



**Wallace LLP**

**Collapse of the LF Woodford Equity Income  
Fund**

**Investor claims against Hargreaves Lansdown  
and Link Fund Solutions**

July 2022



# Claims relating to the LF Woodford Equity Income Fund

## Background

- The LF Woodford Equity Income Fund (“WEIF”) was an open-ended investment fund launched on 2 June 2014 by Neil Woodford, the well-known ‘stock picker’. WEIF invested in equity securities across a range of sectors and was comprised of shares issued to and redeemable by a mix of institutional and retail customers on demand.
- Having had average or below average performance during 2016 and 2017, the performance of the fund dipped dramatically over the course of 2018 and into 2019 and investors began to redeem their shares at an escalating rate. It emerged that the proportion of WEIF’s portfolio invested in FTSE 100 companies had been plummeting for some time, whereas holdings in volatile and illiquid shares in a variety of AIM-listed and unquoted companies had significantly increased.
- On 3 June 2019, Link Fund Solutions Limited (“Link”), the authorised corporate director (“ACD”) of WEIF, determined that the fund was not able to meet redemption requests in an orderly manner and therefore suspended the fund so that investors could not redeem their shares.
- On 15 October 2019, Link confirmed that the fund would be wound up through the liquidation of its remaining investment portfolio. Investors have suffered substantial losses because the fund’s assets are worth significantly less than they were when those investors subscribed for their shares. WEIF’s liquidators have made certain capital distribution payments to investors varying in quantum according to the class of shares held by the investor in the fund. However, investors may also have suffered other recoverable losses, for example the loss of opportunity to secure a better rate of return on their capital elsewhere had they not invested in WEIF.

## Claims against Hargreaves Lansdown

- Hargreaves Lansdown (“HL”) operates a platform enabling customers to make investment decisions directly, without the services of a financial adviser. Its clients hold investments through an HL account. At the point of WEIF’s suspension, 133,769 HL clients owned shares in it worth £1.091bn and a further 157,751 of HL’s clients were indirectly exposed because they owned shares/units in other funds that had an underlying exposure to WEIF.
- HL formerly operated a ‘best buy’ list of recommended funds known as the ‘Wealth 50’ (previously the ‘Wealth 150’) ranking which, it asserted, helped investors make informed choices about the quality of fund in which they chose to invest. WEIF featured on HL’s Wealth 50 ranking from its launch in 2014 and remained there until 3 June 2019, the day on which it was suspended.
- HL continued to promote WEIF during that period despite the fact that WEIF’s performance relative to the FTSE All-Share Index declined sharply over 2017-2019. HL also appears to have known of certain liquidity and portfolio imbalance issues within the fund since at least November 2017.



- In the wake of the suspension and subsequent liquidation of WEIF, HL has obvious questions to answer as to why it failed to update its clients as regards developments in WEIF and continued to promote the fund, including by retaining it on the Wealth 50 list, despite being aware of the acute liquidity and portfolio imbalance issues it was facing. HL has since entirely overhauled the Wealth 50 list and replaced it with a new 'best buy' list.
- We, together with Leading Counsel from a pre-eminent commercial set of chambers, consider that retail investors who relied on information provided by HL (whether made available on its website or in regular email updates it sent), including the Wealth 50 and its precursor the Wealth 150, in deciding to invest (or retain their investments) in WEIF are likely to have claims against HL. Those claims will be predicated on the contention that HL was not reasonably justified in continuing to promote WEIF until as late as 3 June 2019, had no reasonable grounds for its belief that WEIF was appropriate for inclusion in the Wealth 50, and failed to keep clients reasonably informed about HL's own growing concerns about WEIF.

