisions has the FCA made and what action have they taken that you believe are in some way wrong, and why do you feel that way? If applicable, include details of any interactions you have personally had with the FCA.**

From 1st January 2024 onwards, the actions of the FCA in relation to the scandal have been met with strong criticism. Many believe the FCA has continued to collude with LFS through the



development of the SoA to the detriment of consumers. Investors have been denied the ability to recover their losses via the FSCS, which they feel was the FCA's duty to facilitate.

A major point of contention is the FCA's misleading statement regarding the compensation that investors would receive through the SoA. While the FCA claimed investors would get 77p in the pound of their losses, many investors received far less.

The figures provided by the FCA in their press statement were misleading, with many believing they would recover a much higher amount than they did based on the promotion of the misleading '77p on the £ losses' narrative. The lack of clarity that allowed any misunderstanding to arise, appears to have influenced many investors to vote for the SoA, that otherwise would not have. Evidence showing the FCA were respectfully asked to issue a clarifying/correcting statement but were denied, adds to the belief investors have that the misleading was intentional.

One respondent set out the argument that the FCA's calculation of investor compensation was flawed. They claim that the FCA's assessment of £298 million in losses was grossly inaccurate, and it failed to consider the total loss investors faced, including the significant capital losses from the "fire sale" of the fund's assets.

The FCA is also said to have only considered a small portion of the shares sold, not going back far enough to account for earlier losses. The respondent felt a more accurate figure would have been closer to £750 million to £1 billion. The respondent included an Excel Workbook showing the FCA's calculations, and also the Woodford Equity Income Fund shares amount, [click here](#) to download the spreadsheet.

The FCA's actions surrounding the SoA are broadly seen as a betrayal of consumers. They accuse the FCA of prioritising its own existence and its relationship with Link and the sector as a whole, over consumer protection.

Investors claim the FCA blocked access to FSCS compensation, effectively preventing them from seeking compensation for their losses. Furthermore, the FCA's involvement in promoting the SoA led many to believe that the regulator colluded with Link to shield the company from the full consequences of its actions, and oversight failures, further irritating those investors affected by the scandal.

In addition to these claims, the FCA's delayed investigation into LFS and Woodford, is considered another failure by many. Despite the severity of the situation, it was only in April 2024 that the FCA issued findings stating that Link had failed to act with due skill, care, and diligence. However, the timing of these findings, i.e. after the completion of the SoA, has led some to speculate that the FCA deliberately delayed the process, so as to ensure investors could not access compensation from the FSCS before the SoA was finalised.

Many individuals affected by the scandal feel the FCA's actions have been both deceitful and dishonest, that the FCA has betrayed its duty to protect consumers. There is widespread belief that

the FCA acted to shield LFS from accountability, while also obstructing avenues for investors to recover their losses, and where the overarching priority of the FCA was to protect itself.

**What alternative decisions do you believe the FCA should have made and what alternative actions do you believe the FCA should have taken that would have been a better response to the situation by them?**

Respondents felt that the FCA should have prioritised consumer protection, and ensured that the FOS and the FSCS remained accessible, as these statutory mechanisms would have allowed investors to seek compensation for their losses in the normal way, and in line with the letter and spirit of the law as set out in the [Financial Services and Markets Act 2000](#) (FSMA 2000).

They feel that a thorough investigation into Neil Woodford's mismanagement should have been conducted, focussing on holding him accountable for misleading investors, and mismanaging their money.

Many also felt that the FCA should have rejected the SOA proposed by LFS, where the FCA is known to have worked with LFS. Investors viewed the SOA as an inadequate and inappropriate redress mechanism. Instead, they felt the FCA should have taken control of the administration process, in order to secure a better outcome for investors, setting up a proper redress scheme, rather than jeopardising the integrity of the consumer protection legislation Parliament put in place through FSMA 2000.

Respondents also believe the FCA should have ensured compensation amounts were fair, and that all impacted investors had an opportunity to vote on the SoA, but many were unable to vote. For example, some were unable to vote as they bought their shares in WEIF through an investment platform and/or an institutional investment entity, where it was the platform or institutional investment entity that was deemed to be the relevant voting entity, even though it was the individual investors' money that had been lost. Many believed there was an unhealthy conflict of interest in having the investment platforms and institutions, in effect controlling their vote, and that the FCA was wrong to allow this.

They feel very strongly that the FOS and FSCS protections should not have been removed, and that LFS should not have been given legal immunity. They also feel the FCA should have taken stronger regulatory action against LFS for its role in the mismanagement of the WEIF, and similarly, fully addressed LFS' failure to act in the interests of investors.

**Do you believe the FCA has acted in any way dishonestly/in bad faith/immorally in relation to this scandal; and if so, why?**

The respondents do believe that the FCA acted in bad faith, dishonestly and immorally in relation to the Woodford scandal. They feel the FCA prioritised the protection of large investment firms over consumers, speculating that this could be promulgated by concern over the financial impact

of huge compensation payouts, and the existential threat this posed to the FCA itself. They felt the FCA sided with LFS by supporting the SoA, and that the solution offered was unfair, lacked transparency and was even morally bankrupt.

The investor victims also felt misled by the FCA in respect of the misleading description about the amount of redress they could expect, with many receiving far less than initially promised. [The statement issued by the FCA](#) regarding the level of compensation that investors would receive if they voted in favour of the SoA was deliberately misleading.

In addition, WEIF victims feel that the FCA undervalued their losses, and excluded them from access to the FSCS, because the FCA was protecting/shielding the FSCS from a large payout, and itself from the existential consequences of such a payout.

Respondents also questioned FCA's handling of the voting process on the Scheme of Arrangement. Institutional platforms often hold significant voting power due to the aggregation of their clients' investments. During the Scheme of Arrangement approval process, the collective votes cast by these platforms overshadowed the voices of individual retail investors, leading to outcomes that favoured institutional interests over those of smaller investors, even though they were far greater by number. This imbalance raises concerns about the equitable representation of retail investors' interests in critical decisions affecting their investments, especially as some investors were not allowed to vote, as their votes were taken/cast by the investment platforms or institutional investment product that they invested their money through.

This created what was seen as an unfair situation where the people who actually lost money had insufficient, or even no say in the decision, and those with conflicting interests had virtual numerical voting control of the outcome. Unsurprisingly this situation led many investors to feel a sense of righteous indignation, that the vote for the SoA. was rigged.

Again the FCA was aware of all these issues in time, yet failed to intervene in the interest of the ordinary investor.

**In relation to the previous question, if you do believe the FCA has acted in any way dishonestly/in bad faith/immorally in relation to this scandal, what specific testimony/evidence/insights do you have, if any, to back up your point of view?**

The respondents feel that the FCA has acted dishonestly, in bad faith, or immorally in relation to the Woodford scandal, using examples and evidence such as:

- Sale of Woodford Assets:
  - It was reported in the press that LFS sold off assets from WEIF at a substantial loss. These assets were later resold at much higher prices by the buyers, which suggests

that the assets were sold cheaply, thereby unnecessarily exacerbating original investor losses, whilst providing quick bounce-back profits for others.

There is suspicion that these “others” were in some way “connected parties” in the know. The FCA’s failure to intervene and prevent these further unnecessary losses is believed illustrative of its lack of action to protect consumers.

- 77p in the Pound:

- One way to easily understand why the ‘77p in the pound’ narrative was so misleading is to refer to the simple and straightforward description given to the matter by [Barrister Damian Falkowski](#), who kindly acted pro bono for Woodford victims in a valiant attempt to prevent the FCA moving forward with their proposed SoA. He argued on the basis it would provide harmed investors with far less than what they would receive through the regular, established FOS and FSCS processes.

In an email dated 13th February 2024 Mr Falkowski provided a helpful analogy that describes the issue well:

***“Your house burns down.***

***The insurance company says that they will pay 77% of the costs of rebuilding.***

***That’s the headline.***

***But when it comes to the details, in fact, they are only going to pay 77% of the costs of rebuilding the garden shed.***

***But they say “we’re paying 77%”***

- [In a letter from the then City Minister Bim Afolami to a Member of Parliament, Lucy Powell](#) on 8 April 2024, regarding her constituents, Woodford Scandal victims Mr and Mrs Duffield, Mr Afolami explained that ***‘This scheme would mean investors recovering up to 77p in the pound for the losses attributable to Link Fund Solutions.’*** This correspondence highlights that the FCA not only gave investors the impression that the losses recouped would be ‘77p in the pound’ but they stated it to Parliamentarians who relied upon it themselves, passing it on to concerned constituents. The FCA were wrong to not correct the ‘misunderstanding.’
- These statements, backed by the FCA’s own formal announcements (and consequently inaccurate media coverage) allowed and promoted irrational support for the SoA which had been disingenuously framed as a reasonable, perhaps even generous settlement arrangement. Again the FCA did nothing to set the record straight, itself a breach, investors allege, of trust, and perhaps a corporate breach of the Fraud Act 2006, Fraud by Misrepresentation.

- When investors were later informed of the reality of the situation, many believed they had been intentionally deceived by the FCA.
- Financial Services and Markets Act 2000:
  - The FCA's actions are also seen as a violation of the [Financial Services and Markets Act 2000](#), particularly the protection it offers consumers through the FOS and the FSCS. By deliberately and knowingly blocking access to the FOS and the FSCS, the FCA failed in its duty to uphold the statutory rights of investors, depriving them of the chance to recover their losses through the legitimate processes Parliament put in place.
- The transcript of the court hearing for the approval of the Scheme of Arrangement:
  - The hearing revealed the FCA had presented a misleading valuation of investor losses, which was crucial to securing approval for the Scheme, further demonstrating the FCA's failure to act with integrity, or in an open and honest manner, upholding the best interests of consumers.
- Collusion with Link Fund Solutions:
  - Some believe that the FCA colluded with LFS to unfairly treat investors. The cynical timing of the SoA, the exclusion of FOS and the FSCS, and the FCA's continued support for LFS throughout the process. Collectively this suggests the FCA had succumbed to regulatory capture, and that the FCA was more focused on protecting the reputation of the financial sector, in an attempt to save itself, rather than ensuring justice for the victims of the scandal.

**In relation to this scandal, what would you say about the FCA's effectiveness and timeliness in taking action to protect consumers?**

Respondents reported feeling the FCA's actions were focused more on protecting LFS rather than prioritising consumer interest.

WEIF was suspended in June 2019 but it wasn't until years later, in March 2024 that the FOS began closing complaints, something many felt was wholly inappropriate, imposing an irregularly long delay, which left them feeling neglected, and certainly not served by the regulatory framework, nor benefitting from the statutory protections they believed underpinned it.

Woodford investors felt the regulator should have intervened sooner, but the FCA only took action after the event, when the damage had been done. The respondents felt the FCA took no meaningful action during or after, and as a consequence negligently underperformed its duties to provide an appropriate degree of consumer protection.

They also felt there was a lack of scrutiny and accountability of the FCA by those in Parliament charged with holding the regulator to account. And what has the FCA's Financial Services Consumer Panel done to help represent the interests of harmed consumers?

