
FINAL NOTICE

Secure Property Consultants Limited
16 Johnson Street
Southall
UB2 5BY

8 June 2016

ACTION

1. By an application dated 19 December 2014 (“the Application”) Secure Property Consultants Limited (“Secure Property Consultants”, “the firm”) applied under section 55A of the Financial Services and Markets Act 2000 (“the Act”) for Part 4A permission to carry on the regulated activities of entering into a regulated credit agreement as a lender (excluding high-cost short-term credit, bill of sale agreements and home-collected credit agreements) and exercising/having the right to exercise the lender’s rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale agreements and home-collected credit agreements).
2. The Application is incomplete.
3. For the reasons listed below, the Authority has refused the Application.

SUMMARY OF REASONS

4. By its Warning Notice dated 20 January 2016 (“the Warning Notice”) the Authority gave notice that it proposed to refuse the Application and that Secure Property Consultants was entitled to make representations to the Authority about that proposed action.

5. As no representations have been received by the Authority from Secure Property Consultants within the time allowed by the Warning Notice, the default procedures in paragraph 2.3.2 of the Authority's Decision Procedure and Penalties Manual apply, permitting the Authority to treat the matters referred to in its Warning Notice as undisputed and, accordingly, to give a Decision Notice.
6. By its Decision Notice dated 22 February 2016 ("the Decision Notice"), the Authority gave Secure Property Consultants notice that it had decided to take the action described above.
7. Secure Property Consultants had 28 days from the date the Decision Notice was given to refer the matter to the Upper Tribunal (formerly known as the Financial Services and Markets Tribunal). No referral was made to the Upper Tribunal within this period of time or to date.
8. Under section 390 (1) of the Act, the Authority, having decided to refuse the Application and there having been no reference of that decision to the Tribunal, must give Secure Property Consultants Final Notice of its refusal.

DEFINITIONS

9. The definitions below are used in this Final Notice.

"the Act" means the Financial Services and Markets Act 2000

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority

"Secure Property Consultants" and "the firm" means Secure Property Consultants Limited

"Mr Gill" means Mr Rajinder Singh Gill, the firm's sole director

"the firm's representative" means Mr Bal Hayre, a solicitor retained by the firm to assist with the Application

"the OFT" means the body that before 1 April 2014 was known as the Office of Fair Trading

"Upper Tribunal" means the Upper Tribunal (Tax and Chancery Chamber)

FACTS AND MATTERS

Permissions

10. Since receipt of the Application it has appeared to the Authority that Secure Property Consultants has not understood the permissions it should have applied for. The firm submitted an application for nine consumer credit permissions but it was not clear from the application form or business plan why the firm should require so many. To date, insufficient material has been provided for the FCA to grant these permissions.
11. An email from the firm's representative on 29 July 2015 indicated that the firm wished to add mortgage permissions to its application. Email correspondence

between the Authority and the firm's representative on 7 August and 12 August 2015 established that the firm would remove credit broking from its permissions.

12. In a conference call on 20 August 2015, the firm's representative told the Authority that he had selected many of the available permissions 'just in case' his client needed them. After discussing the firm's permissions he decided to remove several, leaving only the two permissions referred to in paragraph 1.
13. Prior to the conference call on 20 August 2015, the Authority emailed the firm's representative to inform him that he had the right to speak on the firm's behalf because he was named as the Associated Individual on the Application. Additionally, the Authority copied Mr Gill into this email and said that he 'may also be present for the call if he [wished]'. Despite the Authority's invitation, Mr Gill did not take part in the call.
14. Following the conference call, the Authority sent an email to the firm's representative confirming the changes to Secure Property Consultants' consumer credit permissions. This email also asked the firm about its current mortgage services and sought the firm's view of how it would like to proceed.
15. After the series of interactions with the firm detailed above, the Authority is not convinced that the firm has understood the permissions it has applied for or the regulatory obligations it would incur if were to be authorised.

