

Andrew Page has referred this Decision Notice to the Upper Tribunal where the parties will present their respective cases. Any findings in this Decision Notice are therefore provisional and reflect the Authority's belief as to what occurred and how it considers the behaviour of Andrew Page should be characterised. The Tribunal will determine what (if any) is the appropriate action for the FCA to take, and will remit the matter to the FCA with such directions as the Tribunal considers appropriate to give effect to its determination. The Tribunal's decision will be made public on its website. No allegation of wrongdoing is made against Hennessy Jones Limited, Mark Stephen, James King or City Administration Limited in this Decision Notice.



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DECISION NOTICE

To: **Andrew Mark Thomas Page**

Individual
Reference
Number:

AMP00039

and

To: **Financial Page Ltd (in liquidation)**

(as an interested party pursuant to section 63(3) of the Act)

Firm
Reference
Number:

623858

Address: **The Fort Offices
Artillery Business Park
Garrison Avenue
Park Hall
Oswestry
Shropshire
SY11 4AD**

Date: **6 December 2018**

1. ACTION

1.1. For the reasons given in this Notice, the Authority has decided to:

- (1) impose on Andrew Page a financial penalty of £321,033 pursuant to section 66 of the Act;
- (2) withdraw the approval given to Mr Page to perform the controlled functions of CF1 (Director), CF10 (Compliance Oversight), CF11 (Money Laundering Reporting Officer) and CF30 (Customer) pursuant to section 63 of the Act; and
- (3) make an order, pursuant to section 56 of the Act, prohibiting Mr Page from performing any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm.

2. SUMMARY OF REASONS

- 2.1 The Authority has determined that Mr Page acted dishonestly and recklessly between 9 April 2014 and 1 February 2016 and that between 3 July 2014 and 1 February 2016 (the "Relevant Period") Mr Page breached Statement of Principle 1 (Integrity) of the Authority's Statements of Principle for Approved Persons by acting dishonestly and recklessly when performing his controlled functions in relation to Financial Page Limited's ("FPL") pension advice business.
- 2.2 Pensions are a traditional and tax-efficient way of saving money for retirement. The value of someone's pension can have a significant impact on their quality of life during retirement and, in some circumstances, may affect whether they can afford to retire at all. Customers who engage authorised firms to provide them with advice in relation to their pensions place significant trust in those providing the advice. Where a firm fails to act with integrity and puts its interests above those of its customers, it exposes its customers to a significant risk of harm.
- 2.3 Further, where elements of a pension advice process are outsourced to a third party service provider, the authorised firm remains responsible for the advice given and all decisions and actions in relation to regulated activities provided in its name. It is therefore essential that, in such circumstances, the authorised firm maintains control of the advice process and provides effective oversight of the activities carried out by the service provider on its behalf.

2.4 Mr Page is an approved person at FPL, a small firm that, during the Relevant Period, was authorised by the Authority with permission to conduct regulated activities, including advising on investments (excluding Pension Transfers) and arranging (bringing about) deals in investments. Mr Page was the sole approved person at FPL during the Relevant Period, with approval to perform the controlled functions of CF1 (Director), CF10 (Compliance Oversight), CF11 (Money Laundering Reporting) and CF30 (Customer). FPL also had a de facto director, Thomas Ward.

2.5 During the Relevant Period Mr Page was responsible for FPL adopting and using the Pension Review and Advice Process. This process was based on a pension switching advice model, the development of which was initiated and influenced by a third party, HJL. The Pension Review and Advice Process:

- (1) involved HJL sourcing leads from lead generation companies and introducing customers to FPL;
- (2) involved HJL and CAL (a third party service provider which was closely connected to HJL) being provided with FPL's logo and letterhead and the electronic signature of Mr Page (the Firm's qualified financial advisor) so that they could perform functions (the Outsourced Functions) on FPL's behalf, including:
 - (a) contacting customers that had been introduced to FPL by HJL;
 - (b) conducting fact-finds with these customers;
 - (c) inputting the results of those fact-finds into the Software (an automated client management system designed to produce Suitability Reports);
 - (d) sending the Suitability Reports to the customers; and
 - (e) calling the customers to ask whether they wished to proceed in accordance with FPL's advice;
- (3) was structured to result in customers who met certain pre-set criteria approved by Mr Page being advised to switch their pensions to SIPP's investing in high risk, illiquid assets not regulated by the Authority (the Loan Notes and, from November 2014, the Bond). HJL had a material

financial interest in the Loan Notes, which was not disclosed to customers;
and

- (4) involved little meaningful oversight by FPL of HJL's activities as an introducer and of the Service Providers' performance of the Outsourced Functions.

2.6 Mr Page was aware of what the Pension Review and Advice Process involved and how it was structured. Nevertheless, he caused FPL to hold itself out to customers as providing bespoke, independent investment advice based on a comprehensive and fair analysis of the whole market. Mr Page knew this was misleading to customers as it did not reflect the reality of the service that FPL would provide using the Pension Review and Advice Process. In causing FPL to hold itself out in this way, Mr Page acted dishonestly. The Authority considers this to be particularly serious because customers were not made aware of the true nature of the service being provided, including the fact that HJL's involvement in the process and financial interest in the Loan Notes created a conflict of interest. Customers were therefore denied the opportunity to make an informed decision on whether to use the Firm's services and on whether to invest in the products recommended to them by the Firm.

2.7 Mr Page's actions during the Relevant Period in relation to FPL's adoption and use of the Pension Review and Advice Process, summarised in paragraphs 2.8 to 2.18 below, were reckless. The Pension Review and Advice Process put FPL's customers at serious risk of receiving unsuitable advice and therefore at serious risk of investing in products that were not suitable for them, but Mr Page closed his mind to these risks and unreasonably exposed FPL's customers to them by deciding that FPL should adopt and use the Pension Review and Advice Process.

2.8 Mr Page allowed FPL to recommend the Loan Notes and the Bond to customers in circumstances where he had failed to carry out adequate due diligence on them to ensure that he had a proper understanding of them, including their risks and benefits. In particular:

- (a) Mr Page relied mainly on documents provided to him by HJL, despite knowing that HJL had a material financial interest in the Loan Notes, and did not take any actions to address the risk that the information provided by HJL could be misleading or incomplete;

- (b) Key parts of Mr Page's due diligence were not completed until after advice had already been given to customers to switch their Pensions to SIPPs investing in the Loan Notes;
- (c) Mr Page did not perform adequate due diligence on the insurance policies that were intended to provide a capital guarantee for the Loan Notes. As a result, he did not understand how the insurance policies would operate in practice, the extent of the protection that they would provide or that the insurer was controlled by the issuer of the Loan Notes; and
- (d) Mr Page only reviewed a summary of the features of the Bond, which did not include a full description of the risks and incorrectly concluded that the Bond was equivalent to cash.

2.9 In any event, it should have been obvious to Mr Page from the limited information that he considered that the Loan Notes and the Bond were high risk investments that were unlikely to be suitable for FPL's customers, except in very limited circumstances. However, Mr Page failed to give due consideration to the risk that the Underlying Investments were unsuitable.

2.10 Mr Page knew of HJL's involvement in the Pension Review and Advice Process, that the process was structured to result in customers switching their pensions to SIPPs investing in the Loan Notes (and later the Bond), and that HJL had a material financial interest in the Loan Notes. Further, Mr Page knew that two of the directors of HJL during the Relevant Period (Mark Stephen and James King) were directors of the company issuing the Bond, and that Mr Stephen was also a director of the company issuing the Loan Notes. However, Mr Page took no steps to manage these conflicts of interest or to ensure that the common directorships and how HJL was remunerated were disclosed to customers.

2.11 Mr Page was an experienced and qualified financial adviser. It therefore should have been obvious to him that he needed to give due consideration to the documents to be used in the Pension Review and Advice Process, and to how the process would operate in practice, before FPL started to use the process. However, Mr Page failed to do so and therefore allowed FPL to adopt and use the Pension Review and Advice Process having failed to identify significant, obvious deficiencies in the process, including that: the fact-find contained leading questions intended to steer customers towards the features of the products that would be recommended; the Suitability Reports did not include sufficient

information to provide customers with a compliant personal recommendation; and information provided to customers about the Loan Notes, and later also the Bond, did not adequately inform them of their costs, benefits and risks.

- 2.12 In any event, it should have been obvious to Mr Page from the information available to him that the Pension Review and Advice Process did not comply with the Authority's rules. Mr Page was aware that FPL would have no meaningful involvement in the advice to be given and that the documents to be used in the process would mislead customers about the service that would be provided. However, Mr Page failed to give any meaningful consideration to whether or not the Pension Review and Advice Process was compliant.
- 2.13 Mr Page failed to take reasonable steps to ensure that FPL maintained control of the Pension Review and Advice Process and allowed important parts of the process, such as the conduct of fact-finds, to be performed in a way that failed to obtain and/or take into account relevant information about FPL's customers. Further, he failed to take reasonable steps to ensure that FPL reviewed in a meaningful way advice given through the Pension Review and Advice Process, for which it was responsible, whether before recommendations were sent to customers or at all.
- 2.14 Mr Page failed to take reasonable steps to ensure that FPL put in place appropriate systems and controls and compliance arrangements to oversee and monitor the Pension Review and Advice Process.
- 2.15 Mr Page allowed FPL to work with the Service Providers in circumstances where he had failed to carry out adequate due diligence on them and had failed to give any proper consideration to whether they were suitable to perform services on FPL's behalf. He conducted some due diligence on HJL, but only completed key parts of it after FPL had commenced business with HJL, and did not conduct any due diligence on CAL.
- 2.16 Mr Page failed to take any steps to establish that the lead generators used by HJL generated their customer introductions in an appropriate manner and did not use cold calling. The Authority has evidence suggesting that one of the firms used by HJL generated introductions through cold calling. This was brought to Mr Page's attention by the Authority in September 2014, but he took no steps to amend the lead generation process and did not conduct any further due diligence on HJL.

- 2.17 FPL engaged an external compliance consultant to provide compliance support. Mr Page suspected that the Pension Review and Advice Process might not be compliant, but withheld his suspicions and even the fact that FPL was using the process from the compliance consultant. Even after concerns were raised with him by the compliance consultant following a review of four customer files (including concerns about the inadequate and leading fact-find questions and the role of the Service Providers), Mr Page disregarded those concerns and continued to allow FPL to use the Pension Review and Advice Process.
- 2.18 Mr Page failed to have regard to customers' interests when advising customers to switch the cash in their SIPP into the Bond and also when reinvesting customers' interest payments in the Loan Notes:
- (1) FPL's customers' pensions were initially invested in a SIPP with a portfolio made up of the Loan Notes and cash. From November 2014 Mr Page, on behalf of FPL, contacted customers to advise them to switch the cash element of their portfolio into the Bond. Although Mr Page sought to contact all customers by telephone and in writing, he failed to assess whether the switch was suitable for each customer and, when speaking with customers on the telephone, failed to explain the risks of the Bond.
 - (2) Mr Page subsequently sent those customers that he had not been able to contact by telephone an 'opt out' letter, which appears to have recommended that they switch the cash in their SIPP into the Bond and informed them that they could contact him if they required further advice. Customers were informed that if they did not respond, FPL would complete the switch for them, but were not given a deadline to respond to the letter. From April 2015, Mr Page started instructing the SIPP Provider to switch customers' cash to the Bond.
 - (3) Mr Page adopted a similar process when FPL decided in January 2015 to reinvest all interest payments from the Loan Notes received by customers back into the Loan Notes. Mr Page appears to have used the same 'opt out' letter to inform customers that their interest was going to be reinvested. Whilst customers were informed generally that they could contact FPL if they required further advice, they were not told that they had a choice whether to reinvest the interest payments or that they would need to inform FPL if they did not want their interest payments to be reinvested.

The 'opt out' letter was used even though not all customers had ongoing servicing arrangements with FPL.

- 2.19 Mr Page's reckless actions in relation to FPL's adoption and use of the Pension Review and Advice Process, in particular the fact that he allowed the Service Providers to perform the Outsourced Functions on FPL's behalf without adequate supervision, failed to review in a meaningful way advice given through the Pension Review and Advice Process, and failed to ensure FPL put in place and operated appropriate systems and controls in relation to the process, exposed FPL to the risk of breaching section 20 of the Act by carrying on a regulated activity without the relevant permission, as in fact happened. The Pension Review and Advice Process failed to distinguish properly between Pension Transfers (which include the transfer of deferred benefits from an occupational pension scheme into a SIPP) and Pension Switches (which involve the movement of funds from one personal pension scheme to another where no safeguarded benefits are involved). As a result, despite FPL not having the necessary permission to provide advice on Pension Transfers, in at least 22 cases advice about Pension Transfers was given to customers by FPL in breach of section 20 of the Act.
- 2.20 In addition to the clear deficiencies in the Pension Review and Advice Process, the Authority has identified that unsuitable advice was provided to FPL's customers in all 20 FPL customer files it has reviewed. Further, each of the 20 customer files failed to comply with applicable Handbook rules. As the same advice process was used for all customers who were advised to invest in the Loan Notes and/or the Bond (the "Underlying Investments"), the Authority considers it is likely that the advice provided to most, if not all, of FPL's advised customers was unsuitable.
- 2.21 During the Relevant Period, 985 FPL customers invested over £33 million in SIPPs investing in high risk, illiquid assets that were unlikely to be suitable for them, thereby exposing them to a significant risk of loss. 860 FPL customers switched or transferred their pension funds through the Pension Review and Advice Process and 675 customers were advised by Mr Page on behalf of FPL to switch the cash element in their pension into the Bond, which included 125 customers novated to FPL from another financial services firm.
- 2.22 Mr Page decided that FPL should adopt the Pension Review and Advice Process for financial gain from the fees it generated and in order to increase the number of customers that the Firm could advise about other products, such as life assurance

or other investments, and thereby generate further fees. In doing so, Mr Page put his and FPL's own interests before those of FPL's customers.

- 2.23 Mr Page also acted dishonestly or recklessly in several other ways connected to the Pension Review and Advice Process between 9 April 2014 and 1 February 2016, as described in paragraphs 2.24 to 2.28 below.
- 2.24 Mr Page acted dishonestly by providing false and misleading information in FPL's application for authorisation which was received by the Authority on 9 April 2014, and by failing, after FPL was authorised, to correct the misleading impression that had been created by FPL's application for authorisation.
- 2.25 Mr Page deliberately either omitted to provide information or, where it was provided, gave false and/or misleading information to the Authority about FPL's business arrangements, on more than one occasion. Mr Page did so to try to prevent the Authority from identifying misconduct by him and by the Firm, and thereby acted dishonestly.
- 2.26 Mr Page dishonestly provided false information to the SIPP Provider when he informed the SIPP Provider that the Authority had instructed him to disinvest his pension from the Loan Notes. This was not true and Mr Page has admitted he lied to the SIPP Provider in order to disinvest his pension funds more quickly.
- 2.27 Mr Page recklessly entered into an agreement with Mr Ward which granted Mr Ward custodianship of FPL customers in the event of FPL ceasing trading. The Authority considers that the agreement was not in the best interests of customers but was made in order to protect Mr Page and Mr Ward's financial interests in FPL following administrators being appointed.
- 2.28 Mr Page recklessly dealt with FPL's assets in breach of the Asset Retention Requirement which, on FPL's application, had been imposed on FPL by the Authority on 10 July 2015 (see paragraph 2.30(2) below).
- 2.29 The Authority considers Mr Page's failings to be serious because:
- (a) they related to a large number of customers (including some who were vulnerable due to their age, their inability to replace capital, their medical conditions or other personal circumstances);

- (b) it should have been obvious to Mr Page that the involvement in the Pension Review and Advice Process of HJL, which had a material financial interest in the Loan Notes, created a conflict of interest, yet he took no steps to manage the conflict or to ensure that HJL's financial interest was disclosed to customers;
- (c) as an experienced and qualified financial adviser, it should have been obvious to Mr Page that the Loan Notes and the Bond were unlikely to be suitable for retail customers, except in very limited circumstances; and
- (d) on 7 August 2014 and 3 September 2014, the Authority wrote to Mr Page and drew his attention to alerts released by the Authority relating to firms advising on Pension Switches or Pension Transfers into unregulated products through SIPPs, the risks of non-mainstream products being unsuitable and the need to protect customers. Despite this Mr Page did not take steps to protect FPL's customers.

2.30 FPL's provision of pension advice was subject to examination by the Authority in June 2015. The Authority had serious concerns with respect to the adequacy of FPL's pension advice and, at the request of the Authority, FPL applied for requirements to be imposed on it. The requirements were imposed on 10 July 2015, and included that FPL was not permitted to:

- (1) conduct Pension Switches and/or Pension Transfers to any SIPP scheme, until independent verification was provided to the Authority confirming that a robust and compliant advice process was in place. (That verification was subsequently provided on 26 October 2015 and this requirement was amended); and
- (2) in any way dispose of, deal with, or diminish the value of any of its assets without the prior consent of the Authority (the Asset Retention Requirement).