**If relevant, how do you feel about how helpful the FCA has been to you and any others affected in securing redress from any alleged guilty parties, and in prosecuting/banning/enforcing against them so they can't re-offend?**

Many of the respondents felt that the FCA had been ineffective and unhelpful in holding those responsible accountable. Some highlighted the lack of meaningful action taken against Neil Woodford. The respondents, being very critical of the handling of the SoA, feel the FCA's involvement prevented them from seeking other legal avenues for justice, i.e. that their access to justice had been gamed away from them.

**What are your thoughts on whether the FCA lacks the powers that it needs; or conversely, that it doesn't make good use of the powers it already has?**

Most of the respondents felt that the FCA has the powers it needs, but doesn't use them properly i.e. it is selective in their application to suit its own compromised agenda. They feel the FCA has been given sufficient authority to act by Parliament, but is frequently unwilling to take the correct action.

The respondents perceive the FCA as reactive rather than proactive, seemingly lacking the will to fully exercise its authority, especially when dealing with powerful financial institutions, incentivised into this position because of its own flawed approach to the handling of the whole situation because of legacy issues that previously compromised its position.

**If applicable, how would you describe what it's been like dealing with the FCA?**

Many of the respondents felt that their dealings with the FCA had been frustrating, one saying it is like "banging your head against a brick wall". The respondents described the FCA as opaque, defensive, unhelpful, and lacking in transparency or accountability in its dealings. Many felt ignored.

**What do you think about the culture of the FCA?**

The respondents had a negative view of the culture of the FCA, one respondent calling it "corrupt", others calling it "opaque", "self-serving", "uncaring", "incompetent", "negligent", "deceitful" and "dishonest".

**What do you think about the possibility of conflict of interest issues at the FCA?**

The respondents believe that there are material conflicts of interest issues at the FCA. It is suggested the FCA may have financial dependencies on the sector it regulates, compromised



through the levies the regulated entities pay the FCA, and/or that it perhaps has vested interests in major institutions due to the financial systems dependency on them - too big to fail, too powerful to regulate, too influential to deny or disappoint.

They feel the FCA often fails to hold firms accountable. One respondent said that because the FCA has the role of both regulator, and now also a sponsor/supporter of the sector's growth agenda - there is an obvious conflict of interest issue that undermines both objectives.

### **If you could change three things about the FCA, what would they be, and why?**

Responses included:

- Increasing the FCA's accountability to Parliament and the Courts, not just Treasury or the Treasury Committee.
- Disbanding the FCA to replace it with a regulator that prioritises consumer protection.
- Splitting the FCA into two bodies - one focussed on consumer protection and one focussed on the interests of the industry.
- The appointment of an entirely new Board, CEO and Senior leadership team.
- Remedying the revolving door problem.
- Making the FCA more proactive.
- Holding financial firms accountable for compensating victims more quickly and more fairly when they have demonstrably done something wrong. Critically, as mentioned before, investors' complaints do not relate to normal investor losses due to poor investment returns or choices. This is about an entirely different matter and it would be wrong to falsely characterise harmed investors as being individuals unhappy with normal investment risk/reward outcomes.
- Investors are unhappy and complaining about being defrauded, and denied statutory rights they were told and believed would protect them, if and when the worst happened; statutory rights sanctioned by Parliament and passed into law through the Financial Services and Markets Act 2000.

### **The FCA has undertaken a Transformation Project. Do you have any comments to make about that?**

Some respondents were unaware that the Transformation Programme project existed, but the general sentiment among respondents is that the FCA's Transformation Project has failed to bring about any meaningful change.

Many feel that if a transformation has taken place, it has done little or nothing to address the fundamental issues within the organisation, where the same regulatory failures continue to occur.

There is a strong belief that any 'transformation' has been a superficial exercise rather than a substantive change yielding genuine reform. Many perceive it as cosmetic, pursued for public relations purposes, undertaken as an endeavour to respond to the excoriatingly critical independent reports about the FCA that led to the initiation of the Transformation Programme - such as the potentially critical and much-acclaimed [Report of the Independent Investigation into the Financial Conduct Authority's Regulation of London Capital & Finance plc](#) by [The Rt. Hon. Dame Elizabeth Gloster DBE, PC](#).

Regardless of its ambitions as an initiative designed to improve the FCA's effectiveness in protecting consumers, the single certainty of the continuing Woodford saga highlights, along with the latest emerging scandals such as Car Finance, that nothing of significance has changed. The leaders of the FCA have proved themselves unwilling and/or unable to deliver true and meaningful reform, that no material lessons have been learned from the past, as proven by the occurrence of brand new emerging scandals that repeat those of the past.

Some respondents suggest that the FCA is in denial of its shortcomings, or is actively misleading the public, Parliamentarians and the entities it is either directly or indirectly accountable to. They believe the FCA has been falsely suggesting that meaningful improvements have been made; however there has been no evidence of this, nor any independent verification of the success or otherwise of the FCA's Transformation Programme.

Others suspect that rather than tackling regulatory weaknesses, the transformation was aimed at obscuring or covering up past failures, and kicking the can down the road onto someone else's watch.

The respondents have little to no confidence that the FCA has put in place measures to prevent similar scandals from happening in the future. They feel that the organisation has failed to implement effective consumer protection mechanisms, or ensure that victims of financial mismanagement and/or maladministration receive fair compensation.

Many believe that the FCA continues to prioritise the interests of the financial sector over those of ordinary investors, failing to take decisive action, and failing to hold wrongdoers accountable.

One respondent stated the FCA needs to rebuild the trust of the public and investors by proving themselves capable of changing their culture for the better, for consumers, and for their employees.

For balance it is important to remember that there are many good and honest Financial Services firms who are equally "fed up" and dismayed at being vilified by the actions of the "rotten apples" the FCA fails to take action against, and who repeatedly game the system; see the evidence of recidivism in Violation Tracker UK [here](#).

The angst of these firms is fully justified because not only are their businesses harmed by unfair practices of others they have to compete against, but when it all goes wrong they have to pay the FSCS levy, the 'regulatory failure tax,' to correct the FCA's failure to do its job.

**What questions, if any, would you like the FCA to have to answer?**

Many respondents felt that the FCA has failed to provide a full and transparent account of its actions and decision-making regarding the Woodford scandal. They want to know why, after more than five years of investigation, the FCA has only released a partial report, covering a narrow set of issues, rather than addressing the full scope of what has occurred.

They surmise the delay may have a lot to do with exposing more meaningful regulatory failures by the FCA itself. This results in justified ongoing concerns of the unacceptability and inappropriateness of the FCA ‘marking its own homework’.

They also want an explanation as to why the FCA supported LFS’ SoA, even though it resulted in major losses for investors, and the removal of their statutory rights to redress through the FOS and the FSCS.

Some openly question whether the FCA was acting in their best interests, or as the evidence suggests, prioritising the protection of LFS, the broader financial sector, and indeed themselves, the FCA Board and entire senior leadership team.

**The FCA’s response to the APPG’s initial report published in November 2024, was deemed to be defensive, as made very clear by APPG Chairman Bob Blackman CBE MP when he spoke with former City Minister Tulip Siddiq MP; see the short Parliament TV clip [here](#).**

**The FCA’s response has essentially been to suggest that the issues raised in the APPG’s November 2024 report deals with historical issues that the FCA has already dealt with through its Transformation Programme. What would you argue to refute any potential future claim by the FCA that the points you have made when completing this questionnaire relate to just things of the past that the FCA has already dealt with?**

The respondents refuted the FCA’s claim that concerns about its failures in the Woodford scandal are merely historical and have been resolved through its Transformation Programme. They see the FCA’s recent collusion with Link Fund Solutions in implementing the Scheme of Arrangement as evidence that no meaningful change has taken place.

One respondent wishes for there to be an independent review of the outcomes of the Transformation Programme, with an independent audited report submitted to Parliament to assess what, if anything, has actually been achieved or remedied in [the very long list of independently assessed issues that have been expertly identified](#) through it.

The respondents feel that the Woodford Scandal case will remain an “open” issue until there is accountability and full redress. They want to see detailed, and evidence-based explanations of how the FCA’s Transformation Programme addresses each complaint, rather than the FCA issuing vague statements about “lessons learned” or “process improvements.”

They also point out that scandals have continued to emerge even after the launch of the Transformation Programme.

The way the FCA handled the LFS SoA, deliberately misleading retail investors, blocking their access to FSCS compensation, and falsely suggesting they would recover up to “77p in the pound” all demonstrate a troubling disregard for the consumer protection by the organisation Parliament is

relying on to protect citizens, a circumstance that brings into doubt the integrity of the UK's whole financial services sector.

Investors also question why they are still waiting for a full report from the FCA on its investigation into Neil Woodford and his dealings in relation to this fund and its implosion, which is now over five years in the making.

The FCA continues to rely on the excuse of an 'ongoing investigation' to explain the delay in issuing a full report. Some believe this convenient explanation does not begin to fully address their concerns, especially when the FCA refers to these issues as 'historical' given their own direct involvement in creating that history.

It is easy to understand why investors feel the FCA benefits from its successful execution of a 'deny, deflect and delay' strategy, at their expense.

These many and varied reasons given by the respondents when answering this particular question means the APPG believes that to accept the FCA's claim, that the issues raised in its November 2024 Report were essentially historic, and that they had been remedied by the Transformation Programme, would be a betrayal of its responsibilities.

Regrettably but necessarily the only right course of action in the national interest was for the APPG to reject the FCA's commentary and to get to work on this Supplementary Report, to drag the truth of the matter to the surface.

### **If any, which specific individuals at the FCA do you feel responsible for what has happened in relation to this scandal, and why?**

The respondents mentioned individuals such as:

- Former FCA CEO [Andrew Bailey](#), now Governor of the Bank of England; there are comments about his poor handling of the Woodford scandal in many places, including [here](#).
- Current FCA CEO [Nikhil Rathi](#).
- Current FCA Chairman [Ashley Alder](#).
- [Therese Chambers](#), Joint Director of Enforcement and Market Oversight who has been responsible for the FCA's handling of the Woodford scandal in recent years.

They feel that the FCA's leadership, both past and present, has ignored its duties to protect consumers, instead pursuing self-serving agendas that have led to catastrophic financial losses for retail investors.

One respondent believes that responsibility starts at the top.

Another suggests that these issues stem from a failure to truly reform the FCA following the dissolution of its predecessor, the Financial Services Authority (FSA). They argue that when the FCA was created, it was merely a rebranding exercise, with former FSA employees continuing business as usual. This lack of real change has, in their view, perpetuated a deeply flawed regulatory culture and structure that prioritises avoiding accountability over delivering justice for consumers.

