Press release: 22 March 2021

FCA Ignores Call for an Independent Inquiry into Their Conduct in the Woodford Scandal, Despite Significant Evidence of Regulatory Failure and Precedent Set by the Independent LC&F Review.

In a short response from the Chair of the FCA Board, Charles Randell, to a detailed letter from the True and Fair Campaign to the Non-Executive Directors of the FCA, cataloguing numerous red flags ignored prior to the suspension of the Woodford Equity Income Fund, the FCA has decided to completely snub the call for an independent investigation into its own role in the Woodford scandal.

The FCA's response reveals a contemptible, arrogant attitude in respect of the damage this scandal has, and continues to do to the reputation of and trust in the UK investment industry, and to the regulator itself. But paramount is the contempt it shows for the 300,000+ retail investors who have collectively lost nearly a billion pounds.

As the True and Fair Campaign's call for an independent third-party investigation would not distract from the FCA's legislative powers *'to investigate regulatory contraventions and take enforcement action',* we urge the NEDs to reconsider. How can they possibly '*provide independent oversight and constructive challenge to the executive directors'*[1] without an independent investigation pertaining to the FCA's role in the scandal?

For example, why did it take until February 2018 for the FCA to contact Link '*regarding issues related to liquidity risks* '[2] when the issues have been apparent from 2015 onwards?

Gina and Alan Miller, Founders of the True and Fair Campaign said: "*All stakeholders, not least the victims, have the legitimate right to a proper and full investigation. We had suspected that the FCA would sidestep its own conduct but even so we were shocked to see it in black and white.*

The FCA cannot ever learn from its mistakes and thereby reduce the likelihood of future mistakes if the Board abdicates the FCA's statutory objectives 'to protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.' They need to show courage and integrity or a charge of coverup or whitewash would not be misplaced."

Links to Letters:

Letter from the True and Fair Campaign to the NEDs at The FCA – 11 March 2021
Response from Charles Randell, Chairman of the FCA Board – 19 March 2021

[1] https://www.iod.com/services/information-and-advice/resources-and-factsheets/details/What-is-the-role-of-the-NonExecutive-Director
[2] https://www.fca.org.uk/publication/correspondence/lf-woodford-equity-income-fund-letter-tsc.pdf

Timeline Notes – What was the FCA doing between 2015 and February 2018?

Andrew Bailey, CEO admitted in evidence to the Treasury Select Committee that the FCA had only been in contact with Link '*since February 2018 regarding issues related to liquidity risks*.'

However:

1. *'The Financial Conduct Authority was warned about problems within Neil Woodford's investment business less than a year after it opened in 2014 but did not intervene for almost another two years, according to several people briefed on the process.'*[3]
2. The Woodford Equity Income Fund annual report and accounts revealed that as far back as the end of 2014, 30% of its portfolio was invested in illiquid securities (i.e., those defined as Level 2 or 3 securities).
3. In April 2014, the FCA had fined Mr Woodford's previous employer £18.6m in connection with risk failings that included three funds run by Mr Woodford.[4]
4. In October 2017 it was widely reported that a major investor (Jupiter) had decided to sell its entire exposure to Woodford, later stating that this was due to concerns of '*Woodford's ballooning exposure to unquoted companies*.'[5]
5. From early 2017 ''on 230 *occasions, Woodford traded between his main fund and this sister fund because of 'significant inflows into and out of' Woodford Equity Income"*[6]

– ENDS –

Media contacts

Gina Miller gina@trueandfaircampaign.com
Alan Miller alan@trueandfaircampaign.com
Tel: 020 7838 8650

[3] https://www.ft.com/content/0a8eb45d-c45f-4085-83bb-2f17bdfa2c30
[4] https://citywire.co.uk/wealth-manager/news/invesco-perpetual-fined-18-6m-for-risk-failings-linked-to-woodford-funds/a748187
[5] https://citywire.co.uk/investment-trust-insider/news/jupiter-comes-clean-over-1-billion-woodford-sale/a1284752
[6] https://www.thisismoney.co.uk/money/comment/article-9281583/JEFF-PRESTRIDGE-Neil-Woodfords-comeback.html

Notes to Editors - The True and Fair Campaign

Financial services are one of the UK economy's most important sectors. It represents 7.1% of GDP. It is a major contributor to the UK's public finances and employs more than 2.3 million people. With great success comes greater responsibility on all market participants to uphold the highest standards of probity, transparency, accountability, and fairness.

Since the Financial Crisis in 2007-2008, few lessons have been learnt and there have been even fewer examples of equitable redress in relation to those guilty of a growing tide of mis-selling scandals and regulatory infractions. Worst of all, it has demonstrated a breath-taking betrayal of the trust that is rightly owed by so-called financial services professionals to their investors, employees, and shareholders.

The True and Fair Campaign, set up by Gina and Alan Miller in February 2012, aims to shine a light on the failures and rip-offs in the sector, and campaign for greater levels of transparency, accountability and product scrutiny, in order to improve customer outcomes.

Since its launch, the True and Fair Campaign has successfully contributed text to MiFID II legally requiring MiFID regulated firms to show 100% of their fees and charges; contributed to Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and The Shareholder Directive; brought to light examples of wrongdoing, poor market practice and lax regulation; and produced telling research into inflated research costs, closet indexation, illiquid funds and misleading performance reporting.

The Millers have also worked with regulators in Australia, across the European Union and the European Securities and Markets Authority (ESMA), as well as with UK politicians on a cross-party basis.

enquiries@trueandfaircampaign.com
www.trueandfaircampaign.com