Policies, procedures, systems and controls

16. One of the Authority's responsibilities in evaluating consumer credit authorisation applications is to determine whether a firm has implemented appropriate policies to mitigate the risk of consumer detriment resulting from high-risk business models. The Authority has assessed this firm's business model as high-risk because its operation depends on issuing loans to financially distressed consumers.
17. Accordingly, the Authority focused its analysis on the areas of TCF, vulnerable consumers and staff training (in relation to training, the Authority needs to be satisfied that the firm's employees would be trained adequately to comply with requirements imposed or likely to be imposed by the FCA).
18. The firm's business model- taken as described in the business plan, application form and subsequent correspondence with the firm - does not include any policies, procedures, systems or controls that satisfy the Authority that the firm intends to treat customers fairly. For example, in the Application, the firm responded to the FCA's question 'Please tell us how the fair treatment of customers has been considered in the development of the Applicant's [meaning the firm's] business plan' with the statement (capital letters original) 'THE SALE VALUE OF ANY PROPERTY IS GUARANTEED BY THE APPLICANTS AND THEREFORE ANY POTENTIAL CLIENT IS FULLY INFORMED PRIOR TO INSTRUCTING THE APPLICANT AS TO WHETHER THEY WISH TO PROCEED'.
19. To the question 'How will the Applicant's senior management ensure that TCF is embedded in the culture of the firm and that it can demonstrate that the firm is consistently delivering fair outcomes to consumers?' the firm answered with the statement (again in capitals) 'ALL PROSPECTIVE CLIENTS ARE DEALT WITH BY A DIRECTOR OF THE APPLICANT'. There is no further elaboration as to how this satisfies the TCF requirement.

20. As seen in the statements quoted in paragraphs 16 and 17, the firm has failed to satisfy the Authority that it has an adequate TCF policy as it did not attempt to relate the process of developing the business plan to the six TCF consumer outcomes given on the FCA's website, nor did it attempt to establish that TCF was embedded in its culture.
21. The Authority also notes that the business plan itself omits any mention of TCF, which suggests that the firm has not given adequate consideration to the issue. Secure Property Consultants also did not provide a satisfactory answer to the question: 'What have the management of the Applicant identified as the key risks to consumers in its model and what action has been taken to mitigate these risks?' The firm's answer does not list the risks that its business model presents to consumers and the corresponding mitigations; rather it says that 'THE PROSPECTIVE CLIENT IS NOT FACED WITH ANY UNCERTAINTY OVER POTENTIAL FEES'. The Authority determined that the firm's business model, which explicitly targets financially distressed property owners, would present risks to consumers that the firm would be responsible to mitigate. However, there is no evidence that the firm has considered the element of risk is evident, nor does the firm appear to have taken any action to mitigate the risk of consumer detriment inherent in its business model.
22. On 17 July 2015, the Authority emailed the firm a substantial information request, which included targeted questions under the categories of 'Risk', 'Systems and Controls' and 'Target Customers', among others. The firm's representative answered on behalf of the firm on 29 July 2015, but the answers he provided for questions in the aforesaid categories were not informative and did not disclose information required to address the questions. For example:
- (a) In the category 'Risk', the Authority asked the firm to describe the main risks it posed to consumers and how it would mitigate them. The firm answered: 'We do not foresee being a risk to customers as we operate on a fixed sum repayment'. From this answer, it appears evident that the firm has an inadequate understanding of the FCA's TCF expectations as articulated in the six TCF consumer outcomes. The Authority reached this conclusion noting that, while the FCA has established clear consumer outcomes, the firm could not identify them or provide evidence that they had been integrated into its business model.
 - (b) In the category 'Systems and controls', the Authority asked: 'Are staff, including any self-employed agents you may hire, trained on compliance and regulatory rules? Please describe in detail your policies and procedures in this area.' The firm answered: 'Yes'. The firm's claim that staff and, where necessary, agents are trained to understand and carry out their regulatory duties was not accompanied by any elaboration, thereby making it difficult for the Authority to determine whether the firm provided adequate training.
 - (c) In the category 'Target customers', the Authority asked: 'Recognising that your borrowers tend to be in financial distress, what policies or controls do you have for dealing with them in circumstances where they are vulnerable?' The firm answered: 'We do not lend to vulnerable individuals as this is apparent from our face to face interviews'. From this, it appears that the firm's only control on lending to vulnerable or potentially vulnerable consumers is the director's own judgement, which the Authority does not find to be an adequate safeguard against poor conduct because the firm has not satisfied the Authority that its director would recognise a

vulnerable consumer or be able to make lending decisions in keeping with the FCA's six TCF consumer outcomes. The firm's claim not to lend to vulnerable consumers also contradicts the statement in its business plan that 'vendors [clients] are normally in a distressed state due to arrears on their loans'. The cumulative result of the firm's apparent lack of policies and procedures is that the Authority cannot be satisfied that due consideration has been given to the relevant regulatory requirements.