**It is anticipated that the FCA will have a new CEO when the existing CEO's contract ends at the end of September this year. Assuming there is going to be a new incoming CEO, what one statement would you like to make, and what one question would you like to ask the new incoming CEO?**

**Statements:**

- "I'd like to state I am disappointed by FCA's decision to accept Link's Scheme to give us a pitiful amount back leading to big losses for all Woodford investors."
- The clue is in the name "Financial Conduct Authority" – we expect him to police the conduct of financial services companies.
- In respect of the recent culmination of the Woodford scandal, my wife and I lost jointly £107,000 after the Woodford Equity Income Fund was closed. The Link Fund Solutions Scheme of Arrangement was finalised and provided us with redress of just £7,000, leaving our final losses at £100,000. Not only did the FCA fail to take any preventative action against Woodford Management or Link when the regulations were being broken but promoted the Scheme of Arrangement saying that investors would get back up to 77p in the pound of their losses, clearly a misrepresentation of the facts, but also prevented retail investors, i.e. consumers, from accessing the Financial Services Compensation Scheme. This is a clear betrayal of the FCA's duty to protect Consumers.
- If and when the FCA appoints a new CEO he/she wants to be for the clients affected by financial loss and not just a front for the government.
- I am a Private Retail Investor in the WEIF with losses of 40% from my original investment; I gave evidence to both High Court hearings and I have lost all faith in the FCA due to their actions in supporting Link's SOA which was definitely not supporting Investors which is the main stated aim of the FCA. In supporting Link the FCA have taken away the Retail Investors' statutory rights under the FSMA to pursue Link through the FOS and also through the FSCS. Shame on the FCA for not being the champion of the Retail Investor but supporting a bad company and let Link get away with such a scandal with Fund losses in excess of £1bn since it was closed as Link put the Fund through what can only be described as a very poorly managed "fire sale" which was very detrimental to the Investors of WEIF.
- Hundreds of thousands of citizens are collectively worse off by billions of pounds due to financial crime, malpractice, malfeasance, misconduct and mis-selling by the financial services sector that the FCA is responsible for regulating. Regrettably, many have taken their own lives as a result of the severe harm that has been caused.
- I would like the new CEO to reopen the case and see if our losses should have been managed better and if FCA should compensate us due to its failings.
- I would like to see the FCA split into two to cover retail investors and professional investors separately due to the very different levels of understanding of the financial decisions made by each party. In future one part of the FCA may be investigating firms covered by another

part of the FCA allowing equal levels of power to both sides to ensure fair play and full levels of knowledge hopefully resulting in better outcomes as they may be more reliable and open.

### Questions:

- As the new CEO can you assure anyone with previous issues relating to the FCA and financial institutions that they will be properly investigated and that you will be doing this as a priority?
- Will he be a consumer champion or lacky of the Financial Services companies and the treasury?
- What do you intend to do in respect of the failings of the FCA in this matter and provide justice for those consumers who have lost money due to the Woodford scandal; and in light of the current Government's push on growth of financial services in the UK, apparently at the expense of regulation, particularly where consumers will be exposed, what do you intend to do to protect consumers going forward from the excesses and misbehaviour of the financial service sector?
- Are you up for the challenge?
- As the new FCA CEO what real beneficial changes are you going to make within the FCA to bring back Consumer confidence in the FCA that is has definitely lost due to recent scandals such as Woodford, Connaught, LCF, Arc Cru & Blackmore etc; also what are you going to do to change the Culture that from the outside seems to be not supporting the Retail Investor and has no real integrity?
- To set the scene for your tenure ahead, where will your moral compass be pointing and will it be guiding you to work to bring about justice for the victims of the harm caused by the sector, including the FCA itself, or will you be continuing with the narratives that have lead many today to believe that the FCA is incompetent, and is captured?
- Will you put consumers or financial institutions first?
- The FCA is not fit for purpose – discuss.

### Are there any other comments that you would like to make?

3 respondents wished to provide further comments.

One respondent said they believe the FCA is beyond redemption, and that it should be dismantled and rebuilt in a way that is fit for purpose - the emphasis should be on protecting consumers and the public.

Another respondent made a comparison to the civilian aviation sector. If the aviation sector were to fail its retail customers with the same frequency, incompetence and severity that the UK financial services sector does, it would lead to no one flying and the overnight collapse of the

aviation industry with all its attendant disastrous consequences, including widespread loss of life and the inevitable collapse of the industry.

Intensively applied individual accountability at every level, from top to bottom applies in the aviation industry, and it is that culture of certain and direct accountability that keeps the planes flying safely, with rational passenger confidence.

Only when the FCA ensures and adopts the same approach without fear or favour will it become fit for purpose and functional, until then the scandals will keep coming and investors, the life blood of the industry, will progressively turn away.



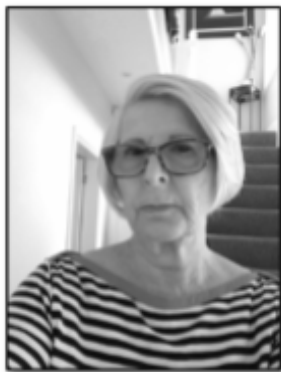
## WS6: INDIVIDUAL TESTIMONIES FROM VICTIMS OF THE WOODFORD SCANDAL

This section provides, on an individual by individual basis, access to:

- A sample of the comments made by those that have given testimony.
- A link to their testimony in full, as given to the APPG.
- Where relevant, a link to a video recording of comments the testimony givers have wished to share.

Note that the responses to the questionnaires goes beyond the individuals shown here; as some respondents wanted to remain anonymous. An important reason for sharing this individual testimony is because, amongst other things; it conveys the perception harmed investors have that the FCA doesn't fully 'get' the human consequences of what it does. Their perception is that the FCA has been dismissive of criticisms of their failures and appears unable to relate to the experiences and concerns of ordinary people and the severity of the life-changing adverse consequences of their actions.

As a consequence there are concerns that the FCA has lost the confidence of the public and other stakeholders generally, because it lacks the capability to accept any blame for its failures and therefore isn't able to recognise what investors are saying and how they feel.



Beryl Williams

*Whether a big or small investor, everyone who lost money in this scandal is affected. In money terms, I would be considered a relatively small investor but the loss of money I needed for my later years is now upon me. Sadly, I am now a widow and really need that money.*

- [Click here](#) to read Beryl Williams' testimony.
- [Click here](#) to watch Beryl Williams' sharing her thoughts in a short video interview.

“

*The FCA took sides with Link to agree to their Scheme of Arrangement which gave a pittance back compared to the amount we invested; hence our losses were much bigger than the true worth of the assets. They were sold cheaply and the FCA should never have agreed to it.*

”



Antony Socrates

- [Click here](#) to read Antony Socrates' testimony.
- [Click here](#) to watch Antony Socrates sharing his thoughts in a short video interview.



Bryan Hall

“

*The leaders set the standard and they are responsible for the behaviour of those below them. Ashley Alder, Chairman of the FCA, did not keep whistleblowers' names confidential.*

”

- [Click here](#) to read Bryan Hall's testimony.
- [Click here](#) to watch Bryan Hall sharing his thoughts in a short video interview.

“

*I am not a sophisticated investor, but I have always been well aware of the mechanics of investing; shares, funds, risk and return. I have always been aware of the FCA, and before it the FSA, and the significance of its authorisation, the FOS, the FSCS and the FSCS protection limit. I have always exercised due diligence before investing. Nevertheless and quite reasonably I have taken comfort and confidence from the knowledge that companies I have become customers of, either directly or indirectly, were authorised to operate by the FCA, were regulated by the FCA and, in case the worst should happen, are backed up by the FOS and the FSCS. But this scandal has shattered my confidence. I no longer have trust in the UK financial services sector.*



Paul King

”

- [Click here](#) to read Paul King’s testimony.
- [Click here](#) to watch Paul King sharing his thoughts in a short video interview.



Ian Duffield

“

*In respect of the recent culmination of the Woodford scandal, my wife and I lost jointly £107,000 after the Woodford Equity Income Fund was closed. The Link Fund Solutions Scheme of Arrangement was finalised and provided us with redress of just £7,000, leaving our final losses at £100,000. Not only did the FCA fail to take any preventative action against Woodford Management of Link when the regulations were being broken but promoted the Scheme of Arrangement saying that investors would get back up to 77p in the pound on their losses, clearly a misrepresentation of the facts, but also prevented retail investors, i.e. consumers, from accessing the Financial Services Compensation Scheme. This is a clear betrayal of the FCA’s duty to protect consumers.*

”

- [Click here](#) to read Ian Duffield’s testimony.
- [Click here](#) to watch Ian Duffield sharing his thoughts in a short video interview.



*The collusion by the FCA with Link during the WEIF scandal is ample evidence that any supposed transformation within the FCA had failed as the FCA is still doing the same things and nothing has really changed. There really needs to be an independent review of the outcomes of the FCA Transformation programme which reports back to Parliament to assess what if any has been achieved by it.*



Alan Pyatt

- [Click here](#) to read Alan Pyatt's testimony.
- [Click here](#) to watch Alan Pyatt sharing his thoughts in a short video interview.



David Crowther

*It appears the FCA wears multiple hats – only one is consumer protection (others being, for example, regulation, enforcement, investigation, issuing of fines, support of the financial sector). This will only get worse as the current government wants the regulators to better support and promoted the financial services sector. There should be a separate body solely focussed on consumer protection and that should include investigative capabilities and the pursuit of compensation.*



- [Click here](#) to read David Crowther's testimony.

*There is nothing positive to say about the FCA's management of this scandal. I know that I had statutory protection from the FSCS [Financial Services Compensation Scheme] for my investment in WEIF [Woodford Equity Income Fund] but it was taken away from me. There seems to be a general acceptance of the systemic failings within the financial services regulators.*

Anonymised Respondent WS1

- [Click here](#) to read Anonymised Respondent WS1's testimony.
- 

*I would like to see the FCA split into two to cover retail investors and professional investors separately due to the very different levels of understanding of the financial decisions made by each party. In future one part of the FCA may be investigating firms covered by another part of the FCA allowing equal levels of power to both sides to ensure fair play and full levels of knowledge hopefully resulting in better outcomes as they may be more reliable and open.*

Anonymised Respondent WS2

- [Click here](#) to read Anonymised Respondent WS2's testimony.
-

## WS7: FURTHER SUPPORTING TESTIMONY, ARTICLES, EVIDENCE AND DOCUMENTATION

This table provides supporting information. While not exhaustive, it highlights key documents that could inform a Treasury Committee or similar inquiry into the Woodford Scandal. Most items cover recent developments, with some older entries included for background.

