

3 June 2025

Dear Complainant

Complaint about the FCA regarding Funding Secure Limited (“FSL”)

1. We are writing to you following your complaint about the FCA’s actions and/or inactions in relation to FSL.
2. We are sorry you have suffered financial loss and have a great deal of sympathy for your situation. Losing any sum of money can be deeply upsetting and a cause of significant worry and frustration.
3. We are also sorry for the length of time it has taken us to respond to your complaint. It was important that we allowed regulatory action to conclude, which meant that our investigation was deferred between 23 February 2021 and 30 May 2023. In addition, the matters we investigated were complex and concerned events which occurred many years ago. We have considered the impact of the delay further in paragraphs 14 to 16 below.

Your complaint

4. We have received several complaints about the actions and/or inactions of the FCA in relation to FSL, including yours.
5. In addition to the allegations noted below, we received several queries regarding other issues relating to FSL. These are addressed in Annex 1.
6. We have grouped the allegations from all complainants together as follows:

Complaint allegation 1: There were failures by the FCA regarding the authorisation of FSL.

Complaint allegation 2: There were failures by the FCA regarding the supervision of FSL.

Our decision

7. Following an investigation in accordance with the relevant Complaints Scheme ([the Scheme](#))¹, including careful consideration of the FCA's actions and wider circumstances of FSL, we have upheld complaint allegation 1 and have not upheld complaint allegation 2. Our summary findings and conclusions are at paragraphs 8 and 9 below. A more detailed analysis follows from paragraph 30 to 52.
8. Regarding complaint allegation 1, we have found the FCA should have done more when it was assessing FSL's application for authorisation. Specifically, the FCA should have done more to understand that FSL's business model had changed and that it had begun to offer property development loans. The FCA should have also ensured FSL had an approved person responsible for client money at the time it was authorised in March 2017.
9. Regarding complaint allegation 2, once FSL was authorised, there was considerable engagement between the FCA and FSL. We have assessed that engagement and concluded that overall the FCA's actions regarding FSL were reasonable and proportionate.

Remedy Sought and our response

10. When a complaint allegation is upheld, we must take into account the factors set out in paragraph 7.14 of the Scheme² to determine what remedy is appropriate.
11. Complainants have asked the FCA to compensate them for their financial losses. We have concluded this is not appropriate as the losses suffered by complainants were caused by the failure of FSL, and not by the FCA.
12. We would like to apologise for our actions relating to complaint allegation 1 which fell below our usual standards.
13. We know this will be disappointing. We explain our decision and rationale below.

¹ <https://www.fca.org.uk/publication/corporate/complaints-scheme.pdf>

² The factors in paragraph 7.14 of the Scheme include; (i) the gravity of the circumstances and its consequences, (ii) the complainant's relationship with the FCA and the extent to which the complainant has been adversely affected in the course of their direct dealings with the FCA, (iii) whether what has gone wrong is at the operational or administrative level, and (iv) the impact of the cost of making any compensatory payment on regulated firms, including the associated burden of such costs being passed from regulated firms to consumers.

Complaints handling delays

14. We are sorry for the length of time it has taken us to respond to your complaint. To recognise the delay, we would like to offer you an ex-gratia payment of █████ in line with our published approach³.
15. Please let us know by 17 June 2025 if you would like to accept this payment. If you need more time to consider this offer, please let us know.
16. If you would like to accept this payment, please provide your acceptance and your bank details (name on the account, sort code, account number and the name of the bank/building society where the account is held). We will arrange for a payment to be sent to you by electronic transfer.

Information we can share

17. There are limits to the information the FCA can disclose to complainants. If we cannot disclose certain information to you, it is because restrictions under the [Financial Services and Markets Act 2000 \(FSMA\)](#), [the UK General Data Protection Regulation \(GDPR\)](#) and the [Data Protection Act 2018](#) prevent us from doing this⁴.

Background

Peer-to-Peer (P2P) lending

18. The P2P lending sector enables individuals and businesses to lend to each other through an internet platform. It provides opportunities for investors and new sources of finance for borrowers. P2P platforms 'match' lenders (investors) with borrowers and this creates a bilateral loan agreement.
19. Investing money via a P2P platform is a high-risk investment and there is generally no Financial Services Compensation Scheme cover for any P2P losses⁵ if the firm fails.
20. From 1 April 2014, P2P became a regulated activity. Firms that were operating a P2P platform were given interim permission by the FCA and

³ <https://www.fca.org.uk/about/how-we-operate/complain-about-regulators/compensatory-payments-for-complaints-handling-delay>

⁴ <https://www.fca.org.uk/freedom-information/information-we-can-share>

⁵ Unless the investor received unsuitable advice from a Financial Advisor and that firm has failed and is unable to meet any redress that is due.

given set application periods between 1 October 2014 and 31 March 2016 in which to send their application for full authorisation.

