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## DECISION NOTICE

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### One Life Funeral Planning Limited

**15 July 2022**

#### **ACTION**

1. By an application dated 29 October 2021 (“the Application”), One Life Funeral Planning Limited (“One Life”) applied under section 55A of the Act for Part 4A permission to carry on the regulated activities of:
  - a. Agreeing to carry on a regulated activity;
  - b. Entering as provider into a funeral plan contract; and
  - c. Carrying out a funeral plan contract as a provider.
2. For the reasons listed below, the Authority has decided to refuse the Application as it cannot ensure that One Life will satisfy, and continue to satisfy, the threshold conditions set out in Schedule 6 of the Act.

#### **SUMMARY OF REASONS**

3. By its Warning Notice the Authority gave notice that it proposed to refuse the Application. One Life made representations to the Authority about that proposed action. The Warning Notice, representations, new materials submitted, and the interviews conducted with the new candidates for the Senior Management Functions (SMFs) have been considered and are the basis for the decision referred to above.
4. Throughout the Authority’s assessment of the Application, the Authority has been concerned that One Life has not demonstrated that it is ready, willing and organised to comply with the requirements of the regulatory system. The firm has not been able to demonstrate that it can meet the threshold conditions set out at Schedule 6 to the Act.
5. The Authority carried out interviews with individuals at the firm who intend to hold SMFs. Two of the three individuals failed to demonstrate during the course of the interviews that they had the required competence and experience to perform these

roles, therefore calling into question whether the firm has adequate non-financial resources in respect of the SMFs at the firm.

6. The firm has also stated that as part of its customer acquisition model it intends to make use of a data vendor. This proposed method is not compliant with the rules set out in FPCOB 6.5.2 R which prohibits the payment of any commission of any kind to any person engaging in funeral plan distribution or introducing customers to the firm. The Authority notes that the firm has stated that 60% of its customers would be acquired through the use of its data vendor. Without the use of the firm's data vendor, it is questionable as to whether the firm would be able to acquire the customers it needs to maintain its business.
7. The Authority has concerns regarding poor sales practices at One Life, following a review of customer calls, the firm's sales scripts and the financial promotions placed on the firm's website.
8. For the reasons set out in this Decision Notice, the Authority cannot ensure that One Life satisfies, and will continue to satisfy, the threshold conditions set out in Schedule 6 of the Act: the Appropriate Resources threshold condition and the Suitability threshold Condition.

## **DEFINITIONS**

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

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

"the Application" means the application dated 29 October 2021 referred to in paragraph 1 above.

"Appropriate Resources threshold condition" means the threshold condition set out in paragraph 2D to Schedule 6 of the Act.

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

"One Life" or "the firm" means One Life Funeral Planning Limited.

"Suitability threshold condition" means the threshold condition set out in paragraph 2E to Schedule 6 of the Act.

"the Executive Decision Maker" means the member of the Authority's staff acting under executive procedures as described in Chapter 4 of the Decision Procedure and Penalties Manual in the Authority's Handbook.

"the Tribunal" means the Upper Tribunal (Tax & Chancery Chamber).

## **FACTS AND MATTERS**

### **Background to the firm**

10. One Life was incorporated on 16 December 2020. The firm offers prepaid funeral plans in the UK.
11. The Application was received by the Authority on 29 October 2021. As part of the Application One Life submitted a Business Plan and supporting documentation.

#### Competency of Senior Managers at One Life

12. The Authority conducted competency interviews with the proposed candidates for the SMF 16, Compliance Oversight, SMF 3, Executive director and SMF 1, Chief Executive functions. Based on the feedback received from the Authority, the firm put forward a new candidate for the SMF 16 function.
13. On 29 June 2022 the Authority conducted competency interviews with each of the firm's proposed SMF 3 Sales Director, SMF 3 Chief Technical Officer and SMF 16 Risk and Compliance Director.
14. The Authority assessed the firm's SMF 3 Chief Technical Officer as an individual who demonstrated the required skills to hold the role applied for. The Authority assessed that the firm's proposed SMF 3 Sales Director and SMF 16 Risk and Compliance Director were not demonstrating the required skills to hold the roles applied for. The firm confirmed that the SMF 3 Sales Director and SMF 16 Risk and Compliance Director held ultimate sign off on the firm's improved sales processes which the Authority assessed as being non-compliant.