Financial resources and projected rate of growth

23. Secure Property Consultants provided the Authority with financial projections that predict a rapid rate of growth into the financial year ending 31 July 2017, which raises questions about whether the firm's financial resources will be of sufficient quality, quantity and availability to support its expected growth velocity. The firm's business plan states that 'the company's strategic objective is to increase its turnover to £1m for the year ended July 2015 and thereafter by 20% year on year. The firm forecasts that the number of deals it closes will rise steadily from a starting point of 48 deals in 2014/2015, to 58 deals in 2015/2016 and 69 deals in 2016/2017. Accompanying financial projections predict a significant increase between 31 July 2013 and 31 July 2017 in the firm's net asset balance and profit and loss accounts. Additionally, the Authority notes that the firm has reported positive profits for financial years 2014 and 2015 despite a statement from the firm's representative that it is not trading.
24. Recognising the firm's intentions (1) to act as a lender and (2) to considerably expand the scope of its business, the Authority set about assessing the firm's financial position. The Authority sent an email to the firm's representative on 17 July 2015 with two questions under the heading 'Business growth'. The Authority received the firm's reply on 29 July 2015.
25. The first question under this heading was 'Do you plan to grow your business rapidly in the coming one to three years?' The firm directed the Authority to the business plan for the answer. The second question was: 'If yes, what strategies will you employ to achieve your growth rates?' to which the firm only replied: 'Increased presence'. The Authority is not satisfied that the answer provided enough detail of the measures the firm would take to achieve its growth targets.

Non-financial resources

26. The skills, experience and training of the firm's staff were also points of concern, firstly because the firm had settled on lending permissions and secondly because of its high-risk business model. Both factors meant that the Authority needed to ensure that the firm had the appropriate non-financial resources, in the form of the skills and experience of the director and his employees, that would enable the firm to trade while simultaneously meeting its compliance requirements under COND 2.4. However, as noted in paragraph 20(b), when the firm's representative was asked to provide the Authority with details of its training regime, he did not.

Communication with the Authority

27. Secure Property Consultants has not communicated with the Authority in such a manner as leads the Authority to believe that the firm has been co-operative in accordance with Principle 11.
28. The factors that have contributed to the Authority's concern that the firm is neither ready nor organised are:

- (a) the firm's apparent confusion over the permissions relevant to its business model and consequent adoption of a 'scattergun' method of selecting any permission that may have been relevant 'just in case'
 - (b) the firm's apparent lack of relevant policies, procedures, systems and controls
29. Other factors, given in more detail below, have contributed to the Authority's view that the firm is not willing to comply or deal with its regulator in an open and cooperative manner.
30. The information that the Authority was able to garner from its exchanges with the firm's representative remained insufficient to authorise the firm – in particular, the details of the firm's policies relating to TCF, vulnerable consumers and staff training were not clear. Accordingly, the Authority invited Mr Gill himself to an interview on FCA premises to ascertain whether he would be able to answer its queries more satisfactorily. The Authority invited Mr Gill to an interview on 14 September 2015, explaining that the intention of the interview was to 'discuss [the] firm's business model and internal policies/processes in more detail' and to ascertain Mr Gill's 'knowledge and experience of working in a regulated environment'. On 16 September 2015, Mr Gill replied: 'If after all this time and information the FCA is still unable to understand my business model, I can only assume that the FCA is incapable or unwilling to do so and therefore ask that a final decision based on the information available the FCA as I'm not prepared to invest any further time or money into this application'.
31. The Authority invited Mr Gill to an interview a second time in an email that included a reminder of his regulatory obligations under PRIN 11 and APER Statements of Principle 4 and 7. Mr Gill replied on 22 September 2015: 'After careful consideration my position is unchanged and I again request that you make your decision based on the information the FCA currently have.'
32. By so doing, Mr Gill has left the Authority with an Application, accompanied by a business plan, supporting documents and email trail that omits essential information on the firm's compliance systems.
33. Therefore, the Authority is concerned that the firm has not dealt with the regulator in an open or cooperative manner during the evaluation of the Application, nor has the firm demonstrated that it is ready, willing or organised to comply with regulatory requirements.