## Claims against Link Fund Solutions

- We and Leading Counsel also consider that in breach of its obligations as the ACD of WEIF, pursuant to the FCA's Collective Investment Schemes Sourcebook Rules ("COLL") and as contained in WEIF's Prospectus, Link permitted a fundamental (and impermissible) shift in the asset portfolio of WEIF away from well-established UK equity income securities towards increased holdings in smaller and unquoted (and therefore highly illiquid and risky) companies. In turn, the dramatically diminishing net asset value of WEIF's underlying risky investments caused by their poor performance, and its inability easily to divest its holdings in unquoted and illiquid securities to meet investor redemption requests, led directly to its suspension and liquidation.
- Accordingly, investors in WEIF (regardless of whether or not they invested through HL) may also have strong claims against Link based on the above-mentioned breaches.

## Funding

- The costs of pursuing such claims are not insignificant. However, the potential now exists to finance each element of costs - namely a client's solicitors' fees, counsel's fees, disbursements (including expert's fees) and legal expenses (ATE) insurance against the risk of adverse costs orders - with no up-front payment by the client. Importantly, such financial support can be provided on a non-recourse basis; in other words, no payment would be required by the client if the claim is not successful. Instead, the upside on a successful outcome would be shared by the client with other stakeholders.
- We have partnered with RGL Management Limited ("RGL"), a highly experienced, FCA regulated litigation management business that specialises in building and managing group litigation claims against large financial institutions. Like us, RGL also has strong existing relationships with third party litigation financiers and ATE insurers, including those which have significant experience in financing substantial group actions in the UK. We consider that our legal expertise and RGL's experience and know-how presents a formidable combination.



## Next steps

- We, together with RGL, have assembled a sizeable group of retail investors with a view to obtaining compensation from HL and Link as co-defendants in a single Court claim. Substantial group claims afford clients negotiating leverage that individual claims simply cannot match.
- If you have invested in WEIF in the past (through HL's online platform or otherwise) and suffered loss and/or have remaining capital tied up in the fund that you cannot access, you may be entitled to bring claims against HL and/or Link to recover your loss.
- For more information, please click [here](#) to visit RGL's dedicated website. In order to join the group, you will need to complete a short questionnaire and sign a formal litigation management agreement authorising RGL to issue proceedings against HL and Link on your behalf. Separately, if you would like to discuss any issues arising out of this briefing note please contact Alexander Weinberg ([alexander.weinberg@wallace.co.uk](mailto:alexander.weinberg@wallace.co.uk)) or Philip Blyghton ([philip.blyghton@wallace.co.uk](mailto:philip.blyghton@wallace.co.uk)) on 020 7636 4422.



## Wallace LLP – About Us

- **A credible alternative to the larger firms:** the same premium service by the same calibre of advisor, but partner-led and at more affordable rates.
- **Consistently ranked:** The department is ranked in both Chambers & Partners and Legal 500 who recognise the department as *“client-orientated”, “punch[ing] well above its weight...because its team come from the highest tier of litigation practices in London”, “match[ing] the service that is given by much larger firms”* with *“clever, commercially-minded lawyers with good judgment”* who are *“very responsive”* and *“very focused”*. Since 2020, the firm has been recognized by The Times as one of the Best 200 UK Law Firms.
- **Conflict-free:** We are one of the few firms which are able to litigate against the banks and financial institutions that the larger firms count as key corporate and/or finance clients.
- **Routinely opposite larger firms:** In the last few years alone, Wallace has acted against, among others, Hogan Lovells, Herbert Smith Freehills, Clifford Chance, Linklaters, Quinn Emanuel Urquhart & Sullivan, WilmerHale, Cleary Gottlieb, Enyo Law, Baker & McKenzie, Norton Rose Fulbright, Jones Day, DLA Piper, Clyde & Co and Macfarlanes.
- **International service:** Although we are a single office firm based in London, we offer clients an international service through being the only UK member of the Law Firm Alliance (<https://www.lawfirmalliance.org/>) a network of 50 mid-sized law firms located across North, Central and South America, Europe, the Middle East and Asia.
- **Solution-driven:** we streamline decision-making so we respond quickly and effectively when clients need us, without the bureaucracy that often accompanies instructing larger firms.
- **Quality at every level:** All the litigation partners are recommended in Legal 500 and have previously worked at, among others, Quinn Emanuel Urquhart & Sullivan and Hogan Lovells. There is similarly no weak link at associate level, which includes hires from Sidley Austin and Enyo Law.
- **Strong client base:** We have a domestic and international client base which includes well-known public companies as well as private equity investors, hedge funds, corporate finance boutiques, family offices and high net worth individuals. Many of our clients have instructed us for decades.
- **In demand:** Client demand for our litigation services has grown significantly over recent years with an average increase in turnover of 25% for each of the last six financial years.
- **Innovative fee arrangements:** While we primarily work for clients based on hourly rates, we recognise that sometimes a different approach is needed and can, in appropriate cases, create a fee arrangement which is bespoke to the case and client’s needs. Further details can be found on the page entitled “Alternative Fee Arrangements”.