#### One Life Lead Generation

15. After lengthy correspondence with the Authority, the firm decided to terminate its relationship with two of its three data vendors. However, One Life still purchases data from one data vendor. The Authority has repeatedly expressed its views that such practice is in breach of the provisions of FPCOB 6.5.2R. One Life did not agree and maintained that the type of relationship that they have with the remaining one data vendor is not in breach of the Authority's rules.
16. The Authority considered the data vending agreement in place, One Life's explanation on the functioning of this agreement as well as the legal opinion provided by One Life in support of its views. For the reasons set out in more detail in Annex B, the Authority disagrees with One Life. The firm's use of the data vendor to acquire data of potential clients is in breach of the commission ban as set out in FPCOB 6.5.2R.

#### One Life's Sales

17. On 8 April 2022 the Authority requested that One Life provide the Authority with a sample of call records for sales conducted during February 2022. The Authority conducted a review of the sales calls conducted by One Life and has identified concerns including agents not providing consumers with the full cost of plans prior to commencing the sales process, pressured sales, not assessing whether consumers already had a plan in place, non-disclosure of cancellation fees, overestimating the future cost of funerals, selling plans where the consumer requires time to consider their options and not identifying vulnerability markers. These findings impact the firm's ability to meet the Suitability threshold condition, in respect of the need to ensure that One Life's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers.

18. The Authority has found instances of One Life sales agents applying pressure to consumers to take out plans. One of the calls which the Authority has reviewed is a sales call conducted on 2 February 2022. During the call the consumer stated, *"you can give me quotes about it but like I said I'm not going to arrange anything."* The agent responded, *"there would be nothing stopping you going ahead with anything would there?"* The consumer stated their age and the agent responded *"my argument to that, let's say you are alive for another 40 years between now and the next 40 years. How much do you think funerals will go up?"* the consumer states *"I haven't got a clue."* The agent responded *"we can both admit they will go up a lot won't they. If you could lock the price of your funeral now do you think you would pay less money than if you got the plan out in 10 years' time."* The consumer stated, *"you would probably end up paying more"*. The agent then stated, *"so why would you not want to put a plan in place at today's prices."*
19. During a call conducted by the firm on 11 February 2022 the agent informed the consumer that the current cost of funerals is £6,000 and that the future cost of funerals will be £10,000. During another call conducted on the same day the Authority found that a One Life agent stated that the average cost of a funeral was £4,000 and that this was rising by 6% a year. The agent then stated that in the next 10-15 years the cost would be £8,000-£10,000. During this call the agent also failed to provide the consumer with the full overall cost of the plan taken out via instalments prior to the commencement of the sales process.
20. The Authority has found One Life agents selling plans in circumstances where consumers require more time to consider their options. The Authority has reviewed a call conducted by One Life on 2 February 2022. During the call the agent explained the burial and cremation options available to the consumer. When asked about proceeding with the plan during the call the consumer requested that the agent call them back the following day as they wished to explore all options with their family as they were unsure. In response the agent stated that the plan could be taken out during the call and amended later. During this call the agent also failed to provide the consumer with the full overall cost of the plan taken out via instalments prior to the commencement of the sales process.
21. The Authority has reviewed a call conducted by One Life on 21 February 2022. A plan was sold to the consumer and their partner without the partner being present. The agent asked the consumer what prompted them to start looking for funeral plans. There was a long delay and the consumer stated they had suffered a stroke. The agent did not acknowledge this and answered the question himself stating it was peace of mind for the consumer's family and that they were taking responsibility for the funeral. The agent did not give the full plan cost. The consumer selected the cheapest instalment option. The agent requested the consumer make a deposit payment and the consumer stated they were unable to pay a deposit.
22. The agent asked the consumer for their account details to set up a direct debit. The consumer was gone for some time retrieving their bank details before returning to the line at which point, they stated, *"I've been thinking, I will talk to my partner today and then you ring me tomorrow"*. The agent responded *"we are literally there now in terms of setting it up, I've already got the plan number up in front of me and everything up. Obviously like I said before we are not taking no money out today or anything like that. We are getting it set up and setting the direct debit up for the 6<sup>th</sup> of every month..."* The agent then stated that if the consumers' partner

had any questions regarding the paperwork which would be sent through, they could call the agent.