DATE	DESCRIPTION/LINKS	WHAT IS SHOWN?
2015 onwards	<p>Concerns expressed by Tom Winnifrith, investigative reporter and editor of <a href="http://ShareProphets.com">ShareProphets.com</a>.</p> <p><a href="#">How I exposed Neil Woodford and other stock market scams.</a></p>	<p>Tom Winnifrith began expressing serious, credible and evidence-based concerns about Neil Woodford's investment strategies as early as 2015. He is credited with being the first journalist to expose issues related to Woodford's fund management, producing over 1,000 articles, podcasts, and videos on the subject. <a href="#">In 2018, Winnifrith highlighted that Woodford was offloading private companies</a> from the Woodford Equity Income Fund by selling them to the Woodford Patient Capital Trust plc. He alleged that these transactions were conducted at inflated prices to prevent the fund from breaching the 10% limit on unquoted stocks.</p>
January 2015	<p>Concerns expressed by Nick Hamilton and Gray Smith.</p> <p><a href="#">FCA warned about Woodford's business as early as 2015 - City watchdog failed to act on concerns over Woodford's investment strategy for two years.</a></p>	<p>In early 2015, less than a year after the establishment of Woodford Investment Management in 2014, founding partners Nick Hamilton (Chief Operating Officer) and Gray Smith (Chief Legal and Compliance Officer) resigned due to disagreements with Neil Woodford over his investment strategy. During their exit interviews with the FCA in January 2015, both Hamilton and Smith expressed concerns about the firm's valuation methods for small, unlisted companies and the heavy reliance on data provided by these businesses. They also advocated for imposing a limit on the fund's investments in private companies below the 10% threshold set by <a href="#">UCITS</a> rules. However, their suggestions were not implemented, leading to their departure.</p> <p>Despite these early warnings, the FCA did not take action until the end of 2016, when it identified a conflict of interest in Woodford Investment Management's valuation process. Further regulatory engagement occurred in 2018 after the Woodford Equity Income Fund breached its 10% limit on unquoted companies.</p>



<p>21st October 2019</p>	<p><a href="#">BBC Panorama on the Woodford Scandal.</a></p>	<p>This BBC Panorama documentary provides a useful initial overview of the Woodford Scandal. It shows the FCA was aware of problems with the Woodford fund but did not disclose their concerns to investors, resulting in serious needless consumer detriment.</p> <p>Beryl Williams, one of the respondents to the APPG’s inquiry into Woodford is featured in the programme.</p>
<p>18th February 2021</p>	<p><a href="#">Article about the FCA not agreeing to a judge-led independent investigation into its handling of the Woodford Scandal.</a></p>	<p>As well as ignoring its own culpability, the FCA would not agree to a judge-led independent investigation into its handling of the Woodford Scandal. This is problematic because the FCA should not be immune from independent and objective scrutiny, and should not be able to stop such scrutiny and accountability from happening.</p> <p>The FCA investigating itself simply does not work; for the same reason that self regulation does not work; self regulation is no regulation. This article was published shortly after The Rt. Hon. Dame Elizabeth Gloster, DBE, PC’s independent LCF inquiry report where she found a litany of failures by the FCA. On that basis alone, the FCA should not have been able to avoid an independent inquiry into the Woodford Scandal but to also highlight that in such harmful cases, there should be the routine expectation of an independent inquiry as otherwise the FCA will never be held accountable for anything, and nothing will improve.</p> <p>The pattern we see in the empirical evidence, i.e. repeated regulatory failures, supports that view.</p>
<p>19th April 2023</p>	<p><a href="#">FCA Statement regarding “FCA announces plan to deliver significant redress to Woodford investors”</a></p>	<p>The misleading ‘Significant Redress’ headline and the way in which the FCA used the ‘77p in the pound’ narrative that caused finance writers and through them harmed investors to wrongly believe that investors would get ‘77p in the pound’ on their losses; but the reality was around a tenth of that.</p>
<p>5th May 2023</p>	<p><a href="#">Woodford investors miss out in regulatory tangle; FCA needs reform to boost consumer protection.</a></p>	<p>An important comment piece in the Financial Times setting out clearly the misleading nature of the ‘77p in the pound’ narrative and why the FCA should urgently issue a clarification/correction statement.</p>



<p>11th May 2023</p>	<p><a href="#">Email to the FCA asking they issue a clarification on their misleading '77p in the pound' statement.</a></p>	<p>This letter from TTF to the FCA Chair and CEO asks them to take action to issue a clarification on the misleading '77p in the pound' narrative. The FCA does not do this, which is highly problematic, because investors impacted by the Woodford scandal were to later vote on whether or not to vote in favour of the proposed Scheme of Arrangement.</p> <p>Unsurprisingly there was a huge vote in favour for the Scheme of Arrangement; but how many people voted in favour because of the FCA's misleading narrative around its 'significant redress to Woodford investors...77p in the pound on losses.'</p>
<p>18th October 2023</p>	<p><a href="#">Email chasing up Therese Chambers at the FCA.</a></p> <p><a href="#">Calls for better consumer representation.</a></p> <p><a href="#">Critique of the Scheme of Arrangement wording.</a></p> <p><a href="#">Critique of the proposed Explanatory Note for the Scheme of Arrangement.</a></p>	<p>Several documents expressing grave concerns regarding the proposed Scheme of Arrangement; and a valiant but unsuccessful attempt to persuade the FCA to consider protecting consumers' interests more robustly.</p> <p>Also, an attempt to persuade a colleague of Therese Chambers, Joint Executive Director of Enforcement and Market Oversight, to have her reply; but she never did.</p>
<p>21 November 2023</p>	<p><a href="#">Impact Statements from Woodford Scandal victims.</a></p>	<p>The responses to a <a href="#">questionnaire</a> that some Woodford Scandal victims completed.</p> <p>Note in particular Column 7, about the respondents' thoughts on how the FCA handled matters</p>
<p>11th December 2023</p>	<p><a href="#">Letter from the APPG to then City Minister Bim Afolami MP.</a></p>	<p>1 - An overview of the concerns about the FCA's handling of the Woodford scandal including an account of the conflicts of interest it is felt by some to have operated under; much of the content has been repurposed for this case study in earlier sections.</p> <p>2 - A polite and respectful request for an urgent meeting.</p> <p>3 - A long list of Parliamentarians and other key stakeholders including harmed Woodford investors who showed their support for the letter and the request for the meeting.</p>

		But the meeting never happened.
13th December 2023	<a href="#">The vote on the Scheme of Arrangement</a> and the 93.7% Provisional Approval.	This 14th December 2023 article sets out the outcome of the previous day's vote. Perhaps unsurprisingly, the vote outcome was very much in favour of the Scheme of Arrangement for the reasons explained elsewhere i.e. the false '77p in the pound' narrative and the reasons ordinary retail investors felt the vote was 'rigged'
21st December 2023	<a href="#">Grounds of Opposition for the Sanction Hearing that took place in January 2024</a>	<p>The legal arguments opposing the Scheme of Arrangement, developed by barrister Damian Falkowski who acted pro bono for Woodford investors.</p> <p>One of the many points made was that the WEIF prospects made it very clear that the fund was covered by the Financial Services Compensation Scheme; this is found at point 21 in the Grounds of Opposition:</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p>21. It is stated in paragraph 34 of the Prospectus for the WEIF:</p> <p style="text-align: center;"><i>"In the event of the ACD being unable to meet its liabilities to Shareholders, details about rights to compensation can be found at <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>...</i></p> <p style="text-align: center;"><i>The Financial Services Compensation Scheme Limited has been established under the rules of the FCA as a "rescue fund" for certain clients of firms authorised and regulated by the FCA which have gone out of business."</i></p> </div> <p>There is, and forever will be, much warmth from the harmed investors to barrister Damian Falkowski and associated individuals for their skilful, well-conceived and valiant effort to stand up for the harmed investors.</p>
21st December 2023	<a href="#">Witness statement for the Sanction Hearing that took place in January 2024.</a>	Testimony in support of the Grounds of Opposition, setting out a multiplicity of valid concerns that showed why the Scheme of Arrangement was an inappropriate way forward.
21st December 2023	<a href="#">Exhibits to support the witness statement.</a>	65 pages of detailed supporting evidence, which includes Woodford victim impact statements.
8th January 2024	<a href="#">Letter from APPG Co-Chairman Bob Blackman CBE MP to then City Minister Bim Afolami MP.</a>	A follow-up to the 11th December 2023 letter; this letter seeks assurances that the FOS and FSCS statutory protections remain 'an expression of UK national policy.'
16th January 2024	<a href="#">Letter to the Court regarding concerns expressed about the proposed Scheme of Arrangement's</a>	<p>The letter is about the systemically serious adverse potential consequences of removing consumers' statutory protections, by:</p> <ul style="list-style-type: none"> <li>- <a href="#">Professor Steve Keen</a></li> <li>- <a href="#">Professor Markus Krebsz</a></li> </ul>

	<p><a href="#">potential to upset the market.</a></p>	<ul style="list-style-type: none"> <li>- <a href="#">Professor Andrew Clare</a></li> <li>- <a href="#">Professor David Llewelyn</a></li> <li>- <a href="#">Dr Andy Schmulow</a></li> </ul> <p>It includes these comments:</p> <p><i>The signatories of this letter ('we') understand that the Court is considering whether to sanction a scheme of arrangement by Link under part 26 of the Companies Acts 2006. We have no wish to become involved in Link or the merits of its proposed scheme. However, we are concerned the proposed scheme in its current form, if sanctioned, would forcibly denude affected investors of their statutory protections.</i></p> <p><i>This would occur many years after they had relied on boilerplate statements asserting the existence of those protections whilst making their investment decisions in good faith. Such a ruling, akin in effect to a removal of statutory protections under FSMA for approximately 300,000 retail investors, would be likely to set a dangerous precedent for the UK financial services market at large, thereby constituting a public interest case.</i></p> <p><i>In addition, sanctioning the above scheme could have grave, unintended consequences of increasing market volatility, diluting market participants' trust and tarnishing the reputation of the UK financial services industry which contributes 8.2 percent of UK GDP.</i></p>
<p>18th and 19th January 2024</p>	<p><a href="#">Transcript from the 18th January Hearing</a></p> <p><a href="#">Transcript from the 19th January Hearing.</a></p>	<p>Record of the two day's proceedings in Court.</p>
<p>18th January 2024</p>	<p>About the "77p in the pound" misleading narrative.</p> <p><a href="#">A comment piece in the Financial Times of 5th May 2023 setting out the misleading</a></p>	<p>The '77p in the pound' issue and associated confusion around what it meant became an important talking point during the Court proceedings, having been raised by Woodford Scandal victim Mr Graham Dickenson.</p> <p>The links provide:</p> <ol style="list-style-type: none"> <li>1. A comment piece in the Financial Times of 5th May</li> </ol>