2.31 On 16 July 2017 FPL entered liquidation. The FSCS declared FPL in default on 22 March 2017 and is investigating claims made by FPL's customers. As at 17 May 2018, the FSCS had paid over £1.7 million in compensation to FPL customers as a result of loss suffered upon transferring or switching their pensions to the Underlying Investments.

- 2.32 The Authority considers that Mr Page's dishonest and reckless conduct between 9 April 2014 and 1 February 2016, including his breach of Statement of Principle 1 during the Relevant Period, demonstrates that he lacks integrity and is not a fit and proper person. Accordingly, the Authority considers it is appropriate to withdraw his approval to perform controlled functions and to impose a prohibition order on him, as described at paragraphs 1.1(2) and (3) of this Notice.
- 2.33 Further, the Authority considers it appropriate to impose a financial penalty on Mr Page for his breach of Statement of Principle 1. For limitation reasons, the Authority has decided to impose a financial penalty only in respect of Mr Page's breach of Statement of Principle 1 between 25 July 2014 and 1 February 2016 (the "Penalty Period"). Accordingly, the Authority has decided to impose a financial penalty of £321,033 on Mr Page in respect of his breach of Statement of Principle 1 during the Penalty Period. This is explained further at paragraph 6.1 and at paragraphs 4 to 8 of Annex B.

3. DEFINITIONS

- 3.1 The definitions below are used in this Notice.

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

the "Asset Retention Requirement" means the requirement imposed on the Firm on 10 July 2015, not to in any way dispose of, deal with, or diminish the value of any of its assets without the prior consent of the Authority

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

the "Bond" means the 10-year bond issued by an unquoted UK company incorporated in November 2014 into which FPL's customers' pensions were invested

"CAL" means City Administration Limited, the third party service provider that performed the Outsourced Functions on behalf of FPL between October 2014 and July 2015

"COBS" means the Conduct of Business Sourcebook, part of the Handbook

"DEPP" means the Authority's Decision Procedure and Penalties Manual

“EG” means the Authority’s Enforcement Guide

“FOS” means the Financial Ombudsman Service

“FPL” or “the Firm” means Financial Page Ltd

“FSCS” means the Financial Services Compensation Scheme

“GABRIEL” means the Authority’s online system for collecting and storing regulatory data from firms

the “Handbook” means the Authority’s Handbook of rules and guidance

“HJL” means Hennessy Jones Limited, now known as Reditum Capital Limited. Mr Page signed a contract with HJL on 6 December 2013 for HJL to become an IAR of FPL, and HJL was registered with the Authority as such between 11 September 2014 and 2 July 2015. HJL introduced customers to FPL between July 2014 and July 2015. HJL also performed the Outsourced Functions on behalf of FPL between July 2014 and October 2014

“IAR” means Introducer Appointed Representative

“Loan Notes” means the assets, which consisted of 10-year loans to funds incorporated in Mauritius and managed by a Mauritian company, into which FPL’s customers’ pensions were invested

“Mr Page” means Andrew Mark Thomas Page

“Outsourced Functions” means the functions outsourced by FPL to the Service Providers under the Pension Review and Advice Process, including the functions described in paragraph 2.5(2) of this Notice (but not including the functions carried out by HJL in its role as introducer)

“Penalty Period” means 25 July 2014 to 1 February 2016 inclusive

“Pension Review and Advice Process” means the process described in paragraph 2.5 of this Notice that FPL used between July 2014 and 10 July 2015

“Pension Summary Report” means the report given to FPL’s customers indicating whether and by how much the customer could potentially benefit from a Pension Switch

“Pension Switch” means the movement of funds from one personal pension scheme to another where no safeguarded benefits are involved

“Pension Transfer” has the meaning given in the Handbook and includes the movement of funds from an occupational pension scheme to a personal pension scheme (in this case a SIPP)

“Person A” means the individual who had an influential role at HJL, referred to in paragraph 4.41 of this Notice

“Person B” means an individual with whom FPL signed a loan agreement on 21 August 2015

“Relevant Period” means 3 July 2014 to 1 February 2016 inclusive

“Service Providers” means collectively HJL and CAL

“SIPP” means self-invested personal pension

“SIPP Provider” means the firm providing the SIPP account

“Software” means the automated client management system that was used by the Service Providers during the Pension Review and Advice Process to manage customer information and generate Suitability Reports for customers

“Suitability Report” means the report which a firm must provide to its client under COBS 9.4 which, among other things, must explain why the firm has concluded that a recommended transaction is suitable for the client

“SYSC” means the Senior Management Arrangements, Systems and Controls Sourcebook, part of the Handbook

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber)

“Underlying Investments” means the Loan Notes and/or the Bond

“the Warning Notice” means the warning notice given to Mr Page dated 12 March 2018

4. FACTS AND MATTERS

Background

- 4.1 FPL is a small firm based in Oswestry, Shropshire. It was incorporated on 21 September 2011 and was initially registered with the Authority as an Appointed Representative in a network. FPL applied to the Authority for authorisation on 9 April 2014 and was authorised on 3 July 2014 with permission to conduct regulated activities, including advising on investments (excluding Pension Transfers) and arranging (bringing about) deals in investments.
- 4.2 During the Relevant Period Mr Page was the only approved person at FPL. He was an experienced and qualified financial adviser and was approved, from 3 July 2014, to perform the controlled functions of CF1 (Director), CF10 (Compliance Oversight), CF11 (Money Laundering Reporting) and CF30 (Customer).
- 4.3 Whilst Mr Page was the only approved director at FPL, the Authority considers that FPL also had a de facto director, Thomas Ward. A de facto director is an individual who acts as a director without having been appointed to that position validly, or at all.
- 4.4 FPL also had an Investment Committee which met three times during the Relevant Period. There were three members of the Investment Committee: Mr Page, Mr Ward and another individual.
- 4.5 From July 2014 until 10 July 2015, Mr Page allowed FPL to use the Pension Review and Advice Process, which involved:
- (1) HJL sourcing leads from lead generation companies and introducing customers to the Firm;
 - (2) the Outsourced Functions being performed on behalf of FPL, initially by HJL, and then, from October 2014, by CAL, which was closely connected to HJL; and#
 - (3) little meaningful oversight by FPL of HJL's activities as an introducer and of the Service Providers' performance of the Outsourced Functions.
- 4.6 The Pension Review and Advice Process was structured to result in customers who met certain pre-set criteria approved by Mr Page being advised to switch their pensions to SIPPs investing in high risk, illiquid assets not regulated by the Authority (the Loan Notes and, from November 2014, the Bond). Mr Page was aware that HJL had a material financial interest in the Loan Notes, and that it was not disclosed to customers.

The business proposition

- 4.7 Mr Ward introduced Mr Page to HJL in December 2013. On 6 December 2013, Mr Page, on behalf of FPL, signed a contract with HJL under which it was agreed that HJL would act as an IAR of FPL and introduce customers to FPL for Pension Switches. At that time it was proposed that Pension Switches would be conducted on an execution-only basis. The intention was that HJL would provide a pre-packaged customer file to FPL, which FPL would then put its name to as the authorised person. However, an execution-only process was not subsequently implemented.
- 4.8 On 8 March 2014, Mr Ward informed Mr Page in an email that HJL had moved to a pension switching advice model. Mr Ward explained that, were FPL to apply this model, he would provide packaged customer files with all supporting documentation and that it would *'simply be a case of [Mr Page] putting [FPL's] name to it'*. The customer files and supporting documentation were to be provided to Mr Ward by HJL.
- 4.9 Mr Page was told by Mr Ward that FPL could expect over 150 cases per month which could generate *'ridiculous'* amounts of income for FPL each month. Mr Page responded that this had *'just made my day'*.
- 4.10 Mr Page (together with Mr Ward) decided that FPL should adopt this pension switching advice model and that, in order to do so, FPL needed to be directly authorised by the Authority. He therefore signed FPL's application for authorisation on 25 March 2014 and it was received by the Authority on 9 April 2014. FPL began to use the Pension Review and Advice Process once its application was approved by the Authority, in July 2014.

The Underlying Investments

- 4.11 The Pension Review and Advice Process resulted in customers' pensions being switched or transferred to SIPPs with a portfolio of underlying assets which consisted of (i) 10-year loans to funds incorporated in Mauritius and managed by a Mauritian company (the Loan Notes), and (ii) from November 2014, a 10-year bond issued by an unquoted UK company incorporated in November 2014 (the Bond).
- 4.12 Customers' SIPPs were invested in three portfolios which were misleadingly described as being *'cautious'*, *'moderate'* and *'adventurous'*, and which were made

up of differing proportions of Loan Notes, the Bond and, in some cases, a small percentage of cash. The portfolios were meant to align to a customer's attitude to risk, but in practice there was little difference between the risks and returns of the 'cautious' portfolio when compared to the 'adventurous' portfolio. As such, the terms used to describe the three portfolios failed to reflect the reality that customers would be exposed to high levels of risk whichever portfolio their SIPP was invested in.

4.13 Customers were told that the portfolios offered fixed returns and a capital guarantee. In fact, the Underlying Investments within the portfolios are high risk, illiquid and unlikely to be suitable for retail investors except in very limited circumstances due to:

- (1) the investment strategies of the companies issuing the Loan Notes and the Bond, which include investing in distressed residential and commercial property and other speculative investments, including unlisted equities; and
- (2) the limited regulatory oversight of the issuing companies, which are not subject to the Authority's rules governing, for instance, investment and borrowing powers, disclosure of fees and charges, management of conflicts of interest, a prudent spread of risk and other investor safeguards.

The Loan Notes

4.14 For the Loan Notes a "capital guarantee" was meant to be provided by way of insurance, but this insurance was not (and, as far as the Authority is aware, is still not) in place for all of the funds. None of the insurance policies have been provided to the Authority and it has therefore not been possible to confirm the extent of cover provided by the policies which have been put in place or even whether the insurance is valid. Where insurance is in place it may be of limited value to customers in that it is not directly for the benefit of the customers investing in the Loan Notes. Further, the insurance company is based in Saint Kitts and Nevis and is subject to significantly less stringent regulatory requirements than insurance companies within, for example, the UK. Customers were not told about any of the above important risk factors.

4.15 Although customers may request the repayment of their funds, this is subject to a minimum 12 months' notice period and the board of directors of each fund has

the discretion to refuse to repay the funds in certain circumstances. Further, the Loan Notes are not regulated by the Authority and are not covered by FOS or FSCS protection, and in the event of insolvency customers will be unsecured creditors, a fact that customers were not told about either before or after they agreed to switch or transfer their pensions.

The Bond

- 4.16 For the Bond, capital protection was meant to be provided by way of floating charges on the assets of the issuing company and by a cash amount, to be held in a separate segregated account and invested in cash instruments.
- 4.17 The Bond is listed on an overseas exchange and the value of the Bond is dependent on whether there is a market for it. As such, customers may realise less than their original investments if they sell them prior to the redemption date. Repayment of the principal sum and interest is also dependent upon the company generating sufficient income and returns. Further, the Bond is not regulated by the Authority and is not covered by FOS or FSCS protection.

Failures in the Firm's due diligence on the Underlying Investments

- 4.18 A firm is required to take reasonable steps to ensure that the investments that are recommended to its customers are suitable for those customers (COBS 9.2.1R). In order to determine whether an investment is suitable for a customer, a firm needs to undertake due diligence on the investment to understand how it works. This is the process a firm carries out to assess, among other things, the nature of the investment and its risks and benefits.
- 4.19 Mr Page was responsible for carrying out the Firm's due diligence on the Loan Notes and the Bond to ensure that they were suitable for FPL's customers. Although Mr Page was aware of the need to undertake adequate due diligence, the due diligence that he carried out was inadequate. In particular:
- (1) Mr Page relied mainly on documents provided to him by HJL. Despite the fact that HJL had a material financial interest in the Loan Notes, which was obvious from the information provided to FPL, Mr Page did not take any actions to address the risk that the information provided by HJL could be misleading or incomplete;

- (2) key parts of Mr Page's due diligence were not completed until after advice had already been given to customers to invest in the Loan Notes;
- (3) Mr Page told the Authority in interview that insurance limited the risk of the Loan Notes. However, Mr Page did not perform adequate due diligence on the insurance policies. As a result, Mr Page did not understand how the insurance policies would operate in practice and was unaware that the policies did not cover all the funds. Mr Page also appeared to be unaware until August 2015 that the insurer was controlled by the issuer of the Loan Notes; and
- (4) Mr Page only reviewed a summary of the features of the Bond, which did not include a full description of the risks. Mr Page considered that the Bond was equivalent to cash despite it being obvious, even from the limited information he was provided with, that the Bond was higher risk and less liquid than cash assets.

4.20 Even on the limited information considered by Mr Page it should have been obvious to him, as a qualified and experienced financial adviser, that the Underlying Investments were high risk investments which were unlikely to be suitable for FPL's customers except in very limited circumstances (for example, in some circumstances they may be suitable for high net worth investors or sophisticated investors looking for some exposure to less traditional investments). However, Mr Page failed to give due consideration to the risk that the Underlying Investments were unsuitable.

The Pension Review and Advice Process

4.21 The development of the pension switching advice model, upon which the Pension Review and Advice Process was based, was initiated and influenced by HJL. HJL had been seeking an efficient process, to be adopted by an authorised financial adviser, for advising customers who met certain criteria to switch their pensions to SIPP's investing in the Loan Notes. FPL was not the first authorised financial adviser to adopt a process based on the pension switching advice model; another authorised financial adviser had done so earlier in 2014. FPL was responsible for the advice given to customers through the Pension Review and Advice Process. However, HJL sourced leads from lead generation companies and introduced customers to FPL, and significant parts of the process (the Outsourced Functions) were outsourced to the Service Providers.

- 4.22 Under the Pension Review and Advice Process, leads were sourced by HJL from a number of lead generation companies. Customers were invited to request a free pension review. If a customer made such a request, they would be contacted by a Service Provider, which would obtain information about the customer's existing pension arrangements. The Service Provider would input the information into the Software, which would generate a Pension Summary Report. The Pension Summary Report would give the customer an indication of whether they might save costs if they changed their pension arrangements. The Service Provider would attend a face-to-face meeting with the customer to present the Pension Summary Report and promote FPL's advice service.
- 4.23 If the customer signed a service proposition confirming that they wished to receive advice from FPL, the Service Provider would collect relevant documents from the customer and conduct a scripted fact-finding exercise. The Service Provider would input the results of the fact-find into the Software, which would determine, based on pre-set criteria approved by Mr Page, whether the customer should be advised to invest in the Loan Notes (and, from November 2014, the Bond as well) and produce a Suitability Report containing a personal recommendation. The Service Provider would send the Suitability Report to the customer and call the customer to ask them whether they wished to proceed in accordance with the advice they had received. Customers were not always told that they were being contacted by a third party, so some customers may have been under the impression that they were dealing with staff from FPL itself.
- 4.24 Mr Page allowed the Service Providers to perform the Outsourced Functions with little or no oversight. Although the Suitability Reports were issued in FPL's name, Mr Page had no involvement in the assessment of suitability for individual customers or in the production of the Suitability Reports. Mr Page's electronic signature and the Firm's letterhead and logo were simply added to documents provided by the Service Providers to customers, including the Suitability Report. As such, Mr Page did not control the advice given in his name.
- 4.25 During the Relevant Period, FPL advised 860 customers to switch or transfer their pensions to a SIPP investing in the Underlying Investments through the Pension Review and Advice Process. This amounted to approximately £31 million of customer funds.
- 4.26 FPL received an advice fee of 3% of a customer's pension assets when a Pension Switch or Pension Transfer to the SIPP was completed. For any customer who

opted to have ongoing servicing, FPL would also receive an annual fee of 0.4% to 0.5% of the customer's pension assets paid by the SIPP Provider from the customer's pension assets. Between September 2014 and January 2016, FPL received £1,154,692 in advice or ongoing servicing fees. FPL paid over £52,000 of its fees to HJL and over £679,000 to CAL for their roles in the Pension Review and Advice Process. Mr Page's relevant income for this period was £139,765.

Conflicts of interest

- 4.27 A firm must take reasonable steps to identify whether a conflict of interest exists between itself and its appointed representatives (and certain other people connected with the firm) on the one hand and clients of the firm on the other (SYSC 10.1.3R). When considering if a conflict of interest exists firms should take into account whether, among other things, the firm or its appointed representative has an interest in the outcome of a service provided to a client or a transaction carried out on behalf of the client which is distinct from the client's interest in that outcome (SYSC 10.1.4R(2) and SYSC 10.1.4AG). This is to ensure that the firm is aware of any undue influence which could impede it from acting in the interests of its customers. Where a conflict of interest is identified a firm must manage the conflict appropriately (SYSC 10.1.7R). Where a firm cannot ensure that the interests of a client will not be damaged as a result of a conflict, the firm must disclose the nature or sources of the conflict and the steps taken to mitigate it (SYSC 10.1.8R).
- 4.28 HJL's involvement in the Pension Review and Advice Process created an obvious conflict of interest because the process was structured to result in customers switching their pensions to SIPPs investing in the Loan Notes, in which HJL had a material financial interest.
- 4.29 Mr Page knew that HJL's motive for introducing customers to FPL was that it wanted customers to invest in the Loan Notes (and later also the Bond), and knew that HJL received 5% of the sums invested in the Loan Notes. Further, Mr Page knew that two of the directors of HJL during the Relevant Period (Mark Stephen and James King) were also directors of the company issuing the Bond, and that Mr Stephen was also a director of the company issuing the Loan Notes. However, Mr Page took no steps to manage these conflicts of interest and FPL's customers were not made aware of how HJL was remunerated or of Mr Stephen's and Mr King's common directorships.