23. Another call reviewed by the Authority occurred on 22 February 2022. The consumer was an elderly individual who had poor hearing and whose first language was not English. The call was conducted while the customer was traveling, and she was having difficulty hearing. During the call the agent presented the consumer with the "Gold plan" and informed the consumer at speed of what the plan covered. The agent stated that the application would only take a couple of minutes and asked the customer for their next of kin details and asked if they could take a first payment. The agent asked for the consumer's account number and sort code and the consumer declined.
24. The consumer stated that they would like to go home, review everything and speak with their son before making a first payment. The agent asked what time the consumer would be home and the agent called back. During this call the agent asked if the consumer had spoken to their son and was informed that their son had advised them not to go ahead with the plan until he had seen the paperwork. The agent moved forward with setting up the plan in any event by offering to delay the first payment. This plan was subsequently cancelled.
25. On 20 June 2022, the firm responded to the Warning Notice issued by the Authority. As part of the firm's written representations, One Life stated that it had improved its sales processes such that the practices that led to the pressuring of customers as described above had been abolished and sales scripts and training have been put in place to ensure that customers are treated fairly.
26. On 27 June 2022, the Authority sent a request to the firm to provide further information. This included a request for the provision of further documentation about the firm's sales processes, further calls conducted by the firm using the new sales process, and a mock-up of the firm's website it anticipated to use from 29 July 2022.
27. The firm provided a number of sales calls completed primarily during the month of June 2022 for the Authority to review. The Authority reviewed a sales call conducted on 23 June 2022. The consumer stated that they would be starting a new job a week later. The consumer chose to take out the celebration bronze plan with the longest instalment term of 20 years. The consumer was not asked if they already had provisions for a funeral in place. During the call the sale agent stated, *"when you are back working, and your situation improves, and your circumstances improve and want to overpay that's up to you"*. The consumer stated, *"obviously you are not going to ask for the first payment today as I am skint"*. The plan was subsequently cancelled by the consumer.
28. Another call reviewed by the Authority took place 31 May 2022. The consumer was driving at the time of the call. The sales agent did not ask if the consumer had provisions for a funeral in place already. During the call the consumer mentioned that they wished to read the paperwork before making a final decision. Despite this, the agent went on to sell the consumer the plan. The plan was subsequently cancelled by the consumer.
29. The Authority has also considered the further documentation provided by One Life, and in particular documents relating to the sales process. The Authority is concerned that that One Life is in breach of the provisions set out in FPCOB 8.2.5R

because it appears that no information is gathered to allow the firm to consider whether any person has already made provision for the covered individual's funeral. The Authority is also concerned that One Life's approach is in breach of Principle 6, because it appears that the information gathered about the potential client's vulnerability is collected too late during the sales call in a way that does not allow for any adjustments to be made during the call. As a result, the Authority is not satisfied that vulnerable customers are being treated fairly.

30. As part of the information request sent to the firm on 27 June 2022, One Life was requested to provide its demands and needs documentation. The Authority was not provided with this. As such the Authority have been unable to assess its content for the Authority to be satisfied that it is compliant with the rules set out within FPCOB 8. As the firm have not provided demands and needs documentation the Authority has assessed the extent to which the firm's sales scripts enable a sales agent to conduct a demands and needs test with its consumers. The Authority considers that the firm is non-compliant with FPCOB 8.2.5R.
31. Having reviewed the firm's proposed website, the Authority is concerned that it does not comply with the obligation for any promotion to fair, clear and not misleading as set out in FPCOB 4.2.1R. The firm's webpage has a page which states "*arrange a funeral now/organise a funeral today*". This page also mentions that "*if sadly someone has passed away, we can support you to arrange an unattended funeral today*". This is misleading as it could be interpreted by consumers that the firm is offering at-need funerals which is not something One Life offer.
32. A further example of the firm's website failing to meet FPCOB 4.2.1R is that it refers to "*funerals from £995\* and funeral plans from £1,495\*\**". This is a price comparison of an at-need direct cremation purchased today versus a prepaid direct cremation plan. The asterix which explains this is not clear enough or sufficiently prominent. There is no information which explains the firm's reference to, or value of, at-need prices.
33. The Authority also note that the price of a direct cremation from £995 is listed throughout the firm's website. However, the firm then quotes the price of £1,495 which includes a temporary voucher reduction of £200 valid until September 2022. The true cost of the plan is £1,695. This could mislead the consumer as the £995 lower cost option is not available.

