

Link Fund Solutions Limited
65 Gresham St
London EC2V 7NQ

5 October 2023

Dear Sirs

Proposed Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 to be entered into between Link Fund Solutions Limited and investors in the LF Equity Income Fund.

Purpose of this letter

1. We refer to the Proposed Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 (**Scheme**) to be entered into between Link Fund Solutions Limited (**LFSL**) and investors (**Investors**) in the LF Equity Income Fund (formerly named LF Woodford Equity Income Fund) (the **WEIF**).
2. The purpose of this letter is to explain to LFSL, the Investors, and the Court, the position of the Financial Services Compensation Scheme Limited (the **FSCS**) with respect to the Investors in the WEIF and the proposed Scheme

Background

3. On 3 June 2019, LFSL suspended investors' ability to redeem their investments in the WEIF (the **Suspension**). The Suspension, which was notified to the FCA, was introduced because investor redemptions reached such a level that the WEIF could not continue to meet redemption requests without prejudicing the interests of both remaining and redeeming investors.
4. FSCS understands that certain claims have been issued against LFSL, with claim numbers: FL-2022-000011, FL-2022-000012, FL-2022-000033 and FL-2023-000003 (the **Litigation Claims**), which mostly relate to Investors who held shares in the WEIF as at Suspension (**Suspension Investors**).
5. FSCS is also aware of:
 - (a) the statement from the FCA published on 19 April 2023 with respect to its investigation into the circumstances relating to the Suspension and LFSL's conduct as authorised corporate director (**ACD**) of the WEIF (the **Statement**), and which states that the FCA considers the appropriate redress amount in respect of Suspension Investor losses to be up to approximately £298 million;

- (b) the proposed Scheme, including a draft Explanatory Statement received by FSCS on 2 October 2023.

FSCS

6. FSCS is the UK's compensation scheme of last resort for the customers of failed financial services firms. FSCS is obliged to determine the claims made to it in accordance with the rules set out in the Compensation Sourcebook of the FCA Handbook (**COMP**). Under COMP 3.2.1, FSCS may pay compensation where it is satisfied that a "Protected Claim" has been made by an "Eligible Claimant" against a firm in "Default". Each such term is defined in detail in COMP.
7. If FSCS pays compensation to an Eligible Claimant, it may take an assignment of, or be subrogated to, their Protected Claim (COMP 7). The FSCS must then seek to pursue all such claims, but only such recoveries it considers are likely to be both reasonably possible and cost effective to pursue (COMP 7.4). The terms of FSCS's assignment are broad; FSCS can pursue recoveries against the firm that has failed or against any relevant third parties (COMP 7.2). If FSCS determines not to pursue an assigned claim it must re-assign the claim back to the claimant upon request (COMP 7.4.2).

FSCS Position

8. FSCS has not made any determination as to whether LFSL is in Default, or whether there may be Protected Claims against it.
9. If LFSL was declared in Default, then FSCS would pay compensation to any Eligible Claimants in respect of any Protected Claims against LFSL in accordance with COMP.

Claims other than Scheme Claims

10. FSCS understands that, if the proposed scheme proceeds, it would substantially reduce the assets available in the event LFSL were to become insolvent. This may be relevant for FSCS because, under COMP 7 and as set out above, if FSCS paid compensation in respect of any Protected Claims against LFSL, it would take an assignment of any rights held by the Eligible Claimants against LFSL and any third party in connection with their Protected Claim. FSCS would decide at that point in time whether any recoveries from LFSL or any third party were both reasonably possible and cost effective to pursue, as it is obliged to do under COMP.
11. Notwithstanding that position, FSCS does not object to the proposed scheme on the terms proposed.

Yours faithfully



Casey McGrath
Head of Legal