	<p><a href="#">nature of the ‘77p in the pound’ narrative.</a></p> <p><a href="#">Email to the court about the ‘77p in the pound’ misleading narrative, plus attachments.</a></p> <p><a href="#">A review of the media coverage relating to the ‘77p in the pound’ narrative</a></p>	<p>2023 setting out the misleading nature of the ‘77p in the pound’ narrative.</p> <p>2. An email exchange between the TTF and the FCA over May and June 2023 about the misleading ‘77p in the pound’ narrative. The FCA individuals corresponded with include the FCA CEO Nikhil Rathi, FCA Chairman Ashley Alder, FCA Head of External Communications David Cross and Duncan Alger of the FCA’s Executive Casework unit. TTF was and remains wholly unsatisfied by the answers given, which never answer the actual questions posed; and the FCA refused to ‘correct the record’ despite it being very clear that the FCA comms and consequential media coverage was misleading investors.</p> <p>3. A review of the media coverage relating to the ‘77p in the pound’ narrative. This shows journalists inadvertently misled their readers, in that very few of them published articles that accurately conveyed that ‘77p in the pound’ did not mean ‘77p in the pound.’ This is important because if even seasoned finance journalists were misled by the FCA, it follows that ordinary retail investors reading their inaccurate articles would also be misled by the FCA.</p> <p>The overview of media coverage includes the key phrases in articles published, all of which would have led some investors to wrongly believe they would get ‘77 p in the pound’ on their losses.</p> <p>Here are two snippets from the coverage:</p> <p><i>Firstly: Bob Blackman, chair of the APPG, is urging the government to step in, ten days before voting closes on the proposed redress scheme for Woodford investors - which could see them receive a maximum of £235m back, representing 77p in the pound. The FCA has urged investors in the former WEIF to back the redress scheme and accept the 77% offer</i></p> <p>Secondly: The FCA’s Therese Chambers said the proposed scheme “offers investors the best chance to obtain a better outcome than might be achieved by any other means” by recovering some 77p in the pound of the lost funds.</p>
<p>22nd January</p>	<p><a href="#">Request to Appeal the Court’s decision to</a></p>	<p>This Request to Appeal sets out the basis on which the Court’s decision was deemed to be unsatisfactory by</p>

<p>2024</p>	<p><a href="#">approve the Scheme of Arrangement.</a></p>	<p>Woodford investors being represented by Barrister Damian Falkowski, acting pro bono. It explains why such an appeal was in the public interest. But an appeal proved impossible because the request for protection against adverse costs was declined.</p>
<p>23rd January 2024</p>	<p><a href="#">Labour MP calls for arm's-length body review to avoid future Post Office scandal.</a></p>	<p>This article sets out the general concern that if an independent or arms-length body is insufficiently scrutinised and held accountable there is a risk of it 'going rogue' as has happened in the Post Office.</p> <p>The first instalment of this Supplementary Report makes the point that there are similarities between the FCA and the Post Office, for this very reason.</p>
<p>9th February 2024</p>	<p><a href="#">Press statement from (what is now) the APPG on Investment Fraud and Fairer Financial Services.</a></p>	<p>The press statement sets out why the Courts' decision was so problematic for investors. It includes these comments:</p> <p><i>'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.</i></p> <p><i>'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).</i></p> <p><i>'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?'</i></p> <p><i>'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."</i></p>

<p>9th February 2024</p>	<p><a href="#">Press statement from Transparency Task Force.</a></p>	<p>The press statement includes these comments:</p> <p><i>Transparency Task Force is considering an appeal against the High Court’s approval of the <a href="#">Scheme of Arrangement</a> relating to the Woodford Equity Income Fund that has been proposed by Link Fund Solutions Limited and enthusiastically championed by the Financial Conduct Authority.</i></p> <p><i>At stake is an important legal principle: whether an individual’s statutory rights to protection under the Financial Services and Markets Act 2000 (FSMA) can be taken away without their individual consent, long after they have purchased products that are described as benefiting from those rights.</i></p> <p><i>The Woodford prospectus informed investors that they benefited from statutory rights to refer complaints to the Financial Ombudsman Service (FOS) to obtain ‘fair compensation’ should things go wrong, and to have the liability settled by the Financial Services Compensation Scheme (FSCS) (up to £85,000) should the firm then default in payment.</i></p> <p><i>Leading counsel for the Financial Conduct Authority (FCA) argued in court that these protections could legally be extinguished by the proposed Scheme, and asked the court to sanction the Scheme which the FCA had negotiated with Link’s Australian parent over several months. ‘There is no doubt that the scheme can remove such rights’ he said.</i></p> <p><i>The FCA actively promoted the deal struck as offering investors ‘up to 77p in the pound’ and ‘the best way for most people to get money back’ - claims disputed by Transparency Task Force and other objectors.</i></p> <p><i>‘Woodford investors who relied on the FCA’s claims, and media reporting of them, backed the Scheme by a large majority. Many will have wrongly believed they’d be getting 77 pence back for each Pound outstanding. But the reality is that most won’t achieve even a tenth of that. And as for the Parliament-given rights of consumers, which the FCA has an explicit, statutory remit to protect, they seem to have been cast aside, as if Parliament had never intended them.’</i></p>
----------------------------------	--	--

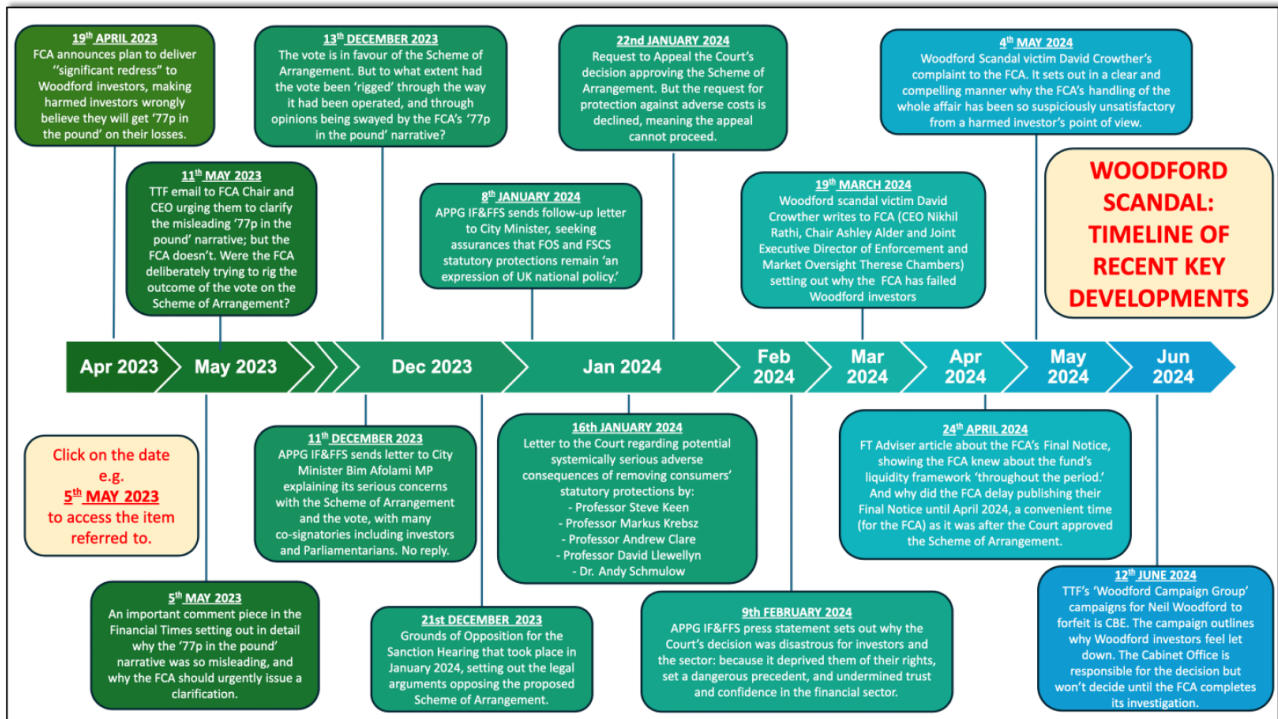
<p>19th March 2024 and 4th May 2024</p>	<p>From Woodford Scandal victim David Crowther to the FCA.</p> <p><a href="#">Email to the FCA 19th March 2024</a></p> <p><a href="#">Official Complaint to the FCA 4th May 2024</a></p>	<p>The first item is a letter from David Crowther to FCA CEO Nikhil Rathi, FCA Chair Ashley Alder and FCA Joint Executive Director of Enforcement and Market Oversight Therese Chambers.</p> <p>The second item is a formal complaint to the FCA by David Crowther. The two documents together set out clearly and succinctly why it is seen by David (and many others) that the FCA has failed the Woodford investors.</p>
<p>24th April 2024</p>	<p><a href="#">Article: "Catalogue of Link's failings in Woodford fund laid bare by FCA.", about the FCA's Final Notice Against Link Fund Solutions of 11th April 2024.</a></p>	<p>This is an important article; for it shows that even as recently as April 2024 important new revelations are coming to the surface.</p> <p>The article includes the comment:</p> <p>"Additionally, staff at WIM had it confirmed by Link that the FCA and the depositary knew the details of the liquidity framework that was being applied to the fund, including its parameters, throughout the period."</p> <p>Given the long list of issues the FCA has itself catalogued about Links failings, why did the regulator not properly enforce against that entity on behalf of the investors it harmed, such that the investors were dealt with fairly?</p> <p>And why did the FCA delay their publication of their Final Notice until April 2024, a convenient (for the FCA) time after they got the Court to approve the Scheme of Arrangement?</p> <p>Was the timing to ensure that the FCA deliberately delayed the process so as to ensure investors could not access compensation from the FSCS before the SoA was finalised?</p>
<p>12th June 2024</p>	<p><a href="#">Campaign for Neil Woodford to return his CBE commences.</a></p>	<p>The campaign sets out the many reasons why Woodford investors feel let down and why they believe Neil Woodford should return his CBE. He was honoured for 'services to the economy,' which seems rather ironic now.</p>



		<p>Note that decisions about whether such an award is returned are made by the Cabinet Office. But the Cabinet Office is unable to make a decision on this matter until the FCA has finalised its investigation into the scandal.</p> <p>So the Cabinet Office is one more stakeholder waiting for the FCA.</p>
--	--	---

## WS8: TIMELINE OF RECENT KEY DEVELOPMENTS

To access a PDF of a Timeline of recent key developments, which has links to some of the items of interest referenced in the table above, [click here](#).



## **WS9: RELEVANT MEDIA COVERAGE SINCE 1st JANUARY 2024**

[This link](#) provides access to media coverage regarding the Woodford scandal.

The articles included are just those that have been published since 1st January 2024. We are focused on this recent time period because doing so helps the APPG to show:

- The current and ongoing nature of the Woodford scandal, and the FCA's involvement.
- That the narrative that the FCA has already been sufficiently transformed is false, i.e. that the FCA is still making sub-optimal decisions and it is still taking sub-optimal action as far as its duty to provide an appropriate degree of consumer protection is concerned.