Failures relating to the Firm's adoption and use of the Pension Review and Advice Process

- 4.30 Before FPL was authorised by the Authority, Mr Page reviewed and approved templates of various documents used in the Pension Review and Advice Process, including fact-find scripts and template Suitability Reports, and approved the pre-set criteria which would be the basis for the Software's determination of whether a customer should be advised to invest in the Underlying Investments.
- 4.31 Mr Page allowed FPL to adopt and use the Pension Review and Advice Process despite knowing that customers would be given misleading information about the service they would receive. For example, the template documents that Mr Page reviewed and approved included the service proposition which customers had to sign to confirm that they wished to receive advice from FPL and that they agreed with the terms of the service offered. The service proposition stated, *"...we offer an Independent advice service. We will recommend investments based on a comprehensive and fair analysis of the market. We will place no restrictions on the Investment Markets we will consider before providing investment recommendations, unless you instruct us otherwise. We will however only make a recommendation when we know it is suitable for you...We operate independently and therefore provide investment services from the whole market"*. Mr Page knew these statements were untrue. He knew that advice would be given through an automated process without any meaningful assessment of individual customers' needs, that the only products that were intended to be recommended to customers through the Pension Review and Advice Process were the Underlying Investments and that the Outsourced Functions would be performed on FPL's behalf by HJL, which had a material financial interest in the Loan Notes, or by CAL, which was closely connected to HJL.
- 4.32 There were other significant obvious deficiencies in the Pension Review and Advice Process which Mr Page, as an experienced and qualified financial adviser, should have identified had he given due consideration to the documents to be used in the Pension Review and Advice Process, and to how the process would operate in practice, including:
- (1) The fact-find script contained leading questions which were intended to steer the customer towards the features of the Underlying Investments that would be recommended.

For example, customers were read a statement which included the following: *'Pension money can be held in a range of different investments offering different features. Some will experience highs and lows while others may perform in a much less volatile manner.'* They were then asked if they would prefer their pension fund to *'Grow at a fixed and known rate each year?'* or to *'Go up and down in value depending on the underlying investments' performance?'*

Customers were also asked *'If it could be guaranteed that the value of your pension fund at the end of an agreed term could not fall below the amount invested – would you want to incorporate this feature?'* and given the option of answering 'yes' or 'no'.

These questions were likely to lead customers to say they would prefer fixed returns and a capital guarantee. Where customers stated either or both of these preferences, they were advised to invest in the Loan Notes, and later also the Bond. The customers' stated preferences for fixed returns and/or a capital guarantee were used to justify recommending the Loan Notes, and later also the Bond, which customers were told offered fixed returns and *'an element of capital protection'*. Customers were not asked any other questions about their investment objectives.

- (2) The fact-find also only allowed for certain specified information to be gathered from the customer, which was insufficient to establish the suitability of recommendations. The fact-find was conducted by staff of the relevant Service Provider, working from a script, who were not permitted to depart from the script and probe for further information. Even when a customer did disclose additional relevant information, it was not taken into account as a result of the way in which the Suitability Reports were prepared. Further, a suitably qualified financial adviser should oversee the fact-find process. However, Mr Page did not supervise the conduct of fact-finds, and did not have any meaningful involvement in the individual assessment of customers' circumstances.
- (3) Customers were not given a compliant personal recommendation as the Suitability Report did not explain why the Underlying Investments were suitable for a customer's demands and needs. The Suitability Report also did not include an analysis of the advantages and disadvantages of the recommended products compared to the customer's existing pension.

- (4) The information provided to customers about the Underlying Investments did not fully inform customers of their costs, benefits and risks. In particular:
- (a) important information about the risks of the Underlying Investments was either not disclosed to the customer or, where it was disclosed, was contradictory or unclear;
 - (b) the three portfolios that customers invested in were described as 'cautious', 'moderate', and 'adventurous'. However, these terms failed to reflect the reality that customers would be exposed to high levels of risk whichever portfolio their SIPP was invested in;
 - (c) customers were told that the Loan Notes provided a fixed return and a capital guarantee. However, it was never explained or disclosed to customers that there was a risk that they would not get all their capital investment back. If the issuer of the Loan Notes performed poorly, it might not be able to make interest payments to customers and/or repay capital. Further, any request for early repayment of capital was at the discretion of the issuer. It was particularly important that customers were made aware of these risks given the issuer had no track record and the underlying assets were illiquid and high risk;
 - (d) customers were told that the Bond provided a fixed return and capital protection, and could be converted into cash in a very short time. However, it was never explained or disclosed to customers that there was a risk that they would not get all their capital investment back. If the issuer of the Bond performed poorly, it might not be able to make interest payments to customers and/or repay capital. It was particularly important that customers were made aware of these risks given the issuer had no track record and the underlying assets were illiquid and high risk; and
 - (e) whilst the advice provided would be covered by the FOS and the FSCS, customers were not told that if the Loan Notes or the Bond failed, they would be unable to make a complaint or claim to the FOS and/or the FSCS, as the issuers and the Underlying Investments were not regulated by the Authority.

(5) The conflicts of interest continued for the duration of the Relevant Period, throughout which HJL maintained a material financial interest in the Loan Notes and Mr Stephen remained a common director of HJL and of the issuer of the Loan Notes, and for most of which Mr Stephen and Mr King were also directors of the company issuing the Bond. However, Mr Page took no steps to manage these conflicts of interest, and customers were not made aware of how HJL was remunerated or of the common directorships.

4.33 Mr Page told the Authority that he believed that the Pension Review and Advice Process was compliant as he had been told that HJL had received legal advice. In fact, the legal advice that Mr Page was referring to did not relate to the compliance of the Pension Review and Advice Process with the Authority's rules and Mr Page did not check whether HJL had received other advice. Mr Page's statement is also not consistent with his deliberate actions to mislead and disregard FPL's compliance consultant (see paragraphs 4.45 to 4.51 below) and his deliberate actions to provide false and misleading information to the Authority (see paragraphs 4.70 to 4.84 below).

4.34 The Authority considers that the Pension Review and Advice Process was wholly and, to an experienced and qualified financial adviser, obviously inadequate and exposed customers to a significant risk of loss from investments that were unlikely to be suitable for them. It should have been obvious to Mr Page from the information available to him, that the Pension Review and Advice Process was not compliant with the Authority's rules. However, as a result of his inadequate consideration of the documents to be used in the Pension Review and Advice Process, and of how the process would operate in practice (as well as his inadequate due diligence on the Underlying Investments and, as detailed below, the Service Providers), Mr Page allowed FPL to adopt and use a non-compliant process without giving any meaningful consideration to the interests of customers.

Mr Page's limited role in the Pension Review and Advice Process

4.35 As the person at FPL approved to perform the CF30 (Customer) controlled function, Mr Page was responsible for the advice given to all of FPL's customers through the Pension Review and Advice Process. In that position he should have exercised control of and supervision over the process. However he, and therefore FPL, had negligible involvement in it. For example:

- (1) He had no involvement in contacting the customer's existing pension provider.
- (2) He had no involvement in conducting the fact-find with the customer. Occasionally, he reviewed the information that was recorded on the Software by the Service Providers. However, he thought he did not need to be involved in considering the suitability of the recommendation to the customer because the Software assessed the information provided as it was '*an automated system*'.
- (3) He had no involvement in preparing the Suitability Report for the customer. Mr Page told the Authority that he reviewed a number of Suitability Reports either before or after they had been provided to the customer. However, to the extent that he did carry out such reviews, he did not give any meaningful consideration to whether the personal recommendation was suitable for the customer as he considered the product was suitable for all customers who received a personal recommendation through the Pension Review and Advice Process.
- (4) He had no involvement in any follow up calls or meetings with a customer after the Suitability Report had been issued or in completing or checking the paperwork to enable the customer to switch or transfer their pension. As a result, he did not know which customers completed Pension Switches or Pension Transfers.
- (5) He had no contact with the customer during the Pension Review and Advice Process unless specifically requested.

4.36 The only time when Mr Page routinely contacted customers was after the Pension Switch or Pension Transfer had been completed. Mr Page called all customers to welcome them to the Firm. However, these calls did not involve an assessment of the suitability of the customer's investment or the provision of advice. The welcome calls were also used as an opportunity to identify whether the customer might have any demands and needs for other financial advice that FPL offered, for example in relation to insurance.

4.37 FPL did not have access to its customer records other than through the Software or if it requested CAL to provide copies. After CAL appointed a voluntary liquidator

on 27 August 2015, Mr Page was unable to access its customer records through the Software.

Failures in Mr Page's due diligence on the Service Providers

4.38 Principle 3 of the Authority's Principles for Businesses provides that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. Further detailed rules and guidance are set out in SYSC. In particular, firms such as FPL, which are common platform firms (as defined in the Handbook):

- (1) must take reasonable steps to identify risks relating to the firm's activities, processes and systems (SYSC 7.1.2R);
- (2) when relying on a third party for the performance of operational functions which are critical for the performance of regulated activities, must ensure they take reasonable steps to avoid additional operational risk (SYSC 8.1.1R);
- (3) must exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical or important operational functions or of any relevant services and activities (SYSC 8.1.7R); and
- (4) must take the necessary steps to ensure that any service providers have the ability, capacity and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally (SYSC 8.1.8R(1)).

4.39 Mr Page agreed to HJL acting as introducer and to the Service Providers performing the Outsourced Functions on FPL's behalf during the Relevant Period, without giving any proper consideration to whether they were suitable to perform those activities. Mr Page conducted some due diligence into HJL. However key parts of this due diligence were only completed after FPL had commenced business with HJL. Mr Page carried out no due diligence in relation to CAL.

4.40 During the Relevant Period, FPL corresponded regularly with Person A, an individual who had an influential role at HJL. Person A had been convicted for blackmail and offences under the Insolvency Act 1986 and at that time remained an undischarged bankrupt due to having hidden assets from his creditors. Mr Page

did not conduct any checks of his own on Person A's background. Mr Ward identified Person A's background, through an internet search, the day after he first met him in November 2013. Mr Page has told the Authority that he was not aware of Person A's background until 2015.

Failures in the Firm's due diligence on the lead generation process

- 4.41 HJL was registered with the Authority as an IAR of FPL between 11 September 2014 and 2 July 2015. HJL introduced customers to FPL from around the time that FPL was authorised by the Authority on 3 July 2014. As the principal of an IAR, FPL had responsibility for HJL's conduct as an introducer.
- 4.42 At no point, either before starting the introducer relationship with HJL or afterwards, did Mr Page take any steps to establish that the lead generators used by HJL generated their customer introductions in an appropriate manner and, in particular, to ensure that they did not use unlawful cold calling.
- 4.43 In fact, the Authority has evidence suggesting that one of the firms used by HJL used cold calling to generate customer introductions in breach of relevant legislation. Mr Page was made aware of this in September 2014, when prompted by a call from the Authority, but took no steps to amend the lead generation process and did not conduct any further due diligence on HJL.

Misleading the Firm's compliance consultant

- 4.44 FPL engaged an external compliance consultant to provide compliance support in relation to its business arrangements and the compliance of the advice that it provided to customers. The compliance consultant was also responsible for FPL's reporting of data to the Authority. It was therefore important that Mr Page provided the compliance consultant with complete and accurate information about FPL's business to ensure that FPL was complying with the Authority's requirements.
- 4.45 Mr Page did not, however, provide all relevant information to FPL's compliance consultant and in fact sought to conceal the extent of FPL's business with HJL. Mr Page sent an email to Mr Ward on 13 June 2014, stating that he believed it would be best if they kept the Pension Review and Advice Process 'off [the compliance consultant's] radar'. On 8 September, two days before the compliance consultant

was due to visit, Mr Page sent an email to Mr Ward, saying that he would *'just keep quiet'* about the Pension Review and Advice Process. These emails indicate that Mr Page suspected that the Pension Review and Advice Process might not be compliant. On 10 September 2014, the compliance consultant visited FPL and Mr Page did not fully inform the compliance consultant about the business that FPL was conducting.

- 4.46 On 18 September 2014 Mr Page emailed a former employee of the compliance consultant and stated *'I now have Introducer Appointed Rep based in London who package up leads for Pension switches, does it matter how many I do with the same product and provider. I was wondering about my KPIs if all my business was with one provider...'*. Mr Page did not ask the same question of his compliance consultant.
- 4.47 On 29 September 2014 Mr Page asked the compliance consultant when he would need to submit his first GABRIEL report to the Authority detailing the business that FPL had done. The compliance consultant replied that it would need to be submitted in November, but that it would only cover the few months between July and September. The compliance consultant also stated that after November the report would only need to be submitted every six months. Mr Ward reacted to this by stating in an email to Mr Page, *'That may be great news as we will have only completed on small numbers and that then gives us six months until may next year'*, to which Mr Page replied, *'I'm glad we can get this sorted then have a good run at it'*.
- 4.48 As a result of Mr Page's actions, the compliance consultant was unaware of the Pension Review and Advice Process and the inherent conflicts of interest for most of the Relevant Period. The compliance consultant only became aware of these matters in June 2015, when Mr Page reported them to it following a notification from the Authority that it would be conducting a short notice visit to FPL.

Disregarding the compliance consultant's file review findings

- 4.49 During the Relevant Period, the compliance consultant reviewed four customer files, all of which were initially failed for compliance issues. The first file was failed in draft form in December 2014 and subsequently received a minimum pass score when additional documentation was provided by FPL. The other three files were reviewed in May 2015 and failed with the lowest rating possible, which was described as *'customers require compensation'*. The compliance consultant raised

a number of concerns about FPL's advice process, notably the inadequate and leading fact-find questions and the role of the Service Providers in the advice process. Notwithstanding, FPL's Investment Committee determined that FPL's Pension Review and Advice Process was compliant. However, only Mr Page and Mr Ward had seen the compliance consultant's findings as they were not provided to the third member of the committee. As the person at FPL approved to perform the CF1 (Director) and CF10 (Compliance Oversight) controlled functions, Mr Page was responsible for ensuring that the Firm's processes were compliant.

- 4.50 As a result of the disagreement over these findings, Mr Page informed the compliance consultant on 27 May 2015 that pension files would no longer be provided to the compliance consultant for review. Mr Page was ultimately responsible for the decision to disengage the compliance consultant from its file review role.

The Authority's review of 20 customer files

- 4.51 Given that all of FPL's customers were told that they were receiving a personal recommendation based on a comprehensive and fair analysis of the whole market when in fact they were not, and given HJL's material financial interest in the Loan Notes which was undisclosed to customers, the Pension Review and Advice Process clearly put FPL's customers at serious risk of receiving unsuitable advice and therefore at serious risk of investing in products that were not suitable for them.
- 4.52 Nevertheless, the Authority has reviewed the advice given to 20 of FPL's customers during the period from 5 August 2014 to 24 March 2015 using recordings of calls and meetings, where they were available, and copies of the customer files maintained by the Service Providers.
- 4.53 The advice given to the customer was clearly unsuitable in all 20 files. As the same process was used for all advice relating to the Underlying Investments, the Authority considers it is likely that the advice provided to most, if not all, of FPL's customers was unsuitable.
- 4.54 In all 20 files the Authority considers the gathering of information from the customer, the product recommendation, the Suitability Report and the disclosure of information about the product breached the Authority's requirements, including because:

- (1) insufficient information was gathered from customers in order to ensure a suitable recommendation was given to them. For example, the fact-finding script was limited and key information was not requested from customers, including about their investment objectives (other than with respect to fixed returns and a capital guarantee) and their knowledge, experience, understanding and ability to accept the risks of speculative investments (COBS 2.1.1R, 9.2.1R and 9.2.6R);
- (2) the Underlying Investments were not suitable due to the illiquid and high risk nature of the investments made by the issuers of the Loan Notes and the Bond, and the limited regulatory oversight of the issuing companies (COBS 2.1.1R, 9.2.1R and 9.3.1G);
- (3) the Suitability Reports failed to give customers a compliant personal recommendation as they did not explain why the SIPP and the Loan Notes, and later also the Bond, were suitable for a customer's demands and needs and also did not adequately explain the possible disadvantages of the recommendation to customers (COBS 2.1.1R and 9.2.1R); and
- (4) fact sheets provided to customers about the Underlying Investments did not adequately explain the risks and possible disadvantages of investing in the Underlying Investments and did not disclose to customers that HJL would receive an initial fee of up to 5% of the funds raised from the Loan Notes (COBS 2.1.1R and 9.2.1R).