IMPACT ON THE THRESHOLD CONDITIONS

34. The regulatory provisions relevant to this Final Notice are referred to in Annex A.
35. The Authority considers that, having regard to all the circumstances, it cannot be satisfied that Secure Property Consultants will satisfy, and continue to satisfy the threshold conditions for which the Authority is responsible (as required by s55B(3) of FSMA in order for the FCA to grant authorisation). In particular, the Authority does not consider the threshold in s.55B(3) is met in relation to threshold conditions 2C (effective supervision), 2D (appropriate resources), 2E (suitability) or 2F (business model).

Threshold condition 2C: Effective supervision

36. The Authority does not consider that Secure Property Consultants will satisfy, and continue to satisfy, threshold condition 2C because it has failed to provide sufficient information to assure the Authority that it can be supervised effectively.
37. The information that the firm has failed to provide has been detailed above, but in summary:
- (a) the firm's business plan did not explain why the permissions it had selected were relevant to its proposed business model
 - (b) the firm's business plan omitted all mention of TCF
 - (c) the firm did not provide sufficient information in the Application to answer questions related to TCF
 - (d) the firm failed to describe any policies, procedures, systems or controls that would mitigate the risk of consumer detriment posed by its business model
 - (e) the firm failed to describe adequate training policies
 - (f) the firm was unable to describe any policies, procedures, systems or controls that would mitigate the risk of detriment to vulnerable consumers (vulnerable for reason of financial distress)
 - (g) correspondence with the firm's representative did not yield sufficient information related to the firm's business model or systems and controls
 - (h) Mr Gill has twice refused to attend an interview on FCA premises and has twice requested that the Authority make its decision based on the information provided to date
38. Based on these facts, the Authority considers that it will be difficult to effectively supervise Secure Property Consultants pursuant to COND 2.3.1A.
39. Further, based on the facts outlined above, the Authority considers that it is unlikely that the FCA will receive adequate information from the firm which is a key consideration set out in the guidance under COND 2.3.3.
40. The Authority concludes that the firm is not ready, willing and organised to comply with Principle 11.
41. The Authority is therefore not satisfied that Secure Property Consultants meets this threshold condition.

Threshold condition 2D: Appropriate resources

42. The Authority does not consider that Secure Property Consultants will satisfy, and continue to satisfy, threshold condition 2D because it has not provided sufficient information to satisfy the Authority that it has the appropriate financial and non-financial resources to be authorised.
43. The firm's intention to carry on lending activity requires an assessment of its financial position. The conduct of Mr Gill in ceasing to cooperate in the assessment of the firm's Application has hindered the process of making the necessary enquiries to determine whether the firm's finances would support its

proposed business model. Consequently, the Authority considers that Secure Property Consultants has failed to meet the requirements in COND 2.4.1A(3) and 2.4.1A(3A).

44. The firm did not include details of staff training policies in its Application or when such details were requested by the FCA. Consequently, the firm has failed to satisfy the FCA that its management or staff will have adequate training to comply with requirements imposed or likely to be imposed by the FCA which is a direct consideration under COND 2.4.1A(4).
45. The Authority cannot confirm that the firm's financial resources are of sufficient quality, quantity or availability to allow the firm to operate as a lender
46. The Authority is therefore not satisfied that Secure Property Consultants meets this threshold condition.

Threshold condition 2E: Suitability

47. The Authority does not consider that Secure Property Consultants will satisfy, and continue to satisfy, threshold condition 2E because it has failed to provide sufficient information to satisfy the Authority that it is a fit and proper person to be authorised and will comply with the standards and requirements of the regulatory system.
48. The Authority has noted several factors that suggest that the firm is unable to meet the criteria of this threshold condition. In arriving at this view, the Authority has specifically taken account of the following:
 - (a) The firm failed to initially understand the nature of the regulated activities for which it was seeking permission
 - (b) Given the lack of appropriate TCF and vulnerable customer policies, the firm has failed to satisfy the Authority that it understands the nature of the risks its business model poses to consumers
 - (c) The firm has failed to satisfy the Authority of the required skills its employees will need to carry on regulated activities in keeping with regulatory requirements
 - (d) The firm has failed to satisfy the Authority that it has paid sufficient regard to the interests of consumers
 - (e) The Authority is not satisfied that the firm's employees have adequate training to be able to deal with financially distressed consumers
 - (f) The firm's representative, speaking on the firm's behalf, has provided only minimal and inadequate information in response to the Authority's information requests
 - (g) The firm's director has twice refused to attend an interview with the Authority to ascertain his knowledge of his business model and regulatory obligations
49. Based on the above, the firm has failed to satisfy the Authority as to its suitability.

