

Warning Notice Statement 24/3

- 1.1 On 19 February 2024, the Financial Conduct Authority (“the FCA”) gave each of Woodford Investment Management Limited (“WIM”, FRN: 745433) and Neil Woodford (“Mr Woodford”, IRN: NRW01047) a warning notice proposing to take action in respect of the conduct summarised in this statement. WIM acted as the investment manager of the LF Woodford Equity Income Fund (the “WEIF”) and Mr Woodford acted as WIM’s Head of Investments and the lead fund manager for the WEIF. The WEIF was ultimately suspended on 3 June 2019 due to liquidity issues.

IMPORTANT: A warning notice is not the final decision of the FCA. The firm and the individual have the right to make representations to the Regulatory Decisions Committee (“RDC”) which, in the light of those representations, will decide on the appropriate action and whether to issue decision notices. The RDC is a committee of the FCA board which decides whether the FCA should give certain statutory notices described as within its scope by the FCA’s Handbook.

If decision notices are issued, the firm and the individual have the right to refer the matter to the Upper Tribunal which would reach an independent decision on the appropriate action for the FCA to take, if any.

If either the RDC or the Upper Tribunal decides that no further action should be taken, the FCA will publish a notice of discontinuance provided it has the firm and/or the individual’s consent.

- 1.2 The following is a summary of the reasons why the FCA gave each of WIM and Mr Woodford a warning notice:
- The FCA considers that during the period from 31 July 2018 to 3 June 2019 (“the Relevant Period”) WIM breached Principle 2 (due skill, care and diligence) of the FCA’s Principles for Businesses by failing to act with due skill, care and diligence in the conduct of its business.
 - The FCA considers that Mr Woodford, who held CF1 (Director) and CF30 (Customer) controlled functions, breached Statements of Principle 2 (due skill, care and diligence in carrying out accountable functions) and 6 (due skill, care and diligence in managing the business of the firm) of the FCA’s Statements of Principle for Approved Persons when carrying out his controlled functions in relation to WIM during the Relevant Period.
- 1.3 The FCA considers that during the Relevant Period WIM failed:
- to maintain an appropriate liquidity profile for the WEIF and made unreasonable and inappropriate investment decisions in the face of ongoing redemptions and net outflows from the WEIF;

- to implement the applicable liquidity risk framework effectively and applied unreasonable and inappropriate metrics and methodologies to measure liquidity for the WEIF;
- to respond appropriately to the ongoing deterioration in the WEIF's liquidity; and
- to pay due regard to warning signs about the WEIF's liquidity, including concerns raised by Link Fund Solutions Limited ("Link"), the WEIF's authorised corporate director.

1.4 The FCA considers that during the Relevant Period Mr Woodford:

- held a defective and unreasonably narrow understanding of his responsibilities for managing the WEIF's liquidity risks;
- failed to pay due regard to the need to ensure a reasonable and appropriate liquidity profile for the WEIF when making investment decisions in the face of ongoing redemptions and net outflows from the WEIF;
- failed to take adequate steps to satisfy himself that the liquidity framework applied to the WEIF was appropriate; and
- did not exercise adequate oversight in respect of certain delegated aspects of his responsibilities and interactions between WIM and Link in which the latter raised concerns about the WEIF's liquidity.

1.5 The FCA considers that the above failings by WIM and Mr Woodford, including the investment decisions, materially increased the risk of and/or resulted in the WEIF's liquidity profile and its associated liquidity framework becoming unreasonable and inappropriate. They also materially increased the risk that the WEIF would need to be suspended and thereby place those investors who did not redeem prior to the point of suspension at a disadvantage.