4.55 In addition, the Authority identified:

- (1) one case where investment advice had been given about a Pension Transfer outside of FPL's permission;
- (2) four cases where the recommendation was not suitable as the customer lost existing benefits (guaranteed annuity rate or guaranteed interest rate) (COBS 2.1.1R and 9.2.1R(1));
- (3) five cases where the recommendation was unsuitable for the customer's personal circumstances, financial circumstances and/or investment objectives (COBS 2.1.1R and 9.2.1R(1)). For example, a customer stated that he wished to have variable rather than fixed returns but the recommendation was justified on the basis that his capital should be guaranteed. Conversely another customer stated that she did not want

capital guaranteed products but the recommendation was justified on the basis of the fixed return;

- (4) 12 cases where the recommendation was unsuitable as the SIPP was more expensive than one, or more, of the customer's existing pensions and there was no justification for the additional cost (COBS 2.1.1R and 9.2.1R(1)). For example, a customer was recommended to switch to the SIPP and invest in the Loan Notes even though this would be £4,184 more expensive at the medium return level than remaining in their existing pension and the customer had less than nine years to his desired retirement age;
- (5) 14 cases, where audio recordings of the advice process were available for review by the Authority, where oral statements were made to the customer during the advice process that were factually inaccurate, unclear, unfair or misleading (COBS 4.2.1R). Those statements included that:
 - (a) after the fact-find an independent financial adviser would spend two days reviewing the customer's circumstances to make a recommendation, when in fact the advice process was automated with typically no involvement from a qualified financial adviser;
 - (b) an adviser would search the market for a recommendation tailored to the customer's circumstances, when in fact the Underlying Investments were the only products that were available for recommendation to the customer;
 - (c) in respect of the Loan Notes, the customer's capital would be guaranteed and the returns were fixed, without explaining that income and/or capital might be lost if the Mauritian funds (and the assets they purchased) did not perform adequately, and that any request for early repayment of capital was at the issuer's discretion; and#
 - (d) the advice was covered by FSCS, without making it clear that any losses incurred by the failure of the Underlying Investments would not be covered by the FSCS; and
- (6) 18 cases where the information suggests the customer waived their right to cancel within 30 days (COBS 4.2.1R). There is no evidence that customers were informed of the implications of waiving their rights and they may not

have been given sufficient time to reflect on the suitability of the investment.

Cash to Bond switches

- 4.56 In November 2014 Mr Page began contacting customers who had already invested in a portfolio of the Loan Notes and cash to advise them to switch the cash element of their portfolio into the Bond. At this stage the Bond was not listed on any stock exchange. The Bond was later listed on an overseas exchange and the switches to the Bond were completed from April 2015 onwards.
- 4.57 Mr Page attempted to contact all customers by telephone and then followed up the call in writing, both to those he had contacted and those he had not. These communications were inadequate as Mr Page did not:
- (1) ask about any changes in the customer's circumstances and/or assess whether the switch would be suitable given the customer's demands and needs; or
 - (2) explain the risks of the Bond during the telephone call. In fact, FPL stated: *'We now have a cash bond paying 3% and it is our recommendation we do an internal transfer within the portfolio to take advantage of this extra growth. There is no charge, it does not affect the risk of the portfolio...'* This was misleading as the Bond did not have the same risk level as cash and is, in fact, an illiquid, high risk investment.
- 4.58 From around February 2015, Mr Page sent those customers he was unable to contact by telephone an 'opt out' letter. The 'opt out' letter was used even though not all customers had ongoing servicing arrangements with FPL. Mr Page has only been able to provide the Authority with a draft version of the 'opt out' letter that was sent to customers and has not been able to confirm the number of customers that were sent the letter. The draft letter informed customers that they could contact FPL if they required further advice about the switch but, if they were happy with the proposed course of action, they did not need to do anything and FPL would complete the switch for them once the Bond was issued. The draft letter did not set a deadline for customers to respond should they not wish to switch. Mr Page has confirmed that the 'opt out' letter sent to customers was a 'negative response' letter.

- 4.59 The 'opt out' letter was not an appropriate method of advising customers as there was no opportunity for Mr Page to ask about the customer's circumstances or ensure that they understood the risks, benefits and costs of the proposed course of action.
- 4.60 The 'opt out' letter was also not an appropriate method of seeking customers' consent, especially as Mr Page was proposing to move a customer's cash into a high risk, illiquid investment. There was a risk that some (if not all) customers might not read the 'opt out' letter, understand its contents or appreciate the consequences of not responding. As such, by switching customers' cash to the Bond on the basis of non-responses to the 'opt out' letters, there was an obvious risk that customers did not consent to the switch.
- 4.61 Mr Page did not provide adequate details of the features and risks of the Bond to any of FPL's customers who switched to the Bond. For example, the application form for the Bond required investors to sign a declaration confirming that they understood that the Bond was a high risk investment and that they were seeking a high risk profile for that part of their investment strategy. However, FPL's customers were not provided with the application form as the telephone call or 'opt out' letter were considered by Mr Page to be sufficient to facilitate the transfer.
- 4.62 In total 675 customers moved over £2 million of their pension assets from cash to the Bond as a result of Mr Page's advice. This included 125 customers who had, on the advice provided by another financial services firm, already invested in a portfolio containing the Loan Notes with a small percentage of cash and who were subsequently advised by FPL to switch the cash element into the Bond.
- 4.63 The Authority considers the process adopted by Mr Page to recommend customers to switch their cash assets to the Bond was wholly inadequate and exposed customers to a significant risk of loss from investments that were unlikely to be suitable for them. Mr Page did not have regard to the interests of FPL's customers when advising customers to make this switch. He also did not have regard to whether the advice process FPL adopted, and in particular the use of the 'opt out' letter, was an appropriate method of seeking a customer's consent or otherwise in the customer's best interests.

Reinvestment of interest into the Loan Notes

- 4.64 On 9 January 2015 FPL held an Investment Committee meeting where it was decided that all interest payments from the Loan Notes received by customers should be reinvested into the Loan Notes. This decision was made despite the fact that not all customers had ongoing servicing arrangements with FPL. From around February 2015 Mr Page began writing to customers to inform them that their interest payments would be reinvested into the Loan Notes. Customers were informed of this in the same 'opt out' letter used to inform customers about the proposed switch of the cash in their SIPP into the Bond (see paragraph 4.59 above). In the draft version of this 'opt out' letter provided to the Authority, customers were informed generally that they could contact FPL if they required further advice, but were not told that they had a choice whether to reinvest the interest payments or that they would need to inform FPL if they did not want their interest payments to be reinvested.
- 4.65 The 'opt out' letter was not appropriate for similar reasons to those explained above in relation to the cash switch, in particular that customers might not have consented to FPL investing their interest payments in this way.

Acting outside the Firm's permission

- 4.66 The Firm was not authorised to advise on Pension Transfers. However, in allowing the Service Providers to perform the Outsourced Functions on FPL's behalf without adequate supervision, failing to review in a meaningful way advice given through the Pension Review and Advice Process, and failing to ensure FPL put in place and operated appropriate systems and controls in relation to the Pension Review and Advice Process, Mr Page exposed the Firm to the risk of breaching section 20 of the Act by carrying on a regulated activity without the relevant permission.
- 4.67 This in fact happened. During the Relevant Period FPL gave advice to at least 22 customers to transfer their pensions from an occupational pension scheme to a SIPP. As a result, at least 21 customers transferred total funds of over £407,000.
- 4.68 Mr Page was informed by CAL on 7 February 2015 that Pension Transfers had been conducted. In response Mr Page requested that all Pension Transfer cases be referred to him for approval in future. Mr Page did not identify that the Firm did not have permission to conduct Pension Transfers. He was unaware that FPL had acted outside its permission by conducting Pension Transfers through the Pension Review and Advice Process until this was identified by the Authority.

Misleading the Authority

4.69 Mr Page repeatedly and deliberately provided the Authority with incomplete and misleading information about FPL's business arrangements. Mr Page also provided the Authority with information which he knew was untrue. If Mr Page had not provided misleading information the Authority would have intervened in FPL's business earlier.

Application for authorisation

4.70 As mentioned at paragraph 4.10 above, on 25 March 2014 Mr Page signed FPL's application for direct authorisation and it was received by the Authority on 9 April 2014. The information in FPL's application to the Authority was in parts false and misleading. Mr Page has admitted that the application reads as though it is a *'little one man band working in a bedroom'*. Following FPL's authorisation, Mr Page failed to correct the false and misleading impression of FPL's business that had been presented to the Authority, despite having a number of opportunities to do so.

4.71 The application was deliberately misleading as it:

- (1) stated that the only function that would be outsourced would be the compliance support provided by FPL's external compliance consultant.

In fact, Mr Page knew that HJL would carry out the introducer role and would perform the Outsourced Functions on FPL's behalf, and FPL's website had already been updated to include HJL's details;

- (2) stated that advice would be independent and the product solution would be independently chosen.

In fact, Mr Page knew that, at that time, it was intended that the Loan Notes would be the only product recommended for investment to customers introduced by HJL;

- (3) stated that all advice would be provided on a face-to-face basis by FPL.

In fact, Mr Page knew that none of the customers would have a face-to-face meeting with him even though he was the named adviser;

- (4) did not detail any bespoke software systems that would be used by FPL.

In fact, Mr Page had signed a licence agreement to use the Software on 21 March 2014 and had been given a demonstration of how the Software worked on the same day;

- (5) stated that in most cases FPL would be paid on a rate per hour by the customer.

In fact, Mr Page knew from at least 8 March 2014 that FPL would be remunerated by a 3% advice fee charged on a customer's pension assets;

- (6) stated that FPL was expecting to have the same number of customers (50) in a year's time as it did at the point of application.

In fact, Mr Page knew from at least 8 March 2014 that HJL was expecting to introduce over 150 customers to FPL each month;

- (7) stated that most business would be generated by existing customers and new customers would be received through referrals from existing customers rather than marketing.

In fact, Mr Page had signed an introducer agreement with HJL on 6 December 2013 and knew that most new business would be generated through those introductions; and

- (8) stated that FPL's expected profit a year after authorisation would be £36,000.

This figure was lower than FPL's trading in the previous year (£50,000) and Mr Page's main driver for FPL adopting the Pension Review and Advice Process was to increase FPL's profits.

20 August 2014 New Business Register

- 4.72 The Authority contacted Mr Page by telephone and email on 7 August 2014. In the email, the Authority drew Mr Page's attention to two alerts that had been issued by the Authority relating to Pension Switches and SIPPs. Mr Page was also asked in the email to provide a detailed new business register setting out 'all business' the Firm had arranged via a SIPP, including confirmation of whether advice had been provided.

- 4.73 By 18 August 2014, Mr Page knew that advice had been given by FPL to 15 customers through the Pension Review and Advice Process to switch or transfer their pension funds into SIPPs investing in the Loan Notes, and that applications for the switch or transfer of each customer had been received by the SIPP Provider. Despite this, on 20 August 2014 Mr Page deliberately provided the Authority with a new business register which did not contain any information regarding these 15 customers. Instead the new business register only contained information relating to six cases where SIPP advice had been provided by Mr Page between September 2012 and March 2014, before FPL had become directly authorised.
- 4.74 It was clear from the Authority's correspondence with Mr Page, including the email containing its request for information and links to the two alerts, that the Authority was interested in FPL's advice in relation to SIPPs. However, the Authority considers that Mr Page deliberately omitted relevant information from the new business register in an attempt to mislead the Authority about the type of business the Firm was conducting, and in particular to prevent the Authority from finding out that customers were being advised to switch their pensions to SIPPs investing in the Loan Notes.

1 September 2014 Telephone Call

- 4.75 On 1 September 2014 the Authority called Mr Page to discuss information that the Authority had received which suggested that customers were being cold called on behalf of FPL.
- 4.76 During the course of his call with the Authority, Mr Page emailed Mr Ward to ask about a lead generation company mentioned by the Authority. Mr Ward sent several emails in reply confirming that the lead generation company provided leads to HJL. Mr Ward's emails included the following:
- (1) *'Don't know [the lead generation company]. Checking now but I would say no!'*
 - (2) *'They are a lead provider and provide leads to [HJL]. Not direct to us – so don't use this info yet!!!! I am still digging!!!!'*
 - (3) *'WE have not – our introducer may have – again im [sic] still digging so don't open to them yet!!!!'*

- (4) *'This is ok I believe. As its [sic] not us so we can deflect the flak!!!! If Needed!!!! But its [sic] not life threatening issue I don't think mate!!!! Are they being bastards or ok?'*
- (5) *'...[the lead generation company] DO COLD CALL Clients/prospects apparently.'*
- (6) *'We can say that we will check with our introducer [HJL] to see if they use this company and if they do we will investigate further and if we do not receive an acceptable reply we will drop them immediately.'*
- (7) *'But try and work it that [HJL] use a large number of lead providers and we don't always have details of all of them! DONT [sic] SAY THAT THEY COLD CALL MATE.'*

4.77 Mr Page confirmed to the Authority during the telephone call that the lead generation company did introduce to HJL, but he did not tell the Authority, either during the call or afterwards, that it apparently cold called. Further, the Authority has not been provided with any evidence to suggest that Mr Ward or Mr Page took any steps to confirm whether the lead generation company mentioned by the Authority actually did cold call or to ensure that it did not do so.

4.78 The Authority warned Mr Page that it would be concerned if FPL was conducting its business in a similar manner to that described by the Authority's alerts. Mr Page deliberately did not say anything to suggest that FPL was conducting its business in such a manner.

4.79 The information provided by Mr Page during the call also did not correct the misleading impression given to the Authority by the new business register.

5 September 2014 email

4.80 On 3 September 2014, the Authority emailed Mr Page a link to an alert issued by the Authority that advised customers to ignore any cold calls they receive from firms offering a free pension review. The alert warned that these reviews are typically used to persuade customers to move their pension into SIPP's invested in unregulated investments. On the same day, the Authority sent Mr Page an email containing links to the two alerts that it had drawn to his attention on 7 August 2014 (see paragraph 4.73 above).

4.81 Mr Page emailed the Authority on 5 September 2014, stating that he was responding to the 3 September 2014 emails, having reviewed the alerts and having given some thought to the issues raised in the 1 September 2014 telephone call. The email was misleading as it:

- (1) stated that FPL did not use lead generation companies as part of its business model and, despite the alert drawn to FPL's attention on 3 September 2014 which specifically mentioned cold calling concerns, failed to mention that one of HJL's lead generators apparently used cold calling;
- (2) stated that FPL did not use the services of unauthorised firms. In fact, Mr Page knew that HJL was not authorised, at the time was not an IAR of FPL, and played a key role in the Pension Review and Advice Process;
- (3) stated that *'Under no circumstance would I consider investments in unregulated products such as overseas property, forestry or store pods among other things'*. In fact, Mr Page knew that the Pension Review and Advice Process was structured to result in customers being recommended to switch their pensions to SIPPs investing in the Loan Notes, which were issued by a company in Mauritius, and that the Loan Notes were not regulated by the Authority;
- (4) stated that *'Only after a full review of [a customer's] circumstances do I issue the initial report'* and *'I follow the Principles and Conduct of Business Rules in the giving of any and all advice and first take time to familiarise myself with the wider investment and financial circumstances before making any recommendations.'*

In fact, Mr Page knew that, at that time, the Software was used to review customers' circumstances, with little or no oversight from Mr Page;

- (5) stated that *'the provision of suitable advice generally requires consideration of other investments held by the customer'*.

In fact, Mr Page knew that the fact-find script did not ask customers for information about any other investments they held; and

- (6) stated that *'when advice is given on a product which is a vehicle for other products (such as SIPPs and other wrappers), consideration of the suitability of the overall proposition is taken into account'*.

In fact, the Suitability Report template that had been approved by Mr Page did not include consideration of the suitability for the customer of both the SIPP wrapper and the underlying assets.

- 4.82 The information provided by Mr Page in the email also did not correct the misleading impressions given to the Authority by the new business register and the 1 September 2014 telephone call.
- 4.83 As a result of the information provided by Mr Page, in August and September 2014 the Authority considered FPL to be a 'low risk' firm and FPL was not scheduled for further contact for a number of months. If the information provided to the Authority had been accurate and not misleading, the Authority would have asked for further information about FPL's pension advice process and the Loan Notes, and would have intervened at an earlier time.

Misleading the SIPP Provider

- 4.84 Mr Page deliberately provided inaccurate and misleading information to the SIPP Provider.
- 4.85 On 20 October 2014 Mr Page invested his personal pension into the Loan Notes. After the Authority's intervention, on 14 August 2015 he asked the SIPP Provider to disinvest his pension from the Loan Notes immediately. When the SIPP Provider asked Mr Page to explain in writing why he wished to disinvest before the usual 12 month period, Mr Page informed the SIPP Provider that the Authority had instructed him to do so with '*immediate effect to test the process*'. Mr Page had not received any such instruction from the Authority. Mr Page has admitted he lied to the SIPP Provider in order to disinvest his pension funds more quickly.