50. Further to 46(d), the Authority had noted several factors within this paper that suggest that the firm is unsuitable:
- (a) the Authority cannot conclude that the firm's affairs are managed by individuals with adequate skills and experience
 - (b) the Authority cannot conclude that those who manage the firm's affairs act with probity
51. The firm has failed to provide the Authority with information to satisfy it that the 'sound and prudent' criteria of this Threshold Condition could have been met.
52. The Authority is therefore not satisfied that Secure Property Consultants meets this threshold condition.

Threshold condition 2F: Business model

53. The Authority does not consider that Secure Property Consultants will satisfy, and continue to satisfy, threshold condition 2F because it has not provided sufficient information to satisfy the Authority that its business model is capable of being implemented in a sound and prudent manner, as outlined above, and that it will comply with the standards and requirements of the regulatory system. The Authority has specific concerns about Secure Property Consultants being able to comply with COND 2.7.1(1) and 2.7.1(2).
54. Specifically, the Authority has noted several factors that suggest that the firm's business model is unsuitable:
55. The firm has failed to provide the Authority with appropriate policies, procedures, systems and controls related to TCF, vulnerable customers and staff training to satisfy the Authority that the firm's business model is compatible with its affairs being conducted in the interests of consumers.
56. Analysis of the firm's financial position is a key consideration for the Application in respect of lending permissions. The firm has failed to provide the Authority with a satisfactory explanation for its projected rapid rate of growth.
57. The Authority is therefore not satisfied that Secure Property Consultants meets this threshold condition.

IMPORTANT NOTICES

58. This Final Notice is given under section 390 (1) of the Act.

Publication

59. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those provisions, the Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

60. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

61. For more information concerning this matter generally, contact Marta Lipska, Manager, Credit Authorisations Division at the Authority (direct line: 020 7066 0152/email: Marta.Lipska@fca.org.uk).

Andrew Freeman
Chair of the Regulatory Transactions Committee

ANNEX A – REGULATORY PROVISIONS RELEVANT TO THIS DECISION NOTICE

Relevant Statutory Provisions

1. Section 55A(1) of the Act provides for an application for permission to carry on one or more regulated activities to be made to the appropriate regulator. Section 55A(2) defines the “appropriate regulator” for different applications.
2. Section 55B(3) of the Act provides that, in giving or varying permission, imposing or varying a requirement, or giving consent, under any provision of Part 4A of the Act, each regulator must ensure that the person concerned will satisfy, and continue to satisfy, in relation to all of the regulated activities for which the person has or will have permission, the threshold conditions for which that regulator is responsible.
3. The threshold conditions are set out in schedule 6 of the Act. In brief, the threshold conditions relate to:
 - (a) Threshold condition 2B: Location of offices
 - (b) Threshold condition 2C: Effective supervision
 - (c) Threshold condition 2D: Appropriate resources
 - (d) Threshold condition 2E: Suitability
 - (e) Threshold condition 2F: Business model

Relevant provisions of the Authority’s Handbook

4. In exercising its powers in relation to the granting of a Part 4A permission, the Authority must have regard to guidance published in the Authority Handbook, including the part titled Threshold Conditions (“COND”). The main considerations in relation to the action specified are set out below.

Threshold condition 2C: Effective supervision

5. COND 2.3.3G provides that, in assessing the threshold conditions set out in paragraph 2C of Schedule 6 to FSMA, factors which the FCA will take into consideration include, among other things, whether it is likely that the FCA will receive adequate information from the firm, and those persons with whom the firm has close links, to enable it to determine whether the firm is complying with the requirements and standards under the regulatory system for which the FCA is responsible and to identify and assess the impact on its statutory objectives; this will include consideration of whether the firm is ready, willing and organised to comply with Principle 11 (Relations with regulators and the rules in SUP on the provision of information to the FCA).

Threshold condition 2D: Adequate Resources

6. COND 1.3.2G(2) states that, in relation to threshold conditions 2D to 2F, the Authority will consider whether a firm is ready, willing and organised to comply on a continuing basis with the requirements and standards under the regulatory system which will apply to the firm if it is granted Part 4A permission.