## **IMPACT ON THE THRESHOLD CONDITIONS**

The regulatory provisions relevant to this Decision Notice are referred to in **Annex A**.

34. In light of the facts and matters set out above and for the reasons set out below, the Authority cannot ensure that, if the Application were granted, One Life would satisfy, and continue to satisfy, the Appropriate Resources and Suitability threshold conditions.

### ***Appropriate Resources***

35. Paragraph 2D of Schedule 6 to the Act sets out that:

- (1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.
- (2) The matters which are relevant in determining whether A has appropriate non-financial resources include—
  - (a) the skills and experience of those who manage A's affairs;

36. The Authority is not satisfied that One Life's non-financial resources will be appropriate in relation to the regulated activities it seeks to carry on. In particular:

- a. The Authority conducted competency interviews with the proposed SMF holders in March 2022. The Authority assessed that three of the firm's proposed candidates did not have the required competence and capability to hold the roles applied for.
- b. The Authority conducted further competency interviews with proposed SMFs of the firm in June 2022 and as a result the Authority has found that a further two of these individuals interviewed do not have the required competence and capability to hold the roles applied for. Accordingly, One Life does not have adequate non-financial resources in respect of the skills and experience of those who manage the firm's affairs.

### ***Suitability***

37. Paragraph 2E of Schedule 6 to the Act sets out that:

- 1) A must be a fit and proper person having regard to all the circumstances, including—
  - a. A's connection with any person;
  - b. The nature (including the complexity) of any regulated activity that A carries on or seeks to carry on;
  - c. The need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
  - d. Whether A has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where A has so complied or is so complying, the manner of that compliance;
  - e. Whether those who manage A's affairs have adequate skills and experience and act with probity;

- f. Whether s's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner
38. Associated guidance in COND 2.5.4 G for this threshold condition reads, in so far as it is relevant:
- 2) Examples of the kind of general consideration to which the FCA may have regard when assessing whether a firm will satisfy, and continue to satisfy, the threshold conditions set out in Paragraphs 2E and 3D of Schedule 6 to the Act include, but are not limited to, whether the firm:
    - a. Conducts, or will conduct, its business with integrity and in compliance with proper standards;
    - b. Has, or will have a competent and prudent management; and
    - c. Can demonstrate that it conducts or will conduct, its affairs with the exercise of due skill, care and diligence.
39. The firm was informed by the Authority that its cancellation rates were considered high. The firm has since provided evidence to show that these rates have now declined. Whilst the Authority acknowledges that the firm has responded to the concerns raised, the Authority is concerned that the issue was not proactively identified by the firm. When asked to provide evidence of when the high cancellation rates first came to the attention of the firm, the firm was unable to articulate this or provide evidence of how it became aware of this issue or provide a specific date outlining when the firm was first alerted to this. As such, the Authority is concerned that the firm does not have the appropriate systems and controls in place to effectively identify and monitor the quality of its sales output.
40. The firm has provided information in respect to its sales processes. The Authority is concerned that the firm does not have adequate systems and controls in place in respect of the firm's sales processes and that these sales processes do not comply with the Authority's rules.
41. The Authority has further concerns in that the Authority has reviewed the firm's proposed financial promotions for its website and have assessed these as non-compliant with FPCOB 4.2.1R, which requires customer communications to be clear, fair and not misleading.
42. In light of the matters set out above the Authority is not satisfied that:
- I. One Life's business will be managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner and that One Life is ready, willing and organised to comply with the requirements and standards under the regulatory system.
  - II. The Authority is not satisfied that One Life satisfies and will continue satisfy the Suitability threshold condition.
43. On the basis of the facts and matters described above, the Authority cannot ensure that One Life will satisfy, and continue to satisfy, the threshold conditions in relation to all of the regulated activities for which One Life would have permission if the Application was granted. The Authority accordingly has decided to refuse the Application.



## **REPRESENTATIONS**

44. Annex B contains a brief summary of the key representations made and the additional documentation provided by One Life and how they have been dealt with. In making the decision which gave rise to the obligation to give this Decision Notice, the Authority has taken into account all of the representations made and documentation provided by One Life, whether or not set out in Annex B.