**WS10: CORRELATION TO PRINCIPAL FINDINGS FROM  
THE NOVEMBER 2024 REPORT**

<b>PRINCIPAL FINDING, WITH ITS DESCRIPTION TAKEN FROM PAGE 10 OF <u>THE NOVEMBER 2024 REPORT</u></b>	<b>DOES THE FCA'S HANDLING OF THE WOODFORD SCANDAL SUPPORT THE NOVEMBER 2024' REPORT'S PRINCIPAL FINDINGS?</b>
<p><b>THE FCA IS WIDELY SEEN AS INCOMPETENT</b></p> <p>There is a compelling consensus among respondents that the regulator too often fails to perform its functions to a reasonable standard. This view is particularly strongly held in relation to its consumer protection remit, where criticisms abound that it is slow to spot and identify fraud and other misconduct, its responses to such wrongdoing are slow and inadequate, and it is insufficiently assertive in securing redress for consumers and penalising perpetrators.</p>	<p><b>YES:</b></p> <p>Because the FCA has failed to competently provide an appropriate degree of consumer protection to the Woodford investors, despite doing so is a specific task Parliament has set it. However, for all the reasons explained in this case study it is debatable as to whether the issue is just about the FCA's inability to do a good job; many would argue the FCA has been unwilling to do a good job because of conflicts of interest, with the avoidance of claims on the FOS and FSCS for existential reasons being seen as the FCA's key driver.</p>
<p><b>THE FCA'S INTEGRITY IS CALLED INTO QUESTION</b></p> <p>A significant number of respondents believe the FCA sometimes acts in bad faith. These allegations can be divided into two groups: some (especially SME stakeholders who have been victims of alleged misconduct by banks) claim that the regulator is captured, meaning culturally and economically aligned with banks and other large authorised firms and hence disinclined to act against their interests; others assert that the organisation displays a lack of honesty and transparency when called to account for its own decisions, actions and inactions.</p>	<p><b>YES:</b></p> <p>Because respondents believe the FCA has not just acted incompetently but also dishonestly, for example in relation to the '77p in the pound for losses' deliberately misleading statements and also its successful attempts to deny investors their statutory protections through the FOS and FSCS, which some demonstrate the FCA's willingness to behave in a morally bankrupt way.</p> <p>As explained throughout the Case Study, the FCA is seen to have deployed a cynical strategy to defend against an existential threat to themselves.</p>
<p><b>THE FCA'S POOR TREATMENT OF WHISTLEBLOWERS</b></p> <p>Testimony from those who have blown the whistle about alleged industry wrongdoing paints a consistent picture of an organisation that fails properly to investigate and act on intelligence provided, and that fails to protect - and in some cases, actively harms - those who provide such information.</p>	<p><b>YES:</b></p> <p>Because the FCA failed to make appropriate use of the credible and evidence-based concerns expressed to it by Tom Winnifrieth as long ago as 2015, and also because in that same year the insights shared with the FCA by Woodford Investment Management founding partners Nick Hamilton (Chief Operating Officer) and Gray Smith (Chief Legal and Compliance Officer)</p>
<p><b>THE FCA HAS A DEFECTIVE ORGANISATIONAL CULTURE</b></p> <p>Current and former employees depict the FCA as having a defective culture, one that has got worse rather than better in recent years, in which errors and inaction are too common, where there is little accountability, and those who challenge a top-down 'official line' on any given issue are bullied and discriminated against, or even managed out.</p>	<p><b>YES:</b></p> <p>Because the sub-optimal performance of the FCA in relation to the Woodford Scandal would only be possible if the FCA was 'rotten at the top' and had lost its moral compass.</p> <p>As referred to on many occasions in the November 2024 report, there is substantial evidence suggesting that individuals working at the FCA who challenge what are seen to be immoral and inappropriate decisions are managed out.</p>

<p><b>THE FCA LACKS TRANSPARENCY AND ACCOUNTABILITY</b></p> <p>There is plenty of testimony from people who have tried to hold the FCA to account in one way or another; almost without exception, their efforts have been thwarted. It is clear that any journey toward rebuilding confidence must be anchored in measures to lift the current cloak of opacity and lack of consequences for failure.</p>	<p><b>YES:</b></p> <p>Because there has been a woeful lack of visibility for the investors who have been kept in the dark as to what the FCA has been doing, and why, and why it has all taken so long. And also that the ‘hierarchy of oversight’ that is meant to keep the FCA true to purpose seems to have failed at every level.</p> <p>The FCA is seen as a powerful organisation that is not meaningfully scrutinised or held accountable; it has been allowed to ‘go rogue’ and there is much need for, for example, for the Treasury Committee, the FCA’s Financial Services Consumer Panel, the FCA’s Consumer Network and the Lords Financial Services Regulation Committee to substantially increase their scrutiny, accountability and challenge of the FCA.</p> <p>Also, it is clear that serious questions need to be asked about the efficacy of the FCA’s Non-Executive Directors and its Non-Executive Chair for their lack of scrutiny and challenge on how the FCA has handled the whole Woodford scandal; and several other scandals like it.</p>
<p><b>THE FCA’S TRANSFORMATION PROGRAMME HAS FAILED</b></p> <p>Across all stakeholder groups there is near unanimity that the FCA’s claimed transformation has been ineffective, with cynicism from many respondents about whether it was ever intended to achieve genuine change</p>	<p><b>YES:</b></p> <p>Because if the cultural issues that had been identified at the FCA by <a href="#">the Gloster Report</a> and other reports had been properly dealt with through the Transformation Programme the FCA could not have signed off on the dubious decisions and questionable actions it has taken regarding the Woodford Scandal in recent times, as shown in this case study.</p>

**WS11: CORRELATION TO KEY THEMES IDENTIFIED IN  
THE NOVEMBER 2024 REPORT**

<b>KEY THEME</b>	<b>DOES THE FCA'S HANDLING OF THE WOODFORD SCANDAL SUPPORT THE THEME IDENTIFIED IN THE NOVEMBER 2024 REPORT?</b>
<b>THE FCA HAS CULTURE PROBLEMS</b>	<p><b>YES:</b></p> <p>Because if the FCA's culture had been transformed, it would not have, for example, deliberately misled regarding the '77p in the £' narrative and removed consumers' statutory rights.</p>
<b>THE FCA'S IMMUNITY FROM CIVIL LIABILITY FROM CONSUMERS</b>	<p><b>YES:</b></p> <p>Because if the FCA did not have immunity from civil liability from consumers harmed by its actions, Woodford investors would have been able to meaningfully challenge the FCA's conduct in court; and their ability to do so would have reduced the likelihood of the FCA behaving inappropriately.</p> <p>The FCA's immunity from civil liability from consumers is seen as a root cause of its poor performance in protecting consumers from harm, because there isn't a robust negative feedback loop when it fails. So it frequently fails, and will, of course, continue to do so.</p>
<b>THE REVOLVING DOOR PROBLEM</b>	<p><b>NO:</b></p> <p>Because there are no known issues of the Revolving Door problem in the Woodford Scandal.</p>
<b>THE FCA HAS CONFLICTS OF INTEREST</b>	<p><b>YES:</b></p> <p>Because the decisions and actions by the FCA going right back to the Arch Cru and Connaught scandals meant the FCA had a predisposition to not act objectively; its actions were skewed by its desire to not expose its vulnerabilities due to its previous wrong decisions and actions.</p> <p>The FCA was also conflicted because it had what can be considered a survival incentive, i.e. to act so as to avoid huge claims through the FOS and the FSCS as such claims would have led for calls from angry levy payers unwilling to bail out the FCA for the regulator to be abolished; they would have lobbied to avoid paying an ever larger 'regulatory failure tax' than they have been in recent years.</p>
<b>THE FCA HAS REGULATORY CAPTURE ISSUES</b>	<p><b>YES:</b></p> <p>Because industry influence will have contributed to the FCA's reluctance to allow Woodford victims to use the FOS and the FSCS in the regular way. There continues to be much suspicion and speculation around why there has not been any swift meaningful action taken against any of the regulated entities that have been shown to have contributed to the scandal, with the idea that the FCA colluded with LFS to concoct the Scheme of Arrangement and a rigged voting framework to get it through the Court, being a prime example of the FCA taking into account the needs of those it regulates (and itself) ahead of those harmed by those it regulates.</p>

<p><b>THE FCA HAS ISSUES RELATING TO MEMORANDA OF UNDERSTANDING WITH OTHER ORGANISATIONS</b></p>	<p><b>YES:</b></p> <p>Because there are concerns about the woeful lack of independence between the FCA, FOS and FSCS, manifest through how the FCA, the FOS and the FSCS operated collectively in response to the Woodford Scandal. It is seen that the FCA, FOS and FSCS worked as a team to achieve their optimum desired collective end result, and in doing so failed to stay true to their purpose in relation to providing an appropriate outcome for consumers.</p> <p>In very simple terms, resolving the Woodford Scandal has been about deciding who pays for what went wrong; and between the FCA, FOS and FSCS it was decided that the investors should pay for what went wrong, despite the investors, arguably, being the only party that was blameless.</p>
<p><b>THE FCA HAS A GENERAL LACK OF INTEGRITY</b></p>	<p><b>YES:</b></p> <p>Because as the testimony from the impacted investors shows, the FCA is believed to have acted knowingly dishonestly and without integrity; putting its own interests ahead of those it had a duty to provide an appropriate degree of consumer protection for.</p> <p>This issue of the FCA acting without integrity is a theme that comes up time and time again when scrutinising the FCA's work; not just in relation to Woodford but also in relation to a long list of other regulatory failures. The 'incompetent at best, dishonest at worst' descriptor is understandably sticking to the FCA, because the evidence is consistently pointing to it being an accurate description.</p>
<p><b>THE FCA HAS STAKEHOLDER MANAGEMENT AND COMMUNICATIONS ISSUES</b></p>	<p><b>YES:</b></p> <p>Because the FCA failed to adequately communicate with and engage with Woodford Scandal victims; and also other stakeholders such as MPs who have been unable to get straight answers to important questions on behalf of their constituents. The belief and perception is that the FCA has been unwilling to properly engage with and communicate with impacted investors and those representing their interests because doing so would put the FCA at risk of being challenged in such a way that their incompetence and/or dishonesty would be exposed.</p>
<p><b>THE FCA FAILS TO ACT MEANINGFULLY AND SWIFTLY ON EVIDENCE GIVEN OR OBTAINED</b></p>	<p><b>YES:</b></p> <p>Because the evidence shows the FCA was at best slow to act sufficiently robustly to the many warnings given to it about Woodford; this is a scandal that could have, and should have been largely avoided, had for example the FCA paid attention to and acted on the claims made about Woodford by Tom Winifrith and others as far back as 2015.</p>
<p><b>THE FCA MAKES POOR USE OF ITS POWERS AND FAILS TO CARRY OUT ITS DUTIES</b></p>	<p><b>YES:</b></p> <p>Because the FCA under-utilised its powers and as a consequence failed to provide the 'appropriate degree of consumer protection' Parliament has tasked it with.</p> <p>In fact, not only did the FCA not make good use of its own powers, it deliberately worked with Link Fund Solutions to rob the investors of their powers, i.e. their statutory rights through FSMA 2000, namely the right to use the FOS and the FSCS.</p>
<p><b>THE FCA SHUNS RESPONSIBILITY, AND LACKS</b></p>	<p><b>YES:</b></p> <p>Because the FCA has failed to take regulatory responsibility for what happened; and the hierarchy of oversight including the Treasury Committee</p>