7. COND 2.4.2G(2) states that the FCA will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources (though only in the case of firms not carrying on, or seeking to carry on, a PRA-regulated activity), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
8. COND 2.4.4G states that, when assessing whether a firm has appropriate resources, the Authority will have regard to matters including:
 - (a) whether there are any indications that the firm will not be able to meet its debts as they fall due
 - (b) whether the firm has taken reasonable steps to identify and measure any risks or regulatory concern that it may encounter in conducting its business and has installed appropriate systems and controls and has appointed appropriate human resources to measure them prudently at all times

Threshold condition 2E: Suitability

9. COND 2.5.2G(2) states that the FCA will also take into consideration anything that could influence a firm's continuing ability to satisfy the threshold conditions set out in paragraphs 2E and 3D of Schedule 6 to the Act. Examples include the firm's position within a UK or international group, information provided by overseas regulators about the firm, and the firm's plans to seek to vary its Part 4A permission to carry on additional regulated activities once it has been granted that permission.
10. COND 1.3.3BG provides that, in determining whether the firm will satisfy, and continue to satisfy, the FCA threshold conditions, the FCA will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere.
11. COND 1.3.3CG provides that, when assessing the FCA threshold conditions, the FCA may have regard to any person appearing to be, or likely to be, in a relevant relationship with the firm, in accordance with section 55R of the Act (Persons connected with an applicant). For example, a firm's controllers, its directors or partners, other persons with close links to the firm (see COND 2.3), and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the FCA threshold conditions, would be in a relevant relationship with the firm.
12. COND 2.5.6G provides that examples of the kind of particular considerations to which the FCA may have regard when assessing whether a firm will satisfy, and continue to satisfy, this threshold condition include, but are not limited to, whether:
 - (a) the firm has been open and cooperative in all its dealings with the FCA and any other regulatory body and is ready, willing and organised to comply with the requirements and standards under the regulatory system ... in addition to other legal, regulatory and professional obligations ...
 - (b) the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards for which the FCA is responsible under the regulatory system

- (c) the firm has put in place procedures which are reasonably designed to:
 - i. ensure that it has made its employees aware of, and compliant with, those requirements and standards under the regulatory system that apply to the firm for which the FCA is responsible and the regulated activities for which it has, or will have, permission;
 - ii. ensure that its approved persons (whether or not employed by the firm) are aware of those requirements and standards under the regulatory system applicable to them;
 - iii. determine that its employees are acting in a way compatible with the firm adhering to those standards; and
 - iv. determine that its approved persons are adhering to those requirements and standards.
- (d) the governing body of the firm is made up of individuals, with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities
- (e) those persons who perform controlled functions under certain arrangements entered into by the firm or its contractors ... act with due skill, care and diligence in carrying out their controlled function ... or managing the business for which they are responsible
- (f) the firm has developed human resources policies and procedures that are reasonably designed to ensure that it employs only individuals who are honest and committed to high standards of integrity in the conduct of their activities

Threshold condition 2F: Business Model

13. COND 2.7.1 states that a firm's business model must be suitable for a person carrying on the regulated activities that it carries on or seeks to carry on. The matters which are relevant in determining whether a firm satisfies the condition in sub-paragraph (1) including:
- (a) whether the business model is compatible with the firm's affairs being conducted, and continuing to be conducted, in a sound and prudent manner;
 - (b) the interests of consumers;
 - (c) the integrity of the UK financial system.
14. COND 2.7.7G states that, in assessing whether the threshold conditions set out in paragraphs 2F and 3E of Schedule 6 to the Act are satisfied, the FCA may consider all matters that might affect the design and execution of a firm's business model, taking into account the nature, scale and complexity of a firm's business.
15. COND 2.7.8G states that, in deciding how they will satisfy and continue to satisfy the threshold conditions set out in paragraphs 2F and 3E of Schedule 6 to the Act, firms should consider matters including (but not limited to) the following:

- (a) the assumptions underlying the firm's business model and justification for it;
- (b) the rationale for the business the firm proposes to do or continues to do, its competitive advantage, viability and the longer-term profitability of the business;
- (c) the needs of and risks to consumers;
- (d) the expectations of stakeholders, for example, shareholders and regulators;
- (e) the products and services being offered and product strategy;
- (f) the governance and controls of the firm and of any member of its group (if appropriate);
- (g) the growth strategy and any risks arising from it;
- (h) any diversification strategies; and
- (i) the impact of the external macroeconomic and business environment.