## **PROCEDURAL MATTERS**

### **Decision maker**

45. The decision which gave rise to the obligation to give this Decision Notice was made by the Executive Decision Maker.
46. This Decision Notice is given under section 55X(4) and in accordance with section 387 of the Act. The following statutory rights are important.

### **The Tribunal**

47. One Life has the right to refer the matter to which this Decision Notice relates to the Upper Tribunal (formerly known as the Financial Services and Markets Tribunal). Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, One Life has 28 days from the date on which this Decision Notice is given to One Life to refer the matter to the Upper Tribunal. A reference to the Upper Tribunal is made by way of a reference notice (Form FTC3) signed by One Life and filed with a copy of this Notice. The Upper Tribunal's address is:

The Upper Tribunal (Tax and Chancery Chamber)  
Fifth Floor  
Rolls Building  
Fetter Lane  
London  
EC4A 1NL

(tel: 020 7612 9700/e-mail: [financeandtaxappeals@hmcts.gsi.gov.uk](mailto:financeandtaxappeals@hmcts.gsi.gov.uk)).

Further details are contained in "Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)" which is available from the Upper Tribunal website:

<http://formfinder.hmctsformfinder.justice.gov.uk/t400-eng.pdf>

One Life should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as filing a reference with the Upper Tribunal. A copy of the reference notice should be sent to Darren Bruce at the FCA, 12 Endeavour Square, London, E20 1JN.

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**

48. Section 394 of the Act does not apply to this Decision Notice.

### **Confidentiality and publicity**

49. One Life should note that this Decision Notice may contain confidential information and, unless it has been published by the Authority, should not be disclosed to a third party (except for the purpose of obtaining advice on its contents). One Life should also note that under section 391(1A) of the Act, a person to whom a Decision 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.
50. One Life should also note, however, the Authority must, under section 391(4) of the Act publish such information about the matter to which a Decision Notice or Final Notice relates as it considers appropriate. A Decision Notice or Final Notice may contain reference to the facts and matters contained in this Notice.

### **Authority contacts**

51. For more information concerning this matter generally, contact Darren Bruce, Manager, Authorisations department at the Authority (direct line: 020 7066 4128 / email: [Darren.bruce@fca.org.uk](mailto:Darren.bruce@fca.org.uk)).

## **ANNEX A – REGULATORY PROVISIONS RELEVANT TO THIS DECISION NOTICE**

### **Relevant Statutory Provisions**

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

### **Relevant provisions of the Authority’s Handbook**

#### ***Threshold Conditions - COND***

4. In exercising its powers in relation to the granting of a Part 4A permission, the Authority has regard to guidance published in the Authority’s Handbook, including the part entitled ‘Threshold Conditions’ (“COND”). Provisions relevant to the consideration of the current application include those set out below.

#### *General guidance*

5. COND 1.3.2G(2) states that, in relation to threshold conditions 2D to 2F, the Authority will consider whether a firm is ready, willing and organised to comply on a continuing basis with the requirements and standards under the regulatory system which will apply to the firm if it is granted Part 4A permission.
6. Under COND 1.3.3AG, in determining the weight to be given to any relevant matter, the Authority will consider its significance in relation to the regulated activities for which the firm has, or will have, permission, in the context of its ability to supervise the firm adequately, having regard to the Authority’s statutory objectives. In this context, a series of matters may be significant when taken together, even though each of them in isolation might not give serious cause for concern.
7. COND 1.3.3BG provides that, in determining whether the firm will satisfy, and continue to satisfy, the FCA threshold conditions, the FCA will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere.

