Pontypridd HQ: £390m appears to have passed through the business

Photo: Michael Cross

Woodville woes mount

The collapse of an obscure litigation funder has sent shockwaves through the UK's legal and financial sectors, exposing investors to 'life-changing' losses through unregulated loan notes

Michael Cross

Number 5 Gelliwastad Road, Pontypridd, is an imposing semi-detached house a few yards from the Temple Baptist Church. Gold lettering identifies it as the premises of Woodville Consultants. But the blinds are drawn and, when we knocked on the door this week, no one was home.

It feels a long way from Dubai's Media City, from where at least one 'certified financial planner' was earlier this year enthusing about Woodville's business model of funding motor finance redress claims. The company's loan notes are 'a simple and attractive way to make additional money without a big effort', the planner's investment website claims. 'Don't wait to invest; invest and wait.' In a note on risk, the website acknowledges the possibility of Woodville going bankrupt. 'In that case,' it assures potential clients, 'you can go directly to the SRA (Solicitors Regulation Authority) and ask for their help'.

In the event, Woodville went into administration on 16 July. Just four weeks later, it was cited in a notice from the Financial Conduct Authority. 'The recent failure of Woodville Consultants Ltd, a litigation funder that raised capital from retail investors through unregulated loan notes, shows the potential risk to investors,' the watchdog warned.

The FCA has long argued for closing a loophole allowing the sale of unregulated products to investors who self-certify as 'sophisticated' and/or 'high-net worth'. Plaintive messages on internet bulletin boards suggest that at least some of Woodville's investors fall into neither category. 'It will be life-changing for me,' says one retired individual who put their life savings into loan notes. 'Stupid, I know.'

A crackdown on loan-note sales is only one likely consequence of Woodville's collapse. Risk advisory firm Kroll, which is working with transatlantic firm Crowell & Moring on the administration, said last month that it is investigating allegations that the company used money raised from new investors to meet promises of returns to previous investors. If proven, this would be the hallmark of an illegal 'Ponzi scheme'.

One avenue of inquiry is a promise made on 8 June by Woodville director Peter James Legge. In a letter to investors seen by the *Gazette*, Legge apologised for cashflow problems caused by delays to car finance redress claims. 'We have sought alternative funding to refinance out any existing investors who elected to mature out their loan notes,' Legge stated. 'We are now finally live with our funder and are in the process of completing the first drawdown.'

However, the administrators' third update to investors finds that 'no such funding/refinancing arrangements appear to have been documented or progressed and nor do the company's books and records contain any details of the identity of any such funders/financiers'.

Meanwhile, the administrators are investigating investor questions about 'other entities, ventures and arrangements which may have some connection, or possible connection, with the company'.

These include Kairos Litigation Ltd, incorporated in February. It has two directors: Legge and Ann Marie Bell, who are also directors of Woodville and a company named Horizon Legal Group, which shares the Gelliwastad Road address and went into administration in July. On 17 June, Bell, who was admitted as a solicitor in September 2007, and Legge appeared in a webinar hosted by Luxembourg-based Black Manta Capital Partners inviting investments in 'digital loan tokens' as part of a €50m 'fixed yield' fund to support motor finance redress claims.

Bell has been invited to comment. Black Manta told the *Gazette* that it is 'no longer acting as the distribution partner for the Kairos digital loan note token and the business relationship has been concluded'. The administrators' report states that it is reviewing the Kairos venture, but 'no conclusions have been reached at this stage and the joint administrators do not consider it appropriate to comment further while enquiries remain ongoing'.

Overall, the report states that Woodville's affairs appear 'more complex than initially understood'. Some funding arrangements 'may involve multiple parties, intermediary structures, overlapping contractual documents and differing records as to the flow of funds and the basis on which amounts may be recoverable'.

Meanwhile, the administrators are talking to recipients of Woodville's funding: some £390m appears to have passed through the business. Insolvency expert Paul Muscutt, a partner at Crowell & Moring, told the *Gazette* that 'a number of investigations are ongoing relating to the law firms, including how claims were introduced to the firms and how funds borrowed were applied'.

Woodville's collapse will also affect the debate over litigation funding regulation. Among its neighbours in Gelliwastad Road is the constituency office of local MP Alex Davies-Jones, who serves as a junior justice minister. The topic could come up in conversation around the Petty France water cooler.

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