## Alexander Weinberg



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### Overview

Alexander is a solicitor advocate and partner in Wallace's litigation department. He brings significant expertise and an impressive track record in all forms of general commercial and banking and financial services litigation gained at leading City and US firms.

Alexander's primary focus is on complex, corporate/commercial and banking & finance litigation. He advises regularly on domestic and multi-jurisdictional shareholder, joint venture and corporate disputes. His advice is highly sought after in cases involving financial institutions and allegations of mis-selling, misconduct, misrepresentation, deceit, fraud, and breach of duty. Alexander is acting on a number of substantial group actions for consumers and retail investors against major institutions.

He has also advised clients on a range of regulatory investigations conducted by authorities in the UK and US, including the Financial Conduct Authority and the Securities and Exchange Commission, and has worked on various contentious restructurings and anti-trust/competition matters, representing clients in the Competition Appeal Tribunal, High Court and the Court of Appeal.

His clients include private equity investors, hedge funds, corporate finance boutiques, family offices, HNWIs as well as listed and privately owned companies.

### Accolades

Alexander is one of only a handful of practitioners specifically ranked by Chambers & Partners, 2022 for Corporate and Commercial Litigation. The directory notes that *"Alexander is very straightforward to deal with and has the ability to patiently explain complex issues in detail."* *"He does an amazing job of keeping things on the road, and he is unflappable in the face of huge, insurmountable challenges. I am always really impressed by his interest in the legal points and his knowledge of esoteric areas of the law."* *"He is very insightful, articulate and fights hard for his clients."*



Alexander is also ranked as a *“Leading Individual”* for Commercial Litigation in the Legal 500, 2022 directory where he is noted for his *“expertise in domestic and cross-border shareholder, joint venture and corporate disputes”* and *“breadth of experience acting for and against financial institutions”*. Legal 500 notes that *“Alexander brings together an appreciation of the drivers of claim value and a clear understanding of the law. He’s smart, commercial and always able to help. He is an absolute pleasure to work with, the best in the industry and without the ego that some lawyers of his calibre often carry”*. The directory also notes that Alexander is *“a creative, commercially-minded professional who commands respect. He is a whip-smart commercial lawyer with very good judgement and fun to work with too. He is tremendously bright, has acute commercial judgement, and is a good choice for clients who want a personal service but with Magic Circle brainpower”*. He is also described as *“exceptional”, “outstanding”, “commercially focused”, “impressive”, “very hardworking and responsive”, “creative” and having “a clear incisive mind” and an “acute tactical and strategic sense”*.

## Notable Engagements

Alexander’s corporate and commercial dispute experience includes:

- Acting for **three foreign domiciled individuals** in their successful defence of **US \$2 billion** Commercial Court proceedings brought against them by a large Brazilian mining group concerning allegations of fraudulent misrepresentation and conspiracy.
- Acting for **two foreign incorporated entities** in LCIA proceedings brought by a Middle Eastern company in a claim for in excess of US \$75 million. The claim concerns allegations of fraud arising out of the operation of a tolling agreement in the metals and mining sector.
- Acting for **two foreign domiciled individuals** in successfully challenging the jurisdiction of the English court, in relation to Commercial Court claims for in excess of US \$100 million brought against them by companies within a well-known international mining and metals group ultimately owned and controlled by Kazakh oligarchs. The claims concerned allegations of fraud, breach of contract and breach of fiduciary duties.
- Acting for a **leading private equity owned provider of tailored welfare to work services** in respect of a multimillion pound Commercial Court claim brought against it by a European provider of digital transformation services.
- Advising a **leading Californian provider of mobile ad serving technology solutions** in connection with its multimillion USD dispute with a UK based global mobile-first agency in relation to the provision of services in Asia Pacific, EMEA, India and Latin America.