<b>SCRUTINY AND ACCOUNTABILITY</b>	<p>and the FCA's Financial Services Consumer Panel failed to make the FCA act correctly. In effect, investors have been unable to benefit from the powers of the regulator and have had to try to secure redress through class actions instead, which are of course problematic because of cost, risk, duration and effectiveness, especially when the FCA has engineered out the ability for consumers to make proper use of FOS and the FSCS.</p>
<b>THE FCA TREATS WHISTLEBLOWERS BADLY</b>	<p><b>YES:</b> Because as explained elsewhere the FCA failed to make appropriate use of the credible and evidence-based concerns expressed to it by Tom Winnifrith, and also Woodford Investment Management founding partners Chief Operating Officer and Chief Legal and Compliance Officer</p>
<b>THE FCA HANDLES POOR REGULATORY PERIMETER ISSUES BADLY</b>	<p><b>NO:</b> Because there are no known regulatory perimeter issues in the Woodford Scandal.</p>
<b>THE FCA REGISTER LACKS RIGOR AND DATA INTEGRITY</b>	<p><b>NO:</b> Because there are no known FCA Register issues in the Woodford Scandal.</p>
<b>THE FCA HANDLES INTERNATIONAL JURISDICTION ISSUES POORLY</b>	<p><b>NO:</b> Because there are no known international jurisdiction issues in the Woodford Scandal.</p>
<b>THE FCA HANDLES APPOINTED REPRESENTATIVE ISSUES POORLY</b>	<p><b>NO:</b> Because there are no known Appointed Representative issues in the Woodford Scandal.</p>
<b>THE FCA WASTES MONEY</b>	<p><b>NO:</b> Because there are no known wasting money issues in the Woodford Scandal.</p>
<b>THE FCA'S LEADERSHIP TEAM OBSTRUCTS NECESSARY CHANGE</b>	<p><b>YES:</b> Because the FCA's leadership Team's failure to properly engage with the APPG's original November 2024 report shows the leadership team itself is a big part of the problem. The Leadership Team is in denial about its own competence and integrity, and as a consequence the FCA as a whole and the sector it regulates is continuously being brought into disrepute, harming not just consumers but also the UK economy as a whole.</p>

----- END OF THE WOODFORD SCANDAL CASE STUDY -----



## **Case Study #2**

To follow.

## **Case Study #3**

To follow.

## Overall conclusions and suggested next steps

Given that this report will share more evidence as each new case study is added, this final section covering our overall conclusion and suggested next steps will be a dynamic part of the report, i.e. it will evolve as each new case study is added.

### Overall Conclusions:

- Our November 2024 report was a serious attempt to wave a red flag to the relevant Minister, Parliamentarians and others that there was credible evidence and testimony from a wide range of stakeholders including current and former FCA employees that there is something seriously wrong with the FCA.
- Pointing out this harsh reality is not ‘an attack on the FCA’ as some have tried to characterise the APPG’s work; it is merely the right response by concerned Parliamentarians acting purely in the national interest to share important and relevant testimony that has been provided.

As mentioned earlier, ‘don’t shoot the messenger’ for the APPG delivering an important message.

- The FCA’s response to our November 2024 report has been disappointingly dismissive and defensive; their unwillingness to swiftly engage with concerned individuals including elected representatives and other Parliamentarians seems aloof and is unacceptable; it is as if the FCA is unaccountable.
- The former City Minister Tulip Siddiq MP’s statement that she had confidence in the FCA despite having read the evidence in our November 2024 report may prove to be an error of judgement; time will tell.
- The FCA currently has multiple competing objectives, which is inevitably resulting in compromises in the consumer protection sphere. This is evidenced by, for example:
  - [The FCA 2024’s Annual Report, at page 26](#), shows that more than half of UK adults do not have confidence in the UK financial services industry.
  - The current CEO Nikhil Rathi wants to define ‘an acceptable level of harm’ which proves beyond doubt that he is having to consider consumer protection against other objectives.
  - We have a live case study playing out, the motor finance scandal (and the associated FOS debacle i.e. [the mysterious sudden resignation](#) of Abby Thomas), where this conflict is playing out in front of us.

- There needs to be a pragmatic way of moving forward, because it is inherently problematic for the financial services regulator to have such competing objectives; perhaps the best way forward is for there to be a separate consumer protection regulator.
- But until there is sufficient political consensus to make such a change (which could be days, weeks, months or even, but hopefully not, years away) we consider it essential that there is greater transparency and accountability around how the FCA weighs these competing priorities.
- A permanent independent panel to scrutinise how the FCA makes decisions and deploys its resources could be introduced swiftly, as an augmentation to the existing regulatory framework whilst the bigger-picture question of “what do we actually want our regulatory framework to look like?” continues to be debated.
- Despite all the time and effort it is requiring to do so, the APPG is continuing to work in the public interest to share new evidence through this supplementary report that we believe will show that the serious issues we identified in our previous report are not just historic things of the past; and that the FCA’s Transformation Programme has not led it to become *‘a very different organisation’* as claimed by current CEO Nikhil Rathi.
- Nothing that has happened since the original report was published will have led those that believe the FCA to be ‘incompetent at best, dishonest at worst’ to change their view. A growing number of individuals who have interacted with the FCA and/or been adversely impacted by the FCA’s actions or decisions simply do not trust it; and they can, and do, point to credible evidence to justify their view.
- Financial services products and regulation is necessarily complex but the ordinary retail consumer should have a simple interface into that world. It should be enough to know that the customer has been wronged for them to be rightfully compensated in a timely manner. It should not be up to the retail investor, the ‘little people’ who have been wronged, to have to try and fight huge, powerful and well resourced corporations for rightful compensation. The regulator must take care of this challenge, otherwise we have little more than an unregulated ‘caveat emptor’ market that can never flourish, because it will never be trusted.
- It remains of enormous importance to the growth prospects of the UK’s financial services sector that trust and confidence in it is regained; that will only happen once the regulatory framework governing it has won the hearts and minds of key stakeholders, which of course includes consumers and the market participants that serve them - the UK’s financial services sector needs an effective conduct regulator that works well for both the City and the citizen.

## Suggested next steps:

- New evidence that is relevant to this major public interest issue needs to continue to be sought, gathered and shared; the APPG will continue to do that on a case-study by case-study basis. Some case studies will be short and simple; others will be necessarily long and complex. But we suspect they will all point to the same overall conclusion - that there is something seriously wrong with the FCA.
- Meaningful debates must be organised in Parliament to explore what appetite there exists for the FCA to be overhauled, with a view to discussing many issues, such as these:
  - The urgent need to drive up trust and confidence in the sector, thereby providing the platform for growth that is so desperately needed.
  - The urgent need for independent verification and validation of the claimed success of the FCA's Transformation Programme.
  - The urgent need to establish how best to provide an appropriate degree of consumer protection; perhaps to include the earmarking of a small proportion of the fines imposed on regulated entities caught behaving badly, set aside to create a fund to be drawn on when there is a regulatory failure. Given that (at the time of writing) [£6,101,841,055](#) has been taken by the FCA in fines since 2010 ( according to Violation Tracker UK, which sources relevant data from the FCA itself) even a small 1% or 2% proportion set aside as a clean-up fund when the FCA gets it wrong would be useful.
  - Ensuring the hierarchy of oversight that governs the FCA or what might replace it is effective. This should include an end to the regulator being free to 'mark its own homework' and to make claims that, for example, its Transformation Programme has been a success, without (as previously mentioned) there being any independent external verification and validation of that. An analogy would be to consider how foolish it would be if a car fails its MOT because of poor brakes, but the car owner is allowed to simply say to the garage a week or so later that he or she had fixed the brakes, without the garage checking whether that was actually the case.
- **Very importantly: we have prepared a questionnaire to gather public opinions on the Financial Conduct Authority. Please complete the questionnaire if you want to make your thoughts on the Financial Conduct Authority public knowledge, as part of the APPG on Investment Fraud and Fairer Financial Services' work looking into the regulator.**

**Please note that:**

- 1) All kinds of opinions about the FCA are wanted; from those that may be disappointed with it, to those that may be very happy about how it has performed, and everybody in-between.
- 2) Respondents do not need to be individuals who have been the victim of a scam, scandal, financial crime or similar; everybody and anybody with an opinion on the FCA is invited to complete the questionnaire.
- 3) Your name will be put into the public domain i.e. it will not be kept private; do not complete the questionnaire if you do not want your name to be associated with your comments.
- 4) We do not intend to process the information provided in any way, it will be published 'raw' as we simply intend to make it available for all to see, as an ever-growing body of testimony.

The questionnaire is ready for you to complete [here](#); good luck with it!

And [here](#) is the latest iteration of the responses received thus far; but please note it is likely that it will be a while after the publication of this before there are any/many testimonies there.

## APPENDIX

Links to everything relevant:

The original November 2024 report to which this report is a supplement:

<https://www.appgiffes.org/wp-content/uploads/2024/11/FINAL-Call-for-Evidence-Report-PUBLIC-1.pdf>

Media Coverage:

<https://www.appgiffes.org/media-coverage-on-our-report-about-the-fca>

The speeches from the 26th November Launch Event:

- Bob Blackman CBE MP:  
<https://www.appgiffes.org/wp-content/uploads/2024/11/Speech-by-Bob-Blackman-CBE-MP-Co-Chair-of-the-APPG-on-Investment-Fraud-and-Fairer-Financial-Services-for-the-APPGs-briefings-on-its-Report-about-The-Financial-Conduct-Authority.pdf>
- Richard Emery:  
[https://docs.google.com/document/d/1\\_ZFbu2W\\_N\\_xVj1XNIXbxroAlUyuii0VOThNOMSxd90/edit?tab=t.0](https://docs.google.com/document/d/1_ZFbu2W_N_xVj1XNIXbxroAlUyuii0VOThNOMSxd90/edit?tab=t.0)
- Paul Carlier:  
[https://docs.google.com/document/d/13ZO7y6F3\\_RAKdT0fmOeMSRDGSywm3cH4Iqic-8cMW\\_s/edit?tab=t.0](https://docs.google.com/document/d/13ZO7y6F3_RAKdT0fmOeMSRDGSywm3cH4Iqic-8cMW_s/edit?tab=t.0)
- Robert Dellner:  
<https://docs.google.com/document/d/1OelWy94qR0SKYrjv2pjveMwVaR1Vi66g/edit>
- Steve Middleton:  
<https://docs.google.com/document/d/1-7jall6RvVSrCDwIUvkdGOVnsn3lszW0/edit>
- Ian Duffield:  
<https://docs.google.com/document/d/1gNY4yx6cGdg0ew-WLjOtCCweLkpatYr9/edit>
- Gareth Roberts:  
[https://docs.google.com/document/d/19qCulnQqSaDI4xxh9Jzq7VFuM\\_deP4Zked5uNSHNwfl/edit?tab=t.0](https://docs.google.com/document/d/19qCulnQqSaDI4xxh9Jzq7VFuM_deP4Zked5uNSHNwfl/edit?tab=t.0)

The slides from the 26th November Launch Event:



<https://www.appgiffss.org/wp-content/uploads/2024/11/Slides-for-Briefings-on-the-APPG-on-Investment-Fraud-and-Fairer-Financial-Services-Report-on-its-Call-for-Evidence-about-the-Financial-Conduct-Authority-PDF.pptx-1.pdf>

All the links from the slides, separately:

Ian Davis written testimony:

<https://www.appgiffss.org/wp-content/uploads/2023/02/Ian-Davis-REDACTED.pdf>

Ian Davis video:

<https://www.youtube.com/watch?v=5SkKOD2BCjc&feature=youtu.be>

Early Day Motion:

<https://edm.parliament.uk/early-day-motion/60684/ian-davis-of-dunshalt-fife>

FCA Trust Pilot reviews:

<https://uk.trustpilot.com/review/fca.org.uk>

Financial Services and Markets Act 2000, Part 1A:

<https://www.legislation.gov.uk/ukpga/2000/8/part/1A>

SKY TV clip regarding the Judicial Review v the FCA:

<https://www.youtube.com/watch?v=1AJLsSIZ2FQ>

About the Judicial Review v the FCA:

<https://www.hausfeld.com/en-gb/news/judicial-review-to-force-fca-to-make-banks-pay-for-financial-mis-selling/>

A brief conversation with Ned Beale:

[https://www.youtube.com/watch?v=dMLg3fl4A\\_o](https://www.youtube.com/watch?v=dMLg3fl4A_o)

George Patellis written testimony:

<https://www.appgiffss.org/wp-content/uploads/2021/12/E.-George-Patellis-Question.docx-2.pdf>

George Patellis video testimony:

<https://youtu.be/0HvytjdOCeo>

A brief conversation with George Patellis:

[https://youtu.be/\\_ehNHZW08fE](https://youtu.be/_ehNHZW08fE)

Word Cloud data source:

<https://docs.google.com/spreadsheets/d/1EZ6l2BYiXcSjLahp9jHgAt3cCV-PmSEF0BLiKDGsOI/edit?gid=0#gid=0>

Comments of Support from Parliamentarians past and present:

<https://www.appgiffs.org/wp-content/uploads/2024/11/Comment-of-Support-carousel.pdf>

Treasury Questions: Work of the Financial Conduct Authority - Oral Evidence

3rd December 2024, Parliament TV:

<https://parliamentlive.tv/event/index/eceec48-272e-48a8-a34a-6f49a9f2520f?in=11:44:50>

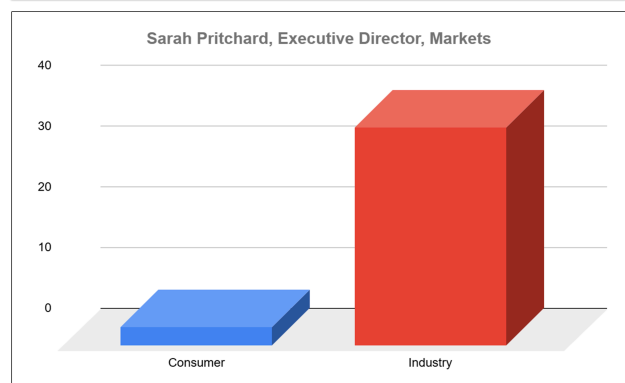
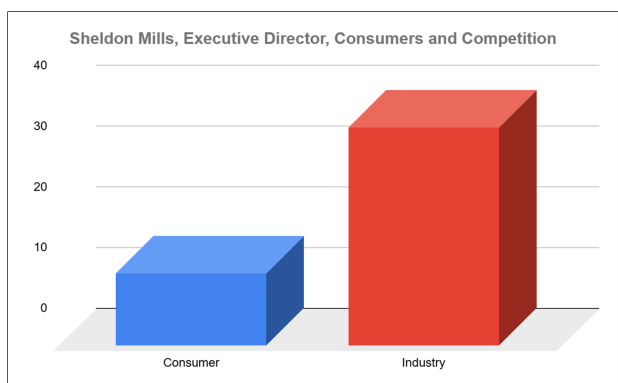
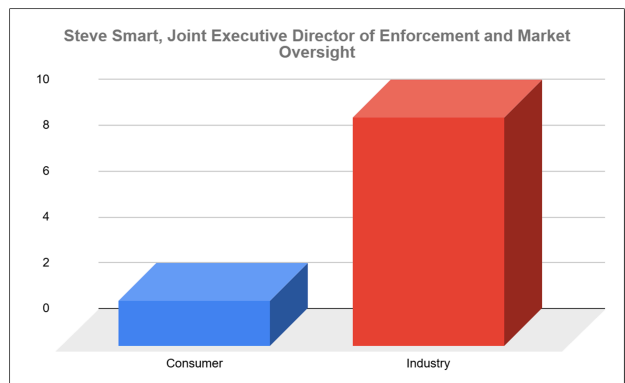
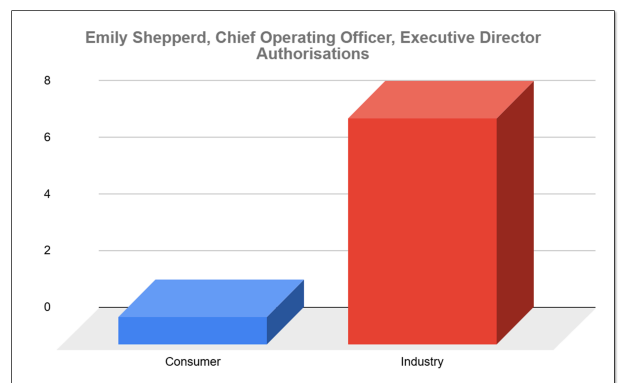
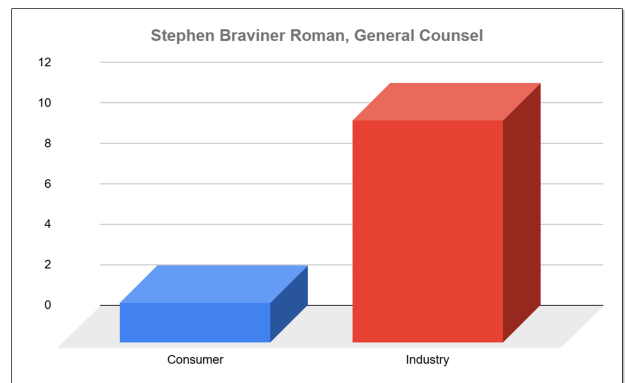
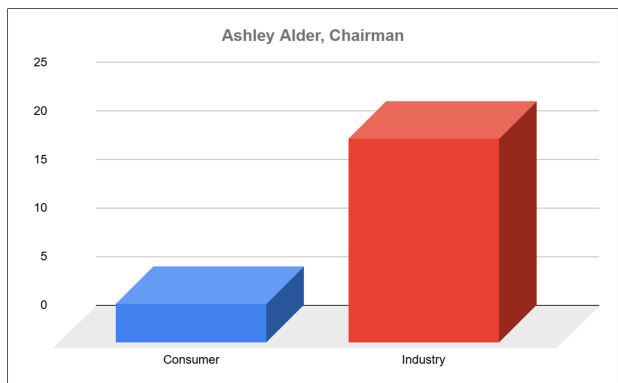
FCA and PRA’s secondary competitiveness and growth objective - Oral evidence

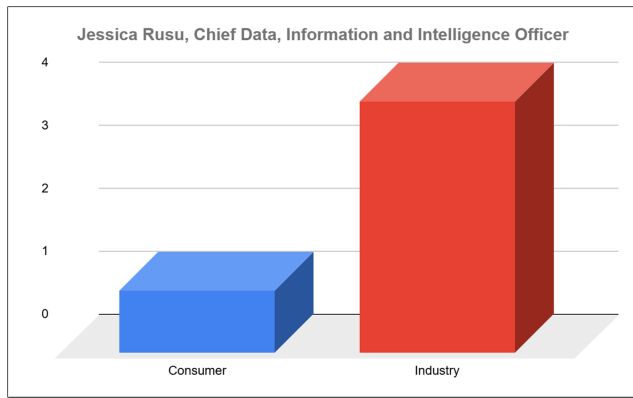
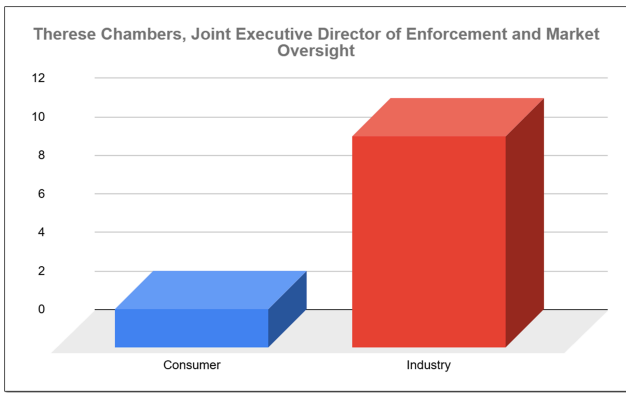
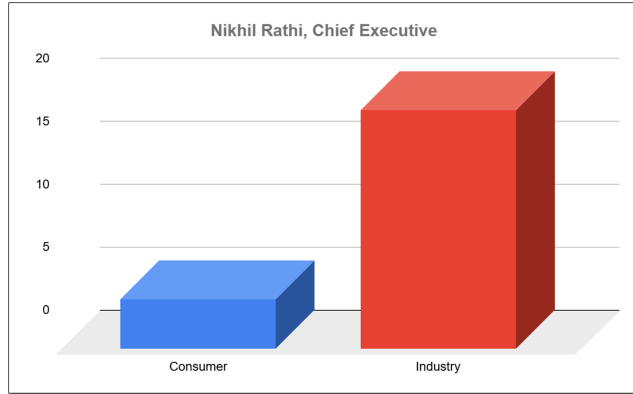
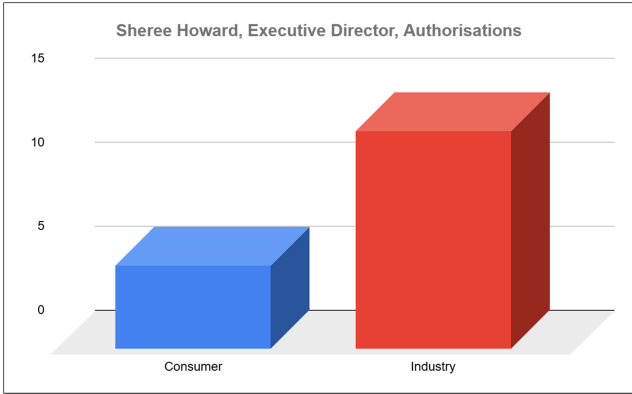
27 November 2024, Parliament TV:

<https://parliamentlive.tv/event/index/9098d55b-3b61-494a-bba3-b06d1cd7f258>

Context: at 10:19 the Chair makes reference to the APPG’s report being unfair

Bar charts for diary engagements of individual FCA Leadership team members:





End; last updated 24th March 2025