Breach of the Asset Retention Requirement

- 4.86 On 10 July 2015, at the request of the Authority, FPL applied for requirements to be imposed on it. Accordingly, requirements were imposed on the Firm on the same date. These included the Asset Retention Requirement, which has not been varied or lifted since it was imposed.
- 4.87 Mr Page signed the Asset Retention Requirement and was fully aware of its terms. However, Mr Page, on behalf of FPL, twice acted in breach of the Asset Retention Requirement by dealing with FPL's assets:

- (1) On 21 August 2015 Mr Page, on behalf of FPL, signed a loan agreement with Person B. Under the terms of the agreement, Person B would lend £25,000 to FPL with Mr Page as guarantor of the loan. In consideration for the loan, FPL would give rights to its entire client base to Person B from the date of the agreement. Whilst the agreement was in force FPL would not be able to contact the client base without the permission of Person B. The client base would be returned to FPL if the loan was repaid by 31 January 2016 or, if it had not been repaid, the client base would be owned by Person B from 1 February 2016.

At no time did Mr Page contact the Authority either before, or after, making this agreement or when, in December 2015, he emailed Person B in order to extend the loan repayment date. The Authority was not made aware of the loan agreement until 10 October 2016.

- (2) On 27 January 2016, Mr Page, on behalf of FPL, signed an introducer agreement with a claims management company. Under the terms of the introducer agreement, FPL would provide the claims management company with details of FPL's customers that FPL believed had been mis-sold Pension Transfers, Pension Switches and SIPP investments. In return for these introductions, FPL would receive 15% of all fees generated by the claims management company resulting from a successful claim.

On 1 February 2016, Mr Page provided the claims management company with a list of 219 customers along with their addresses and phone numbers. These customers had originally received advice from the authorised firm that had, prior to FPL, adopted a process based on the same pension switching advice model. The customers had then subsequently been novated to FPL for provision of ongoing services. Mr Page had not contacted these customers to obtain their consent to disclose their information to a third party.

The contact details were provided so that the claims management company would focus on contacting the novated customers, rather than customers who had been advised by FPL where FPL would be liable for any claims. Mr Page suggested to the claims management company that it should tell the novated customers they had been given '*tainted*' advice but were now with a '*very competent IFA*' in FPL.

4.88 In entering the loan agreement with Person B and the introducer agreement with the claims management company, the Authority considers Mr Page recklessly disregarded the Asset Retention Requirement.

Agreement with Mr Ward

4.89 On 22 June 2017, ahead of FPL being placed into administration, Mr Page provided a written agreement to FPL's proposed administrators that had been drawn up between FPL and Mr Ward. The agreement is dated 14 January 2015 and is unsigned but Mr Page subsequently indicated that both he and Mr Ward considered it to be binding.

4.90 The agreement states that in the event of a cessation of FPL's business, including if FPL entered administration, Mr Ward would have custodianship of all FPL customers with fund values in their SIPPs over £50,000 and Mr Ward could introduce those customers to an alternative financial adviser.

4.91 Mr Page told the Authority that the purpose of the agreement was for succession planning of FPL's business. The Authority considers that the agreement was made in order to protect Mr Page and Mr Ward's financial interests in FPL following administrators being appointed. The Authority considers the agreement was not made in the best interests of customers because Mr Ward was not an appropriate person to act as custodian. As Mr Page was aware at the time, Mr Ward was not an approved person or a qualified investment adviser and had criminal convictions for obtaining money transfers by deception.

5. FAILINGS

5.1 The statutory and regulatory provisions relevant to this Notice are referred to in Annex A.

Statement of Principle 1

5.2 Statement of Principle 1 required Mr Page to act with integrity in carrying out his controlled functions. A person may lack integrity where he acts dishonestly or recklessly.

5.3 During the Relevant Period, Mr Page breached this requirement in that:

- (1) He acted dishonestly by causing FPL to hold out the Pension Review and Advice Process to customers as FPL providing bespoke, independent

investment advice based on a comprehensive and fair analysis of the whole market. This was dishonest because Mr Page knew that this was misleading to customers as it did not reflect the reality of the service that FPL would provide using the Pension Review and Advice Process.

- (2) His actions in relation to FPL's adoption and use of the Pension Review and Advice Process to provide advice to FPL's customers were reckless. The Pension Review and Advice Process put FPL's customers at serious risk of receiving unsuitable advice and therefore at serious risk of investing in products that were not suitable for them (which in fact happened), but Mr Page closed his mind to these risks and unreasonably exposed FPL's customers to them by allowing FPL to adopt and use the Pension Review and Advice Process. In particular:
 - (a) Mr Page allowed FPL to recommend the Underlying Investments to customers in circumstances where he had failed to carry out adequate due diligence on them. In any event, it should have been obvious to Mr Page from the limited information that he considered that the Underlying Investments were high risk investments that were unlikely to be suitable for FPL's customers, except in very limited circumstances. However, Mr Page failed to give due consideration to the risk that the Underlying Investments were unsuitable.
 - (b) Mr Page knew of HJL's involvement in the Pension Review and Advice Process and that the process was structured to result in customers switching their pensions to SIPP's investing in assets in which HJL had a material financial interest. Further, Mr Page was aware of Mr Stephen's and Mr King's common directorships. However, Mr Page took no steps to manage these conflicts of interest or to ensure that the common directorships and how HJL was remunerated were disclosed to customers.
 - (c) Mr Page allowed FPL to adopt and use the Pension Review and Advice Process in circumstances where he had failed to give due consideration to the documents to be used in the process, and to how the process would operate in practice, and had therefore failed to identify significant obvious deficiencies in the process. In any event, it should have been obvious to Mr Page from the information

available to him that the Pension Review and Advice Process did not comply with the Authority's rules. However, Mr Page failed to give any meaningful consideration to whether or not it was compliant.

- (d) Mr Page failed to take reasonable steps to ensure that FPL maintained control of the Pension Review and Advice Process and allowed important parts of the process (for example, the conduct of fact-finds) to be performed in a way that failed to obtain and/or take into account relevant information about FPL's customers. Further, Mr Page failed to take reasonable steps to ensure that FPL reviewed in a meaningful way advice given through the Pension Review and Advice Process, whether before recommendations were sent to customers or at all.
- (e) Mr Page failed to take reasonable steps to ensure that FPL put in place and operated appropriate systems and controls and compliance arrangements to oversee and monitor the Pension Review and Advice Process.
- (f) Mr Page allowed the Firm to work with HJL and CAL during the Relevant Period in circumstances where he had failed to carry out adequate due diligence on them and had failed to give any proper consideration to whether they were suitable to perform services on behalf of the Firm.
- (g) Mr Page failed to take any steps to establish that the lead generators used by HJL generated their customer introductions in an appropriate manner and did not use cold calling.
- (h) Mr Page suspected that the Pension Review and Advice Process might not be compliant, but withheld his suspicions and even the fact that FPL was operating the process from FPL's compliance consultant. Mr Page also disregarded concerns raised by FPL's compliance consultant and continued to allow FPL to use the Pension Review and Advice Process.
- (i) Mr Page failed to have regard to customers' interests, when advising customers to switch the cash in their SIPP into the Bond. Mr Page either failed to assess whether switching the cash in a customer's

SIPP into the Bond was suitable for the customer or, when speaking with customers on the telephone, failed to explain the risks of the Bond. He also failed to have regard to customers' interests, when reinvesting customers' interest payments in the Loan Notes.

- (3) Mr Page deliberately provided false and misleading information, or omitted to provide relevant information, to the Authority about FPL's business arrangements. The Authority considers this was done intentionally to try to prevent the Authority from identifying misconduct by the Firm and Mr Page, and that Mr Page thereby acted dishonestly.
- (4) Mr Page acted dishonestly by deliberately providing false information to the SIPP Provider.
- (5) Mr Page recklessly entered into an agreement with Mr Ward granting him custodianship of FPL clients in the event of FPL ceasing trading. This was not in the best interests of customers because, for reasons known by Mr Page at the time, Mr Ward was not an appropriate person to act as custodian.
- (6) Mr Page recklessly allowed FPL to breach the Asset Retention Requirement. It should have been obvious to Mr Page that FPL would breach this requirement by entering into a loan agreement with Person B and selling customer data to a claims management company. However, he recklessly disregarded the Asset Retention Requirement.

Lack of fitness and propriety

5.4 In addition to the findings of dishonesty and recklessness by Mr Page set out at paragraph 5.3 above, the Authority has concluded that Mr Page acted dishonestly between 9 April 2014 and 1 February 2016, in that he:

- (1) provided false and misleading information on FPL's application for authorisation which was received by the Authority on 9 April 2014; and
- (2) after FPL was authorised, failed to correct the misleading impression that had been created by FPL's application for authorisation.

5.5 The Authority has concluded based on the matters set out at paragraphs 5.3 and 5.4 above that Mr Page lacks integrity and is not fit and proper.

6. SANCTION

Financial penalty

6.1 The Authority considers it appropriate to impose a financial penalty on Mr Page under section 66 of the Act in respect of his breach of Statement of Principle 1. For limitation reasons, the financial penalty is imposed only in respect of Mr Page's breach of Statement of Principle 1 during the Penalty Period. This is explained further at paragraphs 4 to 8 of Annex B. As FPL adopted the Pension Review and Advice Process prior to the Penalty Period, the Authority considers that Mr Page's reckless actions in respect of FPL's adoption of the process do not form part of Mr Page's breach of Statement of Principle 1 during the Penalty Period. The Authority therefore considers that Mr Page breached Statement of Principle 1 during the Penalty Period on account of his reckless actions in respect of FPL's use of the Pension Review and Advice Process and for the reasons given in paragraphs 5.3(1) and (3) to (6) of this Notice.

6.2 The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals in non-market abuse cases.

Step 1: disgorgement

6.3 Pursuant to DEPP 6.5B.1G, at Step 1 the Authority seeks to deprive an individual of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.4 Mr Page derived direct financial benefit from the advice fees and ongoing servicing fees generated from customers who switched their pensions to SIPPs investing in the Underlying Investments. The amount received by Mr Page during the Penalty Period was £139,765. In addition, Mr Page received £10,378 after the Penalty Period that is directly attributable to Mr Page's misconduct during the Penalty Period.

6.5 The Authority has charged interest on Mr Page's benefit at 8% per year from receipt to the date of this Notice, amounting to £36,790.

6.6 Step 1 is therefore £186,933.

Step 2: the seriousness of the breach

- 6.7 Pursuant to DEPP 6.5B.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. That figure is based on a percentage of the individual's relevant income. The individual's relevant income is the gross amount of all benefits received by the individual from the employment in connection with which the breach occurred, and for the period of the breach.
- 6.8 The period of Mr Page's breach of Statement of Principle 1, for the purpose of the financial penalty, was from 25 July 2014 to 1 February 2016. The Authority considers Mr Page's relevant income for this period to be £139,765.
- 6.9 In deciding on the percentage of the relevant income that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 40%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on individuals in non-market abuse cases there are the following five levels:
- Level 1 – 0%
- Level 2 – 10%
- Level 3 – 20%
- Level 4 – 30%
- Level 5 – 40%
- 6.10 In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. The Authority considers the following factors to be relevant:

Impact of the breach

- 6.11 Mr Page caused FPL to use the Pension Review and Advice Process motivated by the prospect of making significant financial gain for doing very little (DEPP 6.5B.2G(8)(a)).

- 6.12 Mr Page's breach of Statement of Principle 1 caused a significant risk of loss to a large number of consumers who switched or transferred their pensions to SIPPs investing in the Underlying Investments (DEPP 6.5B.2G(8)(c)).
- 6.13 A large number of customers were given advice by FPL through the Pension Review and Advice Process, including some who were vulnerable due to their age, their inability to replace capital, their medical conditions or other personal circumstances (DEPP 6.5B.2G(8)(d)).

Nature of the breach

- 6.14 Mr Page breached Statement of Principle 1 over an extended period of time (DEPP 6.5B.2G(9)(b)).
- 6.15 Mr Page failed to act with integrity because he acted dishonestly and/or recklessly throughout the Penalty Period (6.5B.2G(9)(e)).
- 6.16 Mr Page, as the individual approved to perform the CF1 (Director) and CF10 (Compliance Oversight) controlled functions, held a senior position in the Firm (DEPP 6.5B.2G(9)(k)).

Reckless misconduct

- 6.17 Mr Page acted recklessly in respect of FPL's use of the Pension Review and Advice Process as described in paragraph 5.3(2) of this Notice (DEPP 6.5B.2G(11)(a)).
- 6.18 Mr Page acted recklessly in allowing FPL to breach the terms of the Asset Retention Requirement (DEPP 6.5B.2G(11)(a)).

Deliberate misconduct

- 6.19 Mr Page deliberately provided false information to the SIPP Provider (DEPP 6.5G.2G(10)(b)).
- 6.20 Mr Page knew that the Firm deliberately misled customers by holding itself out to customers as providing bespoke, independent advice based on a comprehensive and fair analysis of the whole market when, as Mr Page knew, this did not reflect the reality of the service that FPL would provide using the Pension Review and Advice Process (DEPP 6.5B.2G(10)(c)).

6.21 Mr Page deliberately provided false and misleading information to the Authority about FPL's business arrangements (DEPP 6.5B.2G(10)(d)).

Level of seriousness

6.22 DEPP 6.5B.2G(12) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant:

- (1) Mr Page's breach of Statement of Principle 1 caused a significant risk of loss to a large number of customers (DEPP 6.5B.2(12)(a));
- (2) Mr Page failed to act with integrity (DEPP 6.5B.2(12)(d)); and
- (3) Mr Page's breach of Statement of Principle 1 was committed deliberately and recklessly (DEPP 6.5B.2(12)(g)).

6.23 DEPP 6.5B.2G(13) lists factors likely to be considered 'level 1, 2 and 3 factors'. The Authority considers that none of these factors apply.

6.24 Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 5 and so the Step 2 figure is 40% of £139,765.

6.25 Step 2 is therefore £55,906.

Step 3: mitigating and aggravating factors

6.26 Pursuant to DEPP 6.5B.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.27 The Authority considers that the following factors aggravate the breach:

- (1) on 18 January 2013, 28 April 2014 and 26 August 2014 the Authority issued alerts to firms advising on Pension Transfers with a view to investing pension monies into unregulated products through SIPPs. Mr Page was aware of these alerts but did not take steps to protect consumers (DEPP 6.5B.3G(2)(k)); and
- (2) in August and September 2014 the Authority specifically sent copies of the alerts referred to above to Mr Page and highlighted the Authority's concerns. Mr Page failed to bring the Pension Review and Advice Process

to the attention of the Authority or to implement changes to the process (DEPP 6.5B.3G(2)(a)).

- 6.28 The Authority considers that there are no factors that mitigate the breach.
- 6.29 Having taken into account these aggravating factors, the Authority considers that the Step 2 figure should be increased by 20%.
- 6.30 Step 3 is therefore £67,087.

Step 4: adjustment for deterrence

- 6.31 Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.
- 6.32 The Authority considers that the Step 3 figure of £67,087 does not represent a sufficient deterrent to Mr Page and others, and so has increased the penalty at Step 4 by a factor of 2.
- 6.33 Step 4 is therefore £134,174.

Step 5: settlement discount

- 6.34 Pursuant to DEPP 6.5B.5G, if the Authority and the individual on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the individual reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.
- 6.35 No settlement discount applies.
- 6.36 The Step 5 figure is therefore £134,100 (rounded down to the nearest £100).

Penalty

- 6.37 The Authority therefore has decided to impose a total financial penalty of £321,033 (including the Step 1 disgorgement figure of £186,933) on Mr Page for breaching Statement of Principle 1 during the Penalty Period.

Prohibition Order and Withdrawal of Approval

- 6.38 The Authority has had regard to the guidance in Chapter 9 of EG in considering whether to withdraw Mr Page's approval to perform controlled functions and whether to impose a prohibition order on him. The Authority has the power to prohibit individuals under section 56 of the Act.
- 6.39 The Authority considers that Mr Page is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm. The Authority considers that it is therefore appropriate and proportionate in all the circumstances to withdraw the approval given to Mr Page to perform the CF1 (Director), CF10 (Compliance Oversight), CF11 (Money Laundering Reporting Officer) and CF30 (Customer) controlled functions at FPL, and to impose a prohibition order on him under section 56 of the Act in those terms. This follows from the Authority's findings that Mr Page lacks integrity, by acting dishonestly before and during the Relevant Period in respect of FPL's application for authorisation, and by breaching Statement of Principle 1 by acting recklessly and dishonestly during the Relevant Period.

7. REPRESENTATIONS

- 7.1 Annex B contains a brief summary of the key representations made by Mr Page, and by HJL, Mark Stephen, James King and Person A as persons given third party rights in respect of the Warning Notice under section 393 of the Act, and how they have been dealt with. In making the decision which gave rise to the obligation to give this Notice, the Authority has taken into account all of the representations received in respect of the Warning Notice, whether or not set out in Annex B.

8. PROCEDURAL MATTERS

- 8.1 This Notice is given to Mr Page under sections 57, 63 and 67 of the Act and in accordance with section 388 of the Act.

Decision maker

- 8.2 The decision which gave rise to the obligation to give this Notice was made by the Regulatory Decisions Committee.