21. There were delays in determining these authorisation applications due to a combination of the high volume of applications received and because during the first few years of P2P regulation there were several legislative concerns surrounding business models and how they aligned to the permission applied that needed to be resolved.

FSL

22. FSL was incorporated on 26 June 2012. It was founded as an internet-based P2P pawnbroker facilitating short-term loans secured on personal assets. The business later expanded to facilitate P2P short-term property bridging and development loans.

23. From 1 April 2014, FSL held interim permissions which enabled it to continue trading until its full application for FCA authorisation was determined.

24. On 22 May 2015 FSL applied for full FCA authorisation. Its Regulatory Business Plan said its business primarily focused on operating P2P pawnbroking and bridging loans for periods of up to six months.

25. On 31 March 2017, the FCA approved FSL's application for authorisation.

26. In October 2018, new directors took over FSL. They engaged external compliance consultants to conduct a review of the firm's operations, which commenced in November 2018. The review found that some loans had not been properly approved and FSL commenced litigation against the parties involved.

27. By October 2019, FSL's directors concluded they could no longer support the litigation costs and on 23 October 2019, FSL failed and CG&Co were appointed as administrators with the FCA's consent.

28. At the time FSL entered administration, the total value of the loan book was over £80.6 million held across 470 loans.

29. FSL issued a statement on its website on 17 April 2025 detailing the basis on which an interim distribution will be made on the majority of loans which are currently being held. Specifically that the distribution will be

92.5% of funds held on all loans which were made prior to April 2019 and of 60% of funds held for loans made after April 2019.

Findings

*Complaint allegation 1: There were failures by the FCA regarding the authorisation of FSL. **We uphold this allegation.***

30. While FSL's application for authorisation was being assessed:

- a. FSL's average loan size increased from c.£25,000 to nearly £85,000;
- b. FSL's loan book increased from c.£4 million in May 2015 to c.£77 million in November 2016;
- c. The amount of client money FSL held increased from c.£650,000 to c.£3 million by September 2016; and
- d. FSL appears to have begun offering P2P property development loans.

Client money increase

31. Robust management by firms of client money they hold is critical. The FCA Handbook sets out how firms must manage their client money.

32. In accordance with FCA Rules, when FSL held more than £1million in client money, it was required to have an individual at the firm, approved by the FCA, responsible for client money (called a CF10a). The FCA failed to identify that the value of FSL's client money required a CF10a to be in place when FSL was authorised at the end of March 2017.

33. The FCA identified this error in August 2017 and, in October 2017, FSL submitted an application for a CF10a. The FCA assessed the CF10a as fit and proper to perform the role and approval was granted in November 2017.

Change in business model

34. The firm's Regulatory Business Plan submitted at the time of application for full authorisation stated it was offering P2P short-term pawn-broking and bridging loans. It did not say that FSL was offering P2P property development loans.

35. There was considerable engagement between the FCA and FSL during the near two-year assessment of its application for authorisation. However, this mainly focused on the pawnbroking side of the business with some questions about bridging loans. In our view, the FCA did not make sufficient enquiries of FSL to thoroughly understand that its business model had changed during the period its application for authorisations was being assessed.
36. The FCA was aware of FSL's growth and should have done more to assess whether the firm's policies, processes and control framework were still appropriate.

Conclusions and remedy regarding complaint allegation 1.

37. As we say above, we accept the FCA should have done more when it was assessing FSL's application for authorisation. We have reviewed our findings against the relevant factors in the Complaints Scheme to assess the appropriate remedy.
38. We are sorry that the FCA did not do more during its assessment of FSL's application for authorisation.
39. However, we have concluded that the FCA's actions did not directly cause the losses incurred by investors in FSL. FSL's actions caused the losses. Therefore, we do not consider a payment for financial loss should be made.
40. We have also considered whether any ex-gratia payment should be made to you to recognise any distress and inconvenience caused as a result of the FCA's actions. We have concluded that, for the following reasons, an ex-gratia payment for distress and inconvenience is not appropriate:
- a. the error to ensure FSL had a CF10a appointed at the time it was authorised had a very limited impact. The issue was identified and rectified quickly; and
 - b. When the FCA later identified issues around the business model, in October 2018 (for example, the adequacy of the Regulatory Business Plan for development loans) FSL took action to address them (as outlined in paragraph 44 below).