8. COND 1.3.3CG provides that, when assessing the FCA threshold conditions, the FCA may have regard to any person appearing to be, or likely to be, in a relevant relationship with the firm, in accordance with section 55R of the Act (Persons connected with an applicant). For example, a firm's controllers, its directors or partners, other persons with close links to the firm (see COND 2.3), and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the FCA threshold conditions, would be in a relevant relationship with the firm.
9. *Threshold condition 2D: Appropriate Resources*
10. COND 2.4.2G(2) states that the FCA will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources (though only in the case of firms not carrying on, or seeking to carry on, a PRA-regulated activity), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
11. COND 2.4.2G(3) states that high level systems and control requirements are in SYSC. The FCA will consider whether the firm is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purpose of threshold condition 2D.
12. COND 2.4.2G(4) states that detailed financial resources requirements are in the relevant section of the Prudential Standards part of the FCA Handbook, including specific provisions for particular types of regulated activity. The FCA will consider whether firms (other than firms carrying on, or seeking to carry on, PRA-regulated activities) are ready, willing and organised to comply with these requirements when assessing if they have appropriate financial resources for the purposes of threshold condition 2D.
13. COND 2.4.4G states that, when assessing whether a firm has appropriate resources, the Authority will have regard to matters including:

*Threshold condition 2E: Suitability*

14. COND 2.5.2G(2) states that the FCA will also take into consideration anything that could influence a firm's continuing ability to satisfy threshold condition 2E. Examples include the firm's position within a UK or international group, information provided by overseas regulators about the firm, and the firm's plans to seek to vary its Part 4A permission to carry on additional regulated activities once it has been granted that permission.
15. COND 2.5.3G(1) states that the emphasis of threshold condition 2E is on the suitability of the firm itself. The suitability of each person who performs a controlled function will be assessed by the FCA and/or the PRA, as appropriate, under the approved persons regime (see SUP 10 (Approved persons) and FIT). In certain circumstances, however, the FCA may consider that the firm is not suitable because of doubts over the individual or collective suitability of persons connected with the firm.

16. COND 2.5.4G(2) states that examples of the kind of general considerations to which the FCA may have regard when assessing whether a firm will satisfy, and continue to satisfy, threshold condition 2E include, but are not limited to, whether the firm:
- (a) conducts, or will conduct, its business with integrity and in compliance with proper standards;
  - (b) has, or will have, a competent and prudent management; and
  - (c) can demonstrate that it conducts, or will conduct, its affairs with the exercise of due skill, care and diligence.
17. COND 2.5.6G provides that examples of the kind of particular considerations to which the FCA may have regard when assessing whether a firm will satisfy, and continue to satisfy, this threshold condition.

### **Funeral Plan: Conduct of Business Sourcebook -FPCOB**

The section of the Authority's Handbook entitled 'requirement not to offer commissions', FPCOB 6.5.2.R sets out the rules in relation to funeral plan providers in that a funeral plan provider is unable to offer or pay any commission or remuneration to another firm in connection to the firm's engaging in funeral plan distribution. Provisions of [FPCOB 6.5.2.R] relevant to the consideration of the current application include those set out below. A firm must not offer or pay (and must ensure that none of its associates offers or pays) any commissions, remuneration or benefit of any kind to:

- 1. (1) Another firm in connection with that firm's business of engaging in funeral plan distribution;
- 1. (2) Another person in connection with:
  - 1. (a) that persons business of engaging in funeral plan distribution:
    - 1. (i) for which it does not require authorisation; or
    - 2. (ii) which it carries on in breach of the general prohibition;
  - 2. (b) business of that person which would involve engaging in funeral plan distribution in but for an exclusion in the Regulated Activities Order;
  - 3. (c) That person's business of introducing customers to another person in relation to funeral plan contracts;
- 2. (3) A person in (1) or (2) in relation to any related services; or
- 3. (4) any third party for the benefit of a person, and in the circumstances described, in (1) to (3), except as provided in this section.

### *Demands and needs*

FPCOB 8 of the Authority's Handbook entitled "demand and needs" sets out that a firm must identify the demands and needs of its customers.

FPCOB 8.2.5 R states:

In determining whether a funeral plan contact is consistent with the customer's demands and needs, a firm must consider, amongst other things:

(1) whether any person has already made provision for the covered individual's funeral;

### *Fair, clear and not misleading rule*

FPCOB 4.2.1R states A firm must ensure that a communication or a financial promotion is fair, clear and not misleading.

### **Principles for Business- PRIN**

This section of the Authority's handbook outlines the fundamental obligations of firms when they apply under the regulatory system. PRIN 2.1 provides a full list of The Principles.

PRIN 6 is in reference to consumers' interests. PRIN 6 states a firm must pay due regard to the interests of consumers and treat them fairly.

## ANNEX B – REPRESENTATIONS

1. A summary of One Life's representations (in italics), and the