The Tribunal

- 8.3 Mr Page has the right to refer the matter to which this Notice relates to the Tribunal. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, Mr Page has 28 days from the date on which this Notice is given to him to refer the matter to the Tribunal. A reference to the Tribunal is made by way of a signed reference notice (Form FTC3) filed with a copy of this Notice. The Tribunal's contact details are: Upper Tribunal, Tax and Chancery Chamber, Fifth Floor, Rolls Building, Fetter Lane, London EC4A 1NL (tel: 020 7612 9730; email: fs@hmcts.gsi.gov.uk).
- 8.4 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website:
- <http://www.justice.gov.uk/forms/hmcts/tax-and-chancery-upper-tribunal>
- 8.5 A copy of Form FTC3 must also be sent to the Authority at the same time as filing a reference with the Tribunal. A copy should be sent to Helen Tibbetts at the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.
- 8.6 Once any such referral is determined by the Tribunal and subject to that determination, or if the matter has not been referred to the Tribunal, the Authority will issue a final notice about the implementation of that decision.

Access to evidence

- 8.7 Section 394 of the Act applies to this Notice.
- 8.8 The person to whom this Notice is given has the right to access:
- (1) the material upon which the Authority has relied in deciding to give this Notice; and
 - (2) the secondary material which, in the opinion of the Authority, might undermine that decision.

Third party rights and interested party rights

- 8.9 A copy of this Notice is being given to each of Thomas Ward, HJL, CAL, Mark Stephen and James King as third parties identified in the reasons above and to whom in the opinion of the Authority the matter is prejudicial. Each of those

parties has similar rights to those mentioned in paragraphs 8.3 and 8.8 above, in relation to the matters which identify him/it.

- 8.10 This Notice is also being given to FPL as an interested party in the withdrawal of Mr Page's approval pursuant to section 63(4) of the Act. FPL has the right to:
- (1) access evidence pursuant to section 394 of the Act, as described above; and
 - (2) refer to the Tribunal any decision to withdraw Mr Page's approval, pursuant to section 63(5) of the Act.

Confidentiality and publicity

- 8.11 This Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining advice on its contents). In accordance with section 391 of the Act, a person to whom this Notice is given or copied may not publish the Notice or any details concerning it unless the Authority has published the Notice or those details.
- 8.12 However, the Authority must publish such information about the matter to which a decision notice or final notice relates as it considers appropriate. The persons to whom this Notice is given or copied should therefore be aware that the facts and matters contained in this Notice may be made public.

Authority contacts

- 8.13 For more information concerning this matter generally, contact Helen Tibbetts (direct line: 020 7066 0656) at the Authority.

Tim Parkes
Chair, Regulatory Decisions Committee

ANNEX A

1. RELEVANT STATUTORY PROVISIONS

- 1.1 The Authority's objectives are set out in Part 1A of the Act, and include the operational objective of securing an appropriate degree of protection for consumers (section 1C).
- 1.2 Section 56(1) of the Act provides that the Authority may make a prohibition order if it appears to it that an individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by (a) an authorised person, (b) a person who is an exempt person in relation to that activity, or (c) a person to whom, as a result of Part 20, the general prohibition does not apply in relation to that activity.
- 1.3 Section 56(2) of the Act provides that a 'prohibition order' is an order prohibiting the individual from performing a specified function, any function falling within a specified description or any function. Section 56(3)(a) provides that a prohibition order may relate to a specified regulated activity, any regulated activity falling within a specified description or all regulated activities.
- 1.4 Section 63 of the Act provides that the Authority may withdraw an approval given under section 59 if it considers that the person in respect of whom it was given is not a fit and proper person to perform the function to which the approval relates.
- 1.5 Section 66 of the Act provides that the Authority may take action against a person if it appears to the Authority that he is guilty of misconduct and the Authority is satisfied that it is appropriate in all the circumstances to take action against him. A person is guilty of misconduct if, whilst an approved person, he has failed to comply with a statement of principle issued under section 64 or section 64A of the Act.

2. RELEVANT REGULATORY PROVISIONS

Statements of Principle and Code of Practice for Approved Persons

- 2.1 The Authority's Statements of Principle and Code of Practice for Approved Persons have been issued under section 64 of the Act.
- 2.2 During the Relevant Period, Statement of Principle 1 stated:

'An approved person must act with integrity in carrying out his accountable functions.'

- 2.3 'Accountable functions' include controlled functions and any other functions performed by an approved person in relation to the carrying on of a regulated activity by the authorised person to which the approval relates.
- 2.4 The Code of Practice for Approved Persons sets out descriptions of conduct which, in the opinion of the Authority, does not comply with a Statement of Principle. It also sets out factors which, in the Authority's opinion, are to be taken into account in determining whether an approved person's conduct complies with a Statement of Principle.

Principles for Businesses

- 2.5 PRIN 1.1.2G states that the FCA's Principles for Business are a general statement of the fundamental obligations of firms under the regulatory system.
- 2.6 During the Relevant Period, Principle 3 of the FCA's Principles for Businesses stated:

'A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.'

Enforcement Guide

- 2.7 EG sets out the Authority's approach to exercising its main enforcement powers under the Act.
- 2.8 Chapter 7 of EG sets out the Authority's approach to exercising its power to impose financial penalties and other disciplinary sanctions.

Decision Procedure and Penalties Manual

- 2.9 The Authority's policy for imposing penalties is set out in Chapter 6 of DEPP.

Conduct of Business Sourcebook

- 2.10 The Authority's rules and guidance for Conduct of Business are set out in COBS. The rules and guidance in COBS relevant to this Notice are 2.1.1R, 4.2.1R, 4.8.2R, 9.2.1R, 9.2.6R, 9.3.1G and the rules in 9.4.

Senior Management Arrangements, Systems and Controls Sourcebook

- 2.11 The Authority's rules and guidance for senior management arrangements, systems and controls are set out in SYSC. The rules and guidance in SYSC relevant to this Notice are 7.1.2R, 8.1.1R, 8.1.7R, 8.1.8R(1), 10.1.3R, 10.1.4AG, 10.1.7R and 10.1.8R.

ANNEX B

REPRESENTATIONS

Representations received from Mr Page

1. Mr Page's representations (in italics), and the Authority's conclusions in respect of them, are set out below:

Procedural fairness

2. *Mr Page has concerns with the manner of the Authority's investigation, including: the Authority had a closed minded approach to the investigation; he was not provided with documents in a timely fashion in advance of his interviews and so did not understand fully the context for evidence handed to him in the interviews; the paperwork has been overwhelming; Mr Page was not provided with the Authority's preliminary findings; and the Authority provided Mr Page with corrupted disks and erroneous transcripts. These matters affected the fairness of the investigatory process.*
3. The decision to take the action set out in paragraph 1.1 of this Notice has been taken by the Regulatory Decisions Committee ("the RDC"), a committee of the Authority which is independent of the case team in the Authority's Enforcement and Market Oversight Division that carried out the investigation. It is not the RDC's role to investigate the fairness of the investigatory process, but it notes that the case team denies that Mr Page was subject to any procedural unfairness during the investigation. The RDC is satisfied that any concerns Mr Page had in respect of the disclosure of documents have either been rectified or not pursued by Mr Page, and considers that Mr Page's submissions do not undermine the evidence relied upon by it in reaching its decision. If Mr Page wishes to pursue these matters, he may make a complaint using the Complaints Scheme established under the Financial Services Act 2012, and the Authority does not address their substance in this Notice.

Limitation

4. *The limitation period started to run in August 2014, when Mr Page provided information about his business and his involvement with HJL to an individual at the Authority. The Authority therefore knew of Mr Page's alleged misconduct more than three years before it gave him the Warning Notice and so, in accordance with*

section 66(4) of the Act, the Authority is time-barred from imposing a financial penalty.

5. *Mr Page accepts that, from 25 July 2014, the limitation period was extended from three years to six years. However, certain of Mr Page's alleged failings only occurred prior to 25 July 2014, for example, his alleged failure to exercise due diligence in relation to the Underlying Investments and his alleged failings in relation to FPL's adoption of the Pension Review and Advice Process. These failings should therefore be disregarded from the penalty calculation for limitation reasons.*
6. The Authority does not agree that it was possible to infer Mr Page's misconduct from the information provided by Mr Page to it in August 2014. However, following Mr Page's representations, the Authority identified material which it received on 19 February 2015, more than three years prior to the date of the Warning Notice. The Authority considers that, on the basis of this material, it could possibly be inferred that Mr Page had committed the misconduct described in this Notice. Accordingly, the Authority has taken the view that the limitation period for the imposition of a financial penalty started to run from 19 February 2015.
7. In accordance with section 66(5ZA) of the Act, a limitation period of three years applies to misconduct occurring prior to 25 July 2014 and a limitation period of six years applies to misconduct occurring on or after 25 July 2014. Accordingly, as a result of the limitation period starting to run from 19 February 2015, the Authority is not permitted to take any disciplinary action in respect of Mr Page's breach of Statement of Principle 1 prior to 25 July 2014. The Authority has therefore instead only taken into account Mr Page's breach of Statement of Principle 1 during the Penalty Period in calculating the financial penalty, as is explained in section 6 of this Notice.
8. As FPL adopted the Pension Review and Advice Process prior to the Penalty Period, the Authority considers that Mr Page's reckless actions in respect of FPL's adoption of the process do not form part of Mr Page's breach of Statement of Principle 1 during the Penalty Period. This includes any due diligence that Mr Page carried out prior to the Penalty Period. However, the Authority considers that Mr Page nevertheless acted recklessly in allowing FPL to use the Pension Review and Advice Process in circumstances where he had failed to carry out adequate due diligence. The Authority therefore considers that Mr Page breached Statement of Principle 1 during the Penalty Period on account of his reckless actions in respect of FPL's use

of the Pension Review and Advice Process and for the reasons given in paragraphs 5.3(1) and (3) to (6) of this Notice.

HJL's financial interest in the Loan Notes

9. *The Suitability Report included an information memorandum which detailed HJL's financial interest in the Loan Notes. The Authority is requested to particularise the rule regarding the extent of the duty of an independent financial adviser with regards to declaring internal fund management charges.*
10. It is not correct that the Suitability Report included the information memorandum. Instead, it enclosed a fact sheet for the product being recommended and the customer could only obtain a copy of the information memorandum if they specifically requested it. The Authority did not identify copies of the information memorandum in any of the 20 sample customer files it reviewed. As explained in paragraph 4.27 of this Notice, the Authority's expectations regarding the management and disclosure of conflicts of interest are set out in chapter 10 of SYSC. Given HJL's role in the Pension Review and Advice Process, its conflict of interest should have been brought specifically to the attention of FPL's customers so that they could make an informed decision on whether they wanted to proceed with the switch of their pension into the Loan Notes in the light of HJL's conflict. However, Mr Page failed to manage HJL's conflict of interest or to ensure that it was disclosed to FPL's customers.

FPL's adoption and use of the Pension Review and Advice Process

11. *Neither the pension switching advice model nor the Software were designed by HJL. The advice model that was adopted by FPL, which resulted in Mr Page recommending the Loan Notes and the Bond to certain customers, was designed by HJL's lawyer, who was an expert in financial structures and systems. The Software was designed by a third party.*
12. *The Software was sophisticated and sifted customers so that the Underlying Investments were considered only for those for whom they were considered suitable. It provided for a series of variables, including the size of pension investments, the number of years to retirement and whether the customer was in a defined benefit scheme.*
13. *Mr Page had control of and insight into how the Software dealt with the leads and was satisfied it was fit for purpose. As he judged it fit for purpose, that was*

sufficient for compliance purposes. Only a minority of cases (about 35%) that came through the Software were suitable for a switch into a SIPP investing in the Underlying Investments. The rest were either not suitable for a switch or were suitable only for bespoke advice, in which case bespoke advice would be given by the IFA.

14. *HJL's role was one of fact finding, administration and back office support, supported by the Software which sorted customers into categories, according to certain pre-set variables. Customers were advised if the Software's analysis was that it was unlikely that better performance could be achieved by a switch. It was CAL that sent summary reports and final reports out on behalf of Mr Page and FPL. At no time did HJL do so, and HJL was not involved, administratively or otherwise, in the preparation and sending of advice to customers.*
15. *FPL's compliance consultant conceded that the role undertaken by HJL and the Software was no different to paraplanner services offered to IFAs.*
16. Mr Page has not provided the Authority with evidence indicating that HJL's lawyer designed the pension switching advice model upon which the Pension Review and Advice Process was based. Mr Page referred to two legal opinions provided by HJL's lawyer relating to the Pension Review and Advice Process, but neither addresses the design of the model. In the Authority's view, HJL initiated and were involved in the development of the pension switching advice model, including instructing a third party to design the Software in accordance with its own specifications. HJL notified Mr Ward about this model, who in turn informed Mr Page. In any event, even if HJL's lawyer had designed the model, this would not have been a sufficient basis for FPL to adopt and use the Pension Review and Advice Process. It would still have been necessary for Mr Page to give due consideration to the documents to be used in the Pension Review and Advice Process, and to how the process would operate in practice, and to carry out appropriate due diligence on the underlying products being offered and the third parties that were to perform the Outsourced Functions, in order to satisfy himself that the process treated customers fairly and that FPL had appropriate systems and controls to implement it in a compliant manner and with appropriate oversight.
17. The Authority does not agree with Mr Page's description of the Software. In practice, the filtering criteria that were adopted through the Software appear to have been limited to identifying customers who expressed a preference for fixed returns and/or guaranteed capital. Applying these criteria could not, and did not,

effectively identify or filter out customers for whom the Underlying Investments were unsuitable.

18. Few customers were advised against switching their pensions to invest in the Underlying Investments. Instead, the vast majority of customers who did not proceed with the transaction did so because they decided themselves not to proceed, could not be contacted or were not eligible to switch. Further, even if the filtering criteria had been more sophisticated, it would have been necessary for Mr Page to maintain strong oversight and appropriate controls to ensure the advice was suitable for the individual customer.
19. The Authority disagrees that HJL's role was limited to fact finding, administration and back office support. Instead, HJL sourced leads for FPL from lead generation companies and, until October 2014, performed the Outsourced Functions on FPL's behalf, which meant it conducted most aspects of the advice process on behalf of FPL, including contacting customers. CAL only took over performing the Outsourced Functions on behalf of FPL in October 2014.
20. The Authority considers that Mr Page misled FPL's compliance consultant about FPL's business and its use of the Pension Review and Advice Process. As a result, the compliance consultant was not aware of the true position regarding the business FPL was conducting with HJL or of Mr Page's lack of involvement in the Pension Review and Advice Process. In any event, notwithstanding the incomplete information it received from Mr Page, the compliance consultant still managed to identify concerns in the customer files it reviewed.

Mr Page's oversight of the Pension Review and Advice Process

21. *Mr Page was actively involved in the whole Pension Review and Advice Process and denies he had insufficient oversight. He did not simply hand over his logo and wash his hands of the process. His involvement in the process was not insignificant, for example: he had direct access to the Software and so could inspect the progress of customer files; he did random file checks to establish whether standards were being maintained; he had access to, and listened to, voice recordings of the fact-finding process; and he called customers to check they had received and understood the information memorandum. He did not call every customer or inspect every file because he placed reliance upon the Software, which was designed by a third party, not by HJL or CAL.*

22. *Mr Page attempted to address the Authority's concern that his oversight may be insufficient by engaging the services of another consultant and by signing voluntary requirements on 10 July 2015.*
23. The Authority considers the evidence shows Mr Page's involvement in the Pension Review and Advice Process was far more limited than he alleges. Although Mr Page used spreadsheets which enabled him to track the level of business being undertaken, they did not provide the level of detail needed to oversee the Pension Review and Advice Process. For example, they did not contain information about the specific advice given to customers, details of the customers' financial or personal circumstances, or what information had been given about the Underlying Investments or the Pension Review and Advice Process. Although Mr Page informed the Authority in interview that he inspected customer files, he explained that as it was an automated process he did not check for anything in particular. The Authority has seen no evidence that Mr Page carried out random checks to establish whether the standards were being maintained. Indeed, the fact that the Authority identified failings in each of the 20 customer files it reviewed, suggests that any checks were ineffectual as they did not prevent FPL's customers from receiving unsuitable advice. The email evidence also suggests that in practice Mr Page had little involvement in dealing with customers, and that he referred any queries raised by customers to the Service Providers to deal with. The Authority therefore does not consider that Mr Page's explanations about his level of oversight are credible.
24. The Authority considers it should have been apparent to Mr Page, as an experienced and qualified financial adviser, that the oversight he provided was insufficient before the Authority pointed this out to him. Further, Mr Page had previously failed to act on concerns raised by FPL's compliance consultant relating to the Pension Review and Advice Process. Mr Page's use of compliance consultants, both before and after the Authority had raised concerns, appears to have been out of self-interest, rather than in order to act in his customers' best interests.