*Complaint allegation 2: There were failures by the FCA regarding the supervision of FSL. **We do not uphold this allegation.***

41. Once FSL was authorised, there continued to be considerable engagement between the FCA and FSL. We have assessed that engagement and concluded that overall, the FCA's actions regarding FSL were reasonable and proportionate. Key findings in this regard are set out below.
42. As part of the FCA's requirements of firms managing client money, they must conduct an annual client money audit performed by external auditors. These aim to ensure the firm is appropriately safeguarding client money and complying with the relevant FCA rules. In July 2018, FSL's client money audit identified significant breaches of our client money rules and so the FCA sent information requests to the firm in advance of a visit to the firm in September 2018.
43. During that visit, the FCA identified a significant shortfall in client money.
44. Immediately following that visit (in October 2018), the FCA instructed FSL:
 - a. That offering development loans on a six-month term was not appropriate and to draw up a new Regulatory Business Plan;
 - b. To carry out a review of the loans it had previously entered in to;
 - c. To ensure FSL had an appropriate control framework in place to ensure all its processes were compliant with the FCA's handbook and rules; and
 - d. To provide daily client money reconciliations, on a weekly basis, until further notice.
45. Also in October 2018, new management took over at FSL and rectified the client money shortfall.
46. In November 2018, as a result of the FCA's concerns, FSL appointed an independent advisory firm to perform a review of its systems and controls covering financial crime, CASS and governance. On 24 December 2018, the advisory firm issued an interim report, which noted significant issues at FSL.
47. In January 2019, the director responsible for client money at the firm (the CF10a) left FSL.
48. By 7 January 2019, FSL had provided its plan to remediate the compliance issues the advisory firm had identified. We consider it was reasonable for

the FCA to continue engaging with FSL and its new directors to oversee the remedial action being taken to avoid crystallising harm.

49. By February 2019, FSL had completed a review of its loan book, finding several issues with the loans. FSL presented the FCA with a plan for the remedial action it intended to take. This included considering legal action against various parties, which it ultimately took.
50. The FCA continued to engage closely with FSL until the firm eventually took the decision to appoint administrators in October 2019.
51. We consider that overall the FCA's supervisory actions were therefore reasonable, particularly given the leadership of the firm had changed, the new directors had rectified client money shortfalls, had a clear plan and were taking steps to correct past issues.
52. For this reason, we do not uphold this complaint allegation.

The role of the Complaints Commissioner

The Complaints Commissioner is an independent person appointed by HM Treasury to whom you can request a review of my decision if you are dissatisfied with how we have dealt with your complaint.

You must contact the Complaints Commissioner within three months of the date of this letter. If you contact the Complaints Commissioner later than three months, the Commissioner will decide whether there is good reason to consider your complaint.

The contact details for referring your complaint to the Complaints Commissioner are:

The Office of the Complaints Commissioner
Alliance House
12 Caxton Street
London SW1H 0QS

Telephone: 020 4599 8333

Email: info@frccommissioner.org.uk

[Making a complaint | The Financial Regulators Complaints Commissioner \(frccommissioner.org.uk\)](https://www.frc.com.uk/our-work/complaints-commissioner)

When contacting the Commissioner please let them know your FCA complaints reference number.

Please note that accepting our offer of an ex-gratia payment for the delay with the handling of your complaint does not prevent you from referring this decision to the Commissioner.

Yours sincerely

A solid black rectangular box used to redact the signature of Alison Russell.

Alison Russell

Head of Department

Risk and Compliance Oversight Division

Annex 1: Additional queries

The Administration Process

The FCA does not regulate Insolvency Practitioners (IPs). However, the FCA has issued guidance to IPs on how to approach regulated firms⁶, which was last updated on 28 April 2025.⁷

The Administrators of FSL, CG&Co, were appointed via a court procedure. Although FCA consent was obtained for the appointment, the FCA did not make the appointment.

We are aware there have been some issues with the fees charged by the administrators, but it should be noted that the administrators applied to the court for agreement on an amount that could be deducted to cover costs incurred in recovering Trust assets for the benefit of investors. This was set at 5%. This payment helps cover the administrators' costs for acting on behalf of investors, the payment does not get passed on to the general estate, which is the funds that can be distributed to creditors (after deducting costs of administration). The FCA was not responsible for setting the fees charged by the administrators - this was determined by the court.

There are some cases where an incorrect fee has been deducted from recoveries as payment for amounts due to FSL. The administrators received legal advice on the contractual terms and identified this was incorrectly applied. As such, the FCA understands refunds have been processed.

Innovative Finance ISA (IFISA)

The IFISA was a new category of ISA introduced on 6 April 2016 for UK tax payers. It enables investors to lend funds via a P2P platform while earning tax-free interest from the loan repayments. FSL was registered as an ISA manager before it went into administration.

⁶ <https://www.fca.org.uk/publication/finalised-guidance/fg21-4.pdf>

⁷ [FG25/2: Guidance for insolvency practitioners on how to approach regulated firms | FCA](#)

However, the FCA does not approve or supervise firms as ISA Managers, this is done by HMRC. For more information, please see Innovative finance ISA investments for ISA managers - GOV.UK⁸ and ISA audits by HMRC - GOV.UK.⁹

⁸ [Innovative finance ISA investments for ISA managers - GOV.UK](#)

⁹ [ISA audits by HMRC - GOV.UK](#)