Alexander’s banking, financial services and contentious restructuring experience includes:

- Acting for a **prominent claimant group of well-known high street names** in High Court claims against Visa and MasterCard valued in excess of £100 million concerning the unlawful fixing of multi-lateral interchange fees on credit and debit card purchases.
- Acting for a **very substantial group of retail investors in the LF Woodford Equity Income Fund** in claims against Hargreaves Lansdown and Link Fund Solutions valued up to £1 billion following the Fund’s high-profile suspension in June 2019 and subsequent announcement that it will be wound down.



- Acting for a **proprietary trading firm based in the UAE** in relation to claims that it conspired with the outgoing sellers of a multi-national brokerage artificially to inflate revenue so as to trigger a final earn-out payment in excess of US \$40 million.
- Acting for an **independent equities and derivatives trader based in Dubai** in his successful defence of substantial US proceedings commenced by the Securities Exchange Commission concerning allegations of insider trading relating to the purchase and sale of Fortress Investment Group LLC securities which are traded on the New York Stock Exchange.
- Advising a **pan-European investment group** as litigation counsel in relation to various planned strategic acquisitions, associated corporate restructurings and claims.

*“Alexander Weinberg is first class. His business acumen and advice is excellent. He is very professional and quick in response. I would not hesitate to recommend him thoroughly”*

*Alfred Magnus, Director, Hurstglen Properties Ltd*





## Philip Blyghton



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### Overview

Philip is a Senior Associate whose practice focuses on the resolution of high-value, complex corporate and commercial cross-border disputes by way of litigation, arbitration and alternative dispute resolution. His litigation experience includes proceedings in England before the High Court, Court of Appeal and Supreme Court. He regularly advises clients in disputes involving civil fraud, worldwide freezing orders, breach of contract, joint venture agreements, international sale and purchase agreements, shareholder disputes and insurance/reinsurance issues.

He acts for clients in a wide range of sectors, including natural resources (particularly mining and metals), financial services and investments, retail and sports. He also has extensive experience of group litigation acting against financial institutions, as well as contentious and non-contentious insolvency matters.

Prior to joining Wallace, Philip trained and qualified at a leading international firm.

### Accolades

Legal 500 praises Philip for his *“client management skills and legal analysis”* and describes him as *“definitely one to watch”*.

### Notable Engagements

- Acting for **three foreign-domiciled HNWI**s in their successful defence of **US\$2 billion** claims in fraud and conspiracy in Commercial Court proceedings brought against them by one of the largest mining businesses in the world.
- Acting for a **highly-regarded Formula One aerodynamicist** in contentious High Court proceedings relating to his well-publicised move from Red Bull to Aston Martin.
- Acting for a prominent claimant group, including a number of **well-known high street retailers**, in High Court claims against MasterCard and Visa in relation to the unlawful fixing of interchange fees valued in excess of £100 million.
- Acting for **two HNWI**s in their successful jurisdiction challenge in response to two sets of significant multi-jurisdictional Commercial Court proceedings worth in excess of US\$100 million.



million brought against them by companies in an international mining and metals business ultimately owned and controlled by Kazakh oligarchs.

- Acting for **two HNWI**s in their successful defence of long-running multimillion-pound High Court proceedings brought against them by a disgruntled investor.
- Acting for a **well-known HNWI** in LCIA arbitration proceedings, defending a multimillion-pound claim brought by a company owned by a well-known Russian businessman.



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