Leads generated by cold calling

25. *Neither FPL nor HJL were involved in cold calling. The lead generator alleged to have cold called has confirmed that it did not do so. Mr Page is not aware of any client who has complained of having been cold called.*

26. The lead generator alleged to have cold called stated it did not do so in an undated letter that appears to have been created specifically for the purposes of Mr Page's representations. Accordingly, it does not provide independent, objective evidence that the lead generator did not engage in cold calling. In contrast, the Authority has received independent reports suggesting that the lead generator was cold calling, and Mr Ward's email of 1 September 2014 also shows that he believed the lead generator was apparently cold calling. The Authority has therefore concluded that Mr Page failed to take steps to establish that the lead generators used by HJL generated their customer introductions in an appropriate manner and, in particular, to ensure that they did not use cold calling.

Mr Page's due diligence on HJL

27. *Mr Ward was not a director or a de facto director, and his knowledge of Person A's background does not mean that Mr Page also had that knowledge. Mr Page had little direct contact with Person A. He was informed that Person A was a consultant to HJL with no official role other than being a property expert, and he was not alerted to any matters that would cause him concern. His awareness came much later, whereupon he made a referral to the Authority's whistleblowing team. Only upon that report did the Authority become aware of the matters it alleges Mr Page should have uncovered earlier, despite the Authority itself having been investigating for some time by that stage.*
28. The Authority has not concluded that, because Mr Ward was aware of Person A's background, Mr Page must necessarily also have had knowledge of his background. Rather, the Authority considers that it was Mr Page's responsibility to satisfy himself that HJL was suitable to perform its role as an introducer and to carry out the Outsourced Functions. This included carrying out due diligence on HJL's directors and persons who had influence over the business, such as Person A. The fact that Mr Ward identified Person A's background immediately after meeting him demonstrates that it was not difficult to find this out.

The Underlying Investments

29. *The Underlying Investments are not high risk, illiquid investments. The investments constituted structured loan notes with a capital guarantee backed by insurance. This is supported by a legal opinion from HJL's lawyer.*

30. *Mr Page genuinely believed that the Underlying Investments were suitable for all those customers whose objectives were (i) low cost investment; (ii) fixed returns; and (iii) security for capital. Mr Page tested the market and the Underlying Investments promised and, until this year, delivered the best return available to such customers. The Authority has not directed him to any alternative products that were available at that time that offered a better expectation of capital preservation and income. Mr Page's genuine belief in the suitability of the Underlying Investments is demonstrated by the fact he invested his own entire pension fund in them.*
31. As is explained in paragraph 4.13 of this Notice, the Authority considers that there was a high risk that the Underlying Investments would not be suitable for FPL's customers because of the combination of the investment risk of the underlying assets and the limited regulatory oversight of the issuing companies. The information memorandums for the Underlying Investments also made it clear that they were high risk and illiquid. For example, the information memorandum for the Loan Notes referred to risks including that the issuing company was a newly incorporated entity with no previous trading or business history; loans are unsecured; and withdrawal was subject to a minimum 12 months' notice and was subject to the issuing company's board's discretion. In respect of the capital guarantee, insurance was not in place for all of the funds, and where insurance is in place, it only provided limited protection to customers. In the Authority's view, HJL's lawyer's legal opinion does not support Mr Page's assertion that the Loan Notes were not high risk or illiquid, as it is premised on the fact that appropriate insurance was in place for all the funds and that the products would be recommended where the authorised financial adviser had taken appropriate steps to satisfy themselves that the Loan Notes were suitable for their customers.
32. Even on the basis of the limited information available to him, Mr Page should have appreciated that the Underlying Investments were high risk investments that were likely to be suitable for FPL's customers only in very limited circumstances. Mr Page has provided no evidence to support his assertion that he tested the market in advance of recommending the Underlying Investments and that, until this year, they offered the best return for investors. As is explained in paragraph 4.19 of this Notice the Authority considers that Mr Page failed to carry out appropriate due diligence on the Loan Notes or the Bond before recommending them to his customers.

33. The fact that Mr Page had such belief in the Underlying Investments that he invested his own pension in them does not rebut the Authority's concern that he failed to carry out sufficient due diligence on the products to advise whether they were suitable for FPL's customers.

The capital guarantee and insurance

34. *Mr Page himself established from his ongoing due diligence that one of the insurance policies was not in place and he reported this via the Authority's whistleblowing process.*
35. *Mr Page denies that he is responsible for the reputable SIPP Provider's failure to procure adequate insurance as promised. Mr Page specifically queried the presence of insurance and was shown two policies. It is not appropriate for the Authority to criticise Mr Page when it itself has not been able to obtain copies of the insurance policies.*
36. *The insurance company based in Saint Kitts and Nevis is registered on the St. Nevis Financial Services Regulation Board which has a well-developed banking system with international links to Europe, Australasia and the USA and is based on the British model and common law. It is therefore unclear why it is alleged that it is subject to less stringent regulatory requirements.*
37. *Whilst the Loan Notes themselves were not covered by the FSCS, Mr Page's advice was, so customers were not put at a disadvantage. In fact, many claims have been made to the FSCS following the letter sent to investors by the SIPP Provider.*
38. *Mr Page's identification that there was a potential problem with one of the insurance policies occurred about a year after he first decided that FPL should adopt the Pension Review and Advice Process and recommend the Loan Notes to FPL's customers, and he failed to identify that an insurance policy for another fund was also not in place.*
39. *Mr Page's attribution of the problems identified with the insurance cover to the SIPP Provider does not address his own failure to identify the gaps in the insurance cover. This resulted from his inadequate due diligence on the Loan Notes. The two policies referred to by Mr Page are both dated 1 January 2016, after he stopped advising customers through the Pension Review and Advice Process. The fact that the Authority itself has not been able to obtain full details of the insurance policies does not justify his conduct. As the advising financial adviser, it was Mr Page's*

responsibility to ensure he understood sufficiently the nature of the products he was recommending to enable him to advise whether they were suitable. Where there were gaps in the information available, or in his understanding about the products, Mr Page should have ensured these were disclosed to customers as an additional risk factor. However, he instead recommended the Loan Notes to customers on the basis that they were protected by insurance when he did not know if this was the case.

40. The Authority's concern with the fact that the insurance policy was registered in St Nevis is that this exposed customers to a greater level of risk because of the fewer regulatory requirements that are imposed on captive insurances in St. Nevis than in the UK. Customers should have been informed about these additional risks, and Mr Page's failure to inform customers of the full risks associated with the Loan Notes deprived customers of the opportunity to make an informed decision about whether they wanted to proceed with the recommended investment in those circumstances.
41. The fact that the Loan Notes are not covered by FSCS protection means that, in the event of insolvency, customers will be unsecured creditors and so at risk of not being able to obtain compensation if the Loan Notes failed. This risk should have been disclosed. This fact should have been apparent to Mr Page not only from the information he had available about the products but also because it was referred to specifically in the information memorandum. Customers should have received this information in order to be able to take an informed view as to whether they wished to proceed to invest in a product that was not itself covered by the FSCS. Mr Page's failure to take this factor into account, and to take steps to disclose it to customers, meant that customers were not able to make informed decisions about investing in the Loan Notes and were exposed to the risk of the products failing without appropriate compensation being available to them.

Mr Page's due diligence on the Underlying Investments

42. *It is inaccurate to suggest that Mr Page did not carry out meaningful due diligence. The scope of his due diligence is demonstrated by the fact he submitted 400 pages of due diligence to the Authority. It is not clear to him in what respect his due diligence is alleged to have been deficient, and what further information he should have obtained. He has never done more due diligence on a product before feeling able to recommend it.*

43. *Mr Page maintains that there was no better product, at the relevant time, that would preserve capital and was guaranteed to return 8% per annum. He was entitled to confine his market analysis to suitable products for the particular class of investor. The Authority has not put it to him that he overlooked better products and, even if he had done so, that would be a misjudgement rather than evidence of a lack of integrity.*
44. *It should not be for him to prove that he tested the market. It is an IFA's duty to ensure he is up to date with the market, not to keep a diary of how he did this. The burden of proof to demonstrate that Mr Page did not test the market should be on the Authority.*
45. *The fact that HJL's lawyer signed off on the process and the Underlying Investments gave Mr Page considerable confidence in them. Mr Page made numerous enquiries on an ongoing basis and was so confident in what he saw that he transferred his own pension into a SIPP investing in the Underlying Investments. He also delegated additional ongoing due diligence to Mr Ward.*
46. *Mr Page is unclear as to the risk that the Authority alleges that customers were exposed to as a result of the alleged failings in due diligence. The only factor that Mr Page did not, and could not, foresee was a letter sent by the SIPP Provider this year, at the behest of the Authority, that informed investors, wrongly, that the Bond was a non-standard investment. The consequences of this letter have been damaging to the fund.*
47. *Mr Page took comfort from the status of the SIPP Provider, which is highly rated, regulated by the Authority, with significant pension industry presence. Also, as part of his ongoing due diligence, he spent an entire day with a director and staff at the SIPP Provider, and took comfort from the fact that the director is highly regarded by the industry and the Authority.*
48. *Paragraph 4.19 of this Notice explains why the Authority considers that Mr Page's due diligence on the Underlying Investments was inadequate. In particular, Mr Page failed to carry out research on the products from independent sources. Mr Page should have realised that, by limiting his due diligence in this way, he ran the risk of not obtaining a complete understanding of the Underlying Investments.*
49. *Mr Page's belief that the Underlying Investments were the best available products does not address the Authority's concern that Mr Page failed to carry out*

appropriate due diligence on the Loan Notes and the Bond before recommending them to customers, and that the Underlying Investments were high risk and illiquid, and unlikely to be suitable for FPL's customers except in very limited circumstances. Mr Page's focus on the promise that these products offered fixed returns and a capital guarantee indicate his bias towards the perceived benefits of the scheme without giving sufficient consideration to their risks.

50. Mr Page's submissions regarding testing the market do not address the Authority's case against him. The Authority's case is not that he overlooked other more suitable products, but that he failed to understand the products that he was actively recommending to his customers because of his failure to carry out appropriate due diligence on them. Without understanding what he was recommending, he could not know whether the product was suitable for the customer or whether there were other more suitable products available for that customer. Given his inadequate due diligence, Mr Page was not in a position to provide suitable and compliant advice to FPL's customers.
51. HJL's lawyer's legal opinions do not advise on the nature of the Underlying Investments, other than to consider the extent to which they may be standard assets and, briefly, the risk profile of the Loan Notes if comprehensive insurance is in place. They therefore do not address any of the Authority's criticisms of Mr Page. In addition, the information that Mr Ward provided to Mr Page was insufficient to enable Mr Page to understand the nature and risks of the Underlying Investments. Mr Page was required to understand these as the only approved director at FPL.
52. The Authority does not agree that the Underlying Investments' financial difficulties arose as a result of the Authority's actions. Mr Page's adoption of the Pension Review and Advice Process having carried out inadequate due diligence on the Underlying Investments exposed FPL's customers to the risk of investing in products that carried a greater risk than they or Mr Page understood.
53. Whether or not Mr Page took comfort from the status of the SIPP Provider, this did not diminish his own responsibility to satisfy himself that the products he and FPL were recommending to customers were suitable and that the process through which advice was being given was compliant with the Authority's rules.

FPL's compliance consultant

54. *Mr Page denies that he failed to heed warnings given by FPL's compliance consultant. The compliance consultant checked files which had gone through the Software and also outsourced a compliance check. Whilst the compliance consultant passed the files it checked, the outsourced compliance check failed. Mr Page asked Mr Ward to investigate these different outcomes and he concluded that the customer journey was similar in each case, and that the file checkers simply had different views of the customer journey. The compliance consultant therefore investigated further and concluded that the process was compliant, following a full and frank discussion with Mr Page.*
55. *Although the compliance consultant concluded the process was compliant, they also suggested that it could be made more robust by obtaining more soft facts from customers. He therefore took the compliance consultant's recommendations to FPL's Investment Committee, which agreed that they should develop the process further, with this feedback in mind. This took place only a short time prior to the Authority's visit in early June 2015, so there was little time to effect changes. Mr Page therefore took reasonable steps to address the compliance consultant's feedback.*
56. *FPL's compliance consultant provided positive feedback about the quality of Mr Page's advice. It is unclear how Mr Page's advice fell short of the Authority's expectations as the Authority has not been precise about the alleged deficiencies in the documentation. In respect of the allegation that there was inadequate notice to the customer of risk associated with the investments, an industry standard warning was contained within the Suitability Report.*
57. *The Authority disagrees with Mr Page's explanation for the different outcomes of the compliance consultant's file checks. The compliance consultant raised serious concerns about all files checked, and the file that was passed received the lowest possible pass score. Mr Page stated in an email to Mr Ward that this was unbelievable, having expected the file to have been failed. Mr Page did not satisfy the compliance consultant that the process was compliant. Instead, FPL and the compliance consultant agreed to disagree, and the consultant no longer reviewed files referred through the Pension Review and Advice Process.*
58. *There is no evidence that, following the concerns raised by the compliance consultant, FPL took steps to enable it to obtain more soft facts about its customers*

in the course of the Pension Review and Advice Process, or to provide additional oversight, or of any other changes having been made to the process. In the Authority's view, Mr Page's response to the compliance consultant's criticisms was therefore not appropriate or sufficient.

59. The Authority considers that the detailed criticisms made by the compliance consultant and its file checker of the files they reviewed, and the Authority's own analysis of the failings within the 20 sample customer files that it reviewed, should have provided Mr Page with a clear understanding of the concerns arising from the advice given to customers through the Pension Review and Advice Process.

Pension Transfers

60. *Mr Page was permitted to advise on Pension Transfers until August 2015. He denies overreaching his authority in respect of Pension Transfers prior to or after that date, and is not aware of acting outside FPL's permission.*
61. *The products concerned were part of a contracted money purchase scheme, not a defined benefit scheme, and so were not Pension Transfers. This was confirmed by two compliance consultants.*
62. A firm, or any of its advisers, can only carry out, or advise on, Pension Transfers, if the firm has specific permission to do so. FPL has never had permission to conduct Pension Transfers, and in fact Pension Transfers were specifically excluded from FPL's permission. Therefore, Mr Page was not permitted to advise on Pension Transfers whilst at FPL, and so FPL breached its permission when Mr Page provided advice on Pension Transfers.
63. The defining features of a Pension Transfer are whether the customer was transferring deferred benefits from an occupational pension scheme into a personal pension scheme. All of the transfers identified by the Authority had these features, and were therefore Pension Transfers. The two compliance consultants' advice was received after the dates on which the Pension Transfers occurred, so Mr Page could not have relied upon such advice at the time. In any event, neither of the compliance consultants addressed the fundamental point that FPL needed to have, but did not have, the relevant permission to carry out or advise on Pension Transfers.

Cash to Bond switches

64. *Mr Page called approximately 140 customers, who had an element of cash in their SIPP, to recommend them to switch to the Bond. The customers' profile, attitude to risk and recommendations were all reviewed beforehand and he had no cause to doubt the suitability of the Bond as an investment. He also made five unsuccessful attempts to contact the 30 other customers who had an element of cash in their SIPP.*
65. The Authority considers that many more customers (675 in total) were switched to the Bond than Mr Page states. Mr Page failed to consider all relevant circumstances when assessing the suitability of the switch, and appears to have focused on the potential benefits without considering the implicit risks. For example, he does not appear to have given consideration to the fact that he was recommending customers to move cash (a low risk, highly liquid asset) into an investment that carried substantial risk, was illiquid, had yet to be listed on any exchange and was a medium to long term investment. Further, the documentary evidence does not support Mr Page's contention that he reviewed each customer's profile, stated attitude to risk and recommendations made to them before calling them. Instead, the evidence suggests he sought indiscriminately, and rather urgently, to switch customers from cash to the Bond.
66. The Authority considers that Mr Page's use of an opt-out letter in respect of those customers he could not contact in person was inappropriate, notwithstanding that he allegedly sought to call them five times. It was open to Mr Page to ask those customers to contact him or simply to leave them invested in cash. However, he instead chose to move them, without their informed consent, from a low risk asset into the high risk, illiquid Bond.

Misleading the Authority – Mr Page's application for authorisation

67. *In respect of the Authority's contention that Mr Page should have known the extent to which he would be outsourcing certain functions of the advice process, the contemporaneous evidence shows that HJL was not named as working with FPL and Mr Page until September 2015.*
68. *In respect of the Authority's allegation that the application was misleading as it stated advice would be independent and the product solution would be independently chosen, it was never the case that Mr Page intended to recommend a*

restricted product to those customers referred to FPL. 70% of the customers referred were not suitable for the Underlying Investments and were dealt with otherwise.

69. *The Software was not identified in the application as it was still in its infancy. Mr Page used FPL's compliance consultant's online reporting system at that time, which he used to report his business to the compliance consultant.*
70. *Mr Page did not intend for his application to mislead the Authority. He was leaving a network of professionals and had no idea about the likely income he would earn or number of customers that would be generated. His aspirations for growth are not the same as his realistic business projections.*
71. The Authority is unaware what contemporaneous evidence Mr Page is referring to. However, it considers that the contemporaneous evidence shows that Mr Page knew that FPL would be outsourcing functions to HJL when he signed FPL's application for direct authorisation on 25 March 2014. By this date, Mr Page had met with HJL, signed an IAR agreement on behalf of FPL with HJL and signed a licence to allow FPL to use the Software in the Pension Review and Advice Process. He also informed a third party on 21 March 2014 that he would arrange for HJL's addresses to be added to FPL's website, and subsequently gave the instruction for this to happen on 24 March 2014.
72. As explained in paragraph 18 above, few customers were advised against switching their pensions to SIPPs investing in the Underlying Investments. Instead, most of the customers who did not switch were either not eligible to invest, were no longer interested or could not be contacted.
73. FPL's compliance consultant's online reporting system was used by Mr Page to report business transactions to FPL's compliance consultant, and had very different functions to the Software, which was specialised, bespoke software that allowed FPL to use the Pension Review and Advice Process. In any event, Mr Page signed the licence for the Software on 21 March 2014, and had also been given a demonstration of how the Software worked prior to signing FPL's application for direct authorisation on 25 March 2014.
74. The Authority does not accept Mr Page's submission that he had no idea of the likely income that he would earn or the number of customers that were likely to be

referred to FPL, as Mr Ward had clearly informed him of both in his email of 8 March 2014.

Misleading the Authority – 20 August 2014 new business register

75. *Mr Page regrets if there was any confusion, but considers that the request in August 2014 was for business issued, and so would not have captured mere advice which had not led to a switch. There was no intention by Mr Page to mislead.*
76. The Authority does not accept Mr Page's explanation as the email from the Authority clearly requested details of all business the Firm had arranged via a SIPP arrangement. Further, Mr Page did not correct the inaccurate impression provided by the 20 August 2014 new business register when he emailed the Authority on 5 September 2014, even though he would have known by this date that more customers had switched to a SIPP following FPL's advice.

Misleading the Authority – 1 September 2014 Telephone Call

77. *The communications are from Mr Ward to Mr Page and so do not demonstrate there was any intention by Mr Page to mislead the Authority. Further, Mr Page disagrees that the emails demonstrate an expression of intention to misdirect, or withhold information from, the Authority. The emails clearly show that Mr Page and Mr Ward did not know that cold calling may be occurring and that they took it incredibly seriously, would investigate and, if cold calling was discovered, the introducer would be dropped immediately.*
78. *The lead generation company in question has confirmed that cold calling was not taking place. Mr Page checked all firms generating leads and found no cold calling to be taking place.*
79. The Authority considers it is clear from the emails from Mr Ward, for example from his use of capital letters, that he and Mr Page appreciated the seriousness of the issue, and considers that because of this they chose to hide the fact that one lead generator was apparently cold calling from the Authority. Given that Mr Page did not inform the Authority during the call that one lead generator apparently cold called, the Authority concludes that Mr Page chose to follow Mr Ward's advice and mislead the Authority.
80. As mentioned in paragraph 26 above, the lead generator alleged to have cold called stated that it did not do so in an undated letter that appears to have been created

specifically for the purposes of Mr Page's representations. Accordingly, it does not provide independent, objective evidence that the lead generator did not engage in cold calling.

Misleading the Authority – 5 September 2014 email

81. *Mr Page denies that the 5 September 2014 email was misleading. He did not mention the use of cold calling as he did not believe that cold calling was responsible for any of the lead generation or indeed that it was being undertaken by the firms that HJL used.*
82. *The Authority has cherry picked aspects of the 5 September 2014 email. The email actually shows that Mr Page was transparent regarding his relationship with HJL.*
83. As explained above, the Authority considers that Mr Page was made aware during the 1 September 2014 phone call that one lead generator used by HJL was apparently cold calling. As Mr Page did not mention this during the 1 September 2014 call, he should have corrected the misleading impression given to the Authority in the 5 September 2014 email.
84. The Authority explains in paragraph 4.82 of this Notice why it considers the 5 September 2014 email to have been misleading, and does not agree that it has cherry picked aspects of the email. In that email, Mr Page referred to HJL only as an introducer to FPL. By also stating that he did not use the services of unauthorised firms in the same email, Mr Page gave the impression that HJL's relationship with FPL was limited to that of introducer, even though Mr Page knew that was not the case.

Misleading the SIPP Provider

85. *Mr Page regrets and apologises for his actions in respect of the SIPP Provider. Mr Page needed some capital himself as he was subject to a high degree of financial pressure. He wanted to prove that the funds would be willingly released to any customer requesting a withdrawal and thus to allay the Authority's fears that the fund managers could refuse. His comment was flippant and he did not intend for it to be taken seriously.*
86. It is unclear from Mr Page's explanation how he expected to prove that the funds would be willingly released to any customer, given that he provided false information to the SIPP Provider to try to obtain their release. Mr Page's

explanation does not excuse his conduct or mitigate the fact that he was willing to mislead a third party apparently for his personal financial gain. The Authority also does not consider his comment to have been made flippantly. Instead, the Authority considers it was made deliberately in order to increase the pressure on the SIPP Provider to effect the disinvestment as soon as possible.

Breach of the Asset Retention Requirement

87. *Mr Page did not deal with any assets. Person B issued a statutory declaration against Mr Page seeking to recoup the £25,000, but this action was defeated by Mr Page at a contested hearing of Mr Page's application to set aside the statutory demand. The issuing of the statutory demand followed a dialogue in which Person B was notified that the 'agreement' was unenforceable and did not constitute a dealing.*
88. Mr Page has not provided any documents to evidence the legal action or its outcome. In any event, the Authority considers that the evidence demonstrates that Mr Page intended to be bound by the loan agreement when he entered into it with Person B, and so the extent to which it is valid is not relevant in these proceedings. The Authority also notes that Mr Page had plenty of opportunity to raise the status of the loan agreement with the Authority, but instead he chose not to disclose its existence to the Authority.

Agreement with Mr Ward

89. *Mr Page considers it was reasonable for him, at a time when he had been notified of investigations that may lead to FPL being compromised, to consider how best to meet the needs of FPL's customers in the event of FPL's insolvency. The Authority has not stated the contemporaneous evidence that it is relying on to conclude that Mr Page was untruthful in stating that the purpose of the agreement was for succession planning.*
90. For the reasons given in paragraph 4.92 of this Notice, the Authority considers that Mr Page and Mr Ward entered into the agreement in order to preserve their financial interests, rather than because they were acting in customers' best interests. The Authority set out the evidence supporting its view in its Investigation Report, which was provided to Mr Page.

Dishonesty and lack of integrity

91. *Mr Page acted transparently and cooperatively in his dealings with the Authority, and was willing to consult with compliance experts. This should be given due weight by the Authority.*
92. *Mr Page acted with due care and skill in the exercise of his duties. He insisted upon an advisory, rather than an execution-only model; called customers to speak personally with them and to understand if the advice and the recommended products were suitable for them; and exercised a high degree of supervision and inspection of customer files. He tested the market and found no more suitable product for this class of customer, and believes that the customers were better off as a result of the switch. He himself had confidence to switch his own pension to a SIPP investing in the Underlying Investments. He would not have done so had he not believed it was robust enough to guarantee his capital and a fixed return. A lapse in judgement does not constitute a lack of integrity.*
93. *Mr Page has pursued a successful career as an independent financial adviser and has never before been the subject of any regulatory investigation. This experience shows he is competent to conduct his duties and he maintains he is a fit and proper person.*
94. The Authority has had regard to Mr Page's representations in determining that, for the reasons set out in section 5 of this Notice, Mr Page acted dishonestly and recklessly between 9 April 2014 and 1 February 2016. The Authority considers that, on account of his dishonest and reckless actions, Mr Page lacks integrity and is not a fit and proper person, notwithstanding that he had not previously been the subject of any regulatory investigation. The Authority considers that this was not a mere lapse in judgment and that instead Mr Page acted dishonestly and recklessly for a long period of time motivated by financial gain. In the circumstances, the Authority considers it is appropriate and proportionate to withdraw Mr Page's approval to perform controlled functions, impose a prohibition order and impose a significant financial penalty on him.

Proportionality of the proposed action

95. *Mr Page has not seen any evidence that customers have suffered loss as a result of his advice, and it is not clear to him why the Authority believes customers received deficient advice.*

96. *The proposed action is disproportionate. If, as Mr Page submits, the advice was deficient in style rather than substance, a simple suspension would be adequate.*
97. By acting recklessly in respect of FPL's adoption and use of the Pension Review and Advice Process, Mr Page exposed FPL's customers to the risk of suffering potentially significant loss to their pensions. This was a fundamental concern for the Authority, irrespective of whether customers actually suffered loss. However, customers have in fact suffered substantial losses as a result of their investments. As at 17 May 2018, the FSCS had paid over £1.7 million in compensation to FPL customers as a result of loss suffered upon transferring or switching their pension to the Underlying Investments.
98. The Notice makes it clear (for example from the Authority's review of the 20 sample customer files) that the advice given by FPL was deficient for substantive reasons, not just for reasons of style. The unsuitable advice was caused by Mr Page's reckless conduct in allowing FPL to adopt and use the Pension Review and Advice Process. In the circumstances, and as explained in section 6 of this Notice, the Authority considers that it is appropriate to withdraw Mr Page's approval to perform controlled functions, impose a full prohibition order and impose a substantial financial penalty. The Authority considers that a suspension would not reflect the seriousness of the conduct involved.

Representations received from HJL, Mr Stephen, Mr King and Person A (the "third parties")

99. The third parties' representations (in italics), and the Authority's conclusions in respect of them, are set out below:

The development of the Software and the pension switching advice model

100. *HJL did not develop the Software or the pension switching advice model. They were instead designed by two individuals at another company independent of HJL ("Company A").*
101. The Authority accepts that HJL did not create the Software, and that it was instead created by two individuals at Company A. However, the Software was developed at the request of HJL. HJL initially sought an efficient way to provide customers with a pension comparison, to see whether the customer's existing pension charges were reasonable. A system was developed by Company A in around 2011/2012 in line with this request. This system was an early version of the Software.

102. In 2013, HJL asked Company A whether an advice model could be “bolted on”. HJL staff assisted Company A to understand the products that would be recommended through the Software so that Company A could develop the triggers for the advice. HJL also led the creation of the templates of the documents which were used in the Pension Review and Advice Process and which enabled a complete, fully advised pension switch. The Authority therefore considers that HJL initiated and influenced the development of both the Software and the pension switching advice model.

HJL did not process leads obtained through unlawful cold calling

103. *HJL was at no time involved in cold calling activities itself. All clients introduced to the Firm were obtained by lead generation businesses through a generic financial promotion process, which did not involve the lead generator in identifying any specific investment or a specific provider of investment services. To the extent the activities of the lead generators involved unsolicited real-time financial promotions, those promotions were exempt from the financial promotion restriction in section 21(1) of the Act by virtue of Article 17 of the Financial Service and Markets Act 2000 (Financial Promotion) Order 2005.*

104. The Authority has not found that HJL cold called customers. Instead, the Authority has found that Mr Page failed to take any steps to establish that the lead generators used by HJL generated their customer introductions in an appropriate manner and did not use cold calling. As such, he did not know whether leads were generated by cold calling. In fact, the Authority was contacted by three customers complaining that they had been cold called by one of the lead generation companies used by HJL.

Mr Stephen properly managed any conflict of interest

105. *Mr Stephen took careful steps to manage any potential conflicts of interest, including taking legal advice on issues surrounding potential conflicts. From his and HJL’s position, relevant potential conflicts were properly managed.*

106. This Notice relates to the conduct of Mr Page and the steps he took to manage, disclose and mitigate the potential conflicts of interest posed by Mr Stephen’s common directorships. The Authority has made no finding as to whether Mr Stephen adequately managed any actual or potential conflicts that he had. However, it is necessary to describe Mr Stephen’s common directorships in the Notice in order to explain Mr Page’s misconduct.

Reference to Mr King's common directorship

107. *Mr King was a director of HJL during the Relevant Period and was also a director of the entities that issued the Bond. However, the corporate governance of those entities was structured in such a way that he was able to recuse himself from directors' decisions in case of conflict. The nature of the investments of the company issuing the Bond was such that there were few, if any, circumstances in which Mr King needed to recuse himself.*

108. For the reasons set out above in relation to Mr Stephen, it is necessary to describe Mr King's common directorships in the Notice in order to explain Mr Page's misconduct and the Authority has made no finding as to whether Mr King adequately managed any actual or potential conflicts that he had.

HJL was not inherently unsuitable for the purposes for which it was retained by FPL

109. *HJL's qualification to operate the Software was its having staffing and organisational capacity to do so. Moreover, the Authority has failed to explain on what basis it implicitly contends that HJL was unsuitable.*

110. When outsourcing functions to a third party, authorised firms which are common platform firms (such as FPL) must comply with Principle 3 of the FCA's Principles for Business and applicable rules in SYSC, and should also have regard to applicable guidance in SYSC. The relevant rules and guidance are set out in paragraph 4.39 of this Notice. In light of these rules and guidance, Mr Page should have taken reasonable steps, such as conducting adequate due diligence, to ensure that HJL was suitable to perform the functions that were outsourced to it.

111. Mr Page did not take reasonable steps, or conduct adequate due diligence, even though it was intended that HJL would correspond with customers on behalf of the Firm, and would perform functions that were both necessary and important for the giving of advice (such as the conduct of fact-finds). The Authority considers that such due diligence should go beyond merely ensuring that HJL had the staffing and organisational capacity to carry out the Outsourced Functions or its lead generation activities. In addition, as part of Mr Page's due diligence he could have considered, for example, the suitability of HJL's management and the quality of its staff.

Reference to Person A's criminal record and bankruptcy

112. *Person A was at all material times a consultant to HJL, and he played a limited role as regards the Pension Review and Advice Process. There is no need to refer to Person A's criminal record and bankruptcy since these matters were not relevant to any risk assessment that the Firm needed, on the facts of this case, to have carried out. It is also denied, to the extent that it is alleged, that it would not have been appropriate for the Firm to enter into a business relationship with HJL because of these matters.*
113. In the Authority's view, the evidence supports its conclusion that Person A played a significant part in the Pension Review and Advice Process and had an influential role at HJL. For example, his job title in HJL's organisation chart was "Senior Investment Manager", he was one of three representatives from HJL at meetings with the SIPP Provider (along with Mr Stephen and Mr King), he brought the business proposition from HJL to FPL and he gave instructions to FPL regarding the cash to Liquid Assets Bond switch. The Authority considers that it is appropriate to refer to Person A's background, which demonstrates a serious failure to act with integrity. When considering whether to outsource important functions to a third party, especially where the third party will be responsible for most of the customer contact, the extent to which customers could be exposed to persons who have demonstrated a lack of integrity should be a fundamental consideration. Mr Page's failure to consider this illustrates his failure to give proper consideration to whether HJL and CAL were suitable to perform services on behalf of the Firm.

Other entities were involved with the use of the Software during the Relevant Period but have not been addressed in the Warning Notice to the same extent as HJL

114. *HJL discharged its limited processing functions for the period July to October 2014. At other times in the Relevant Period these functions were discharged by CAL, however, HJL is named frequently throughout the Notice.*
115. Each of the relevant entities that were involved in the Pension Review and Advice Process are mentioned to the extent necessary to describe the facts and matters relied on in reaching the decision to take the action set out in paragraph 1.1 of the Notice. The fact that HJL is mentioned more often than CAL is a reflection of its greater role in the Pension Review and Advice Process, in particular, its role in the development of the model on which the process is based, its lead generation

activities, its role in relation to the products recommended through the process, and its financial interest in those products.

Anonymisation of HJL, Mr Stephen and Mr King

116. *There is no reason why HJL, Mr Stephen and Mr King should not be anonymised. The Notice would achieve what it is intended to achieve even if HJL, Mr Stephen and Mr King are not identified by name. Further, HJL's commercial interests will be significantly harmed if it is named in the Notice.*
117. HJL had a central role in the Pension Review and Advice Process. In particular, it initiated and influenced the development of the pension switching advice model, brought the model to the attention of the Firm, performed the Outsourced Functions and had a material financial interest in the Loan Notes. In these circumstances, the Authority considers it appropriate to mention HJL by name so that its findings, and the factual background (including the key parties involved), can be easily ascertained by the recipient of the Notice, as well as by any other reader of the Notice. Further, the Authority considers it possible that HJL could be identified from the description of the matters contained in the Notice even if anonymised as the Authority's Financial Services Register names HJL as an IAR of FPL between 11 September 2014 and 2 July 2015, and the Authority considers it is necessary to include detail in the Notice about HJL, including that it was an IAR and the time period that it was registered as an IAR, in order to explain the relationship between HJL and FPL. As such, the Authority considers it unlikely that HJL will be materially prejudiced as a result of being referred to by its name in the Notice.
118. The Authority has decided to name Mr Stephen and Mr King for similar reasons. As Companies House records show they were the only two directors of HJL during the period that FPL was using the Pension Review and Advice Process, the Authority considers they could be identified even if anonymised. Further, as directors, they were responsible for the day-to-day operation of HJL during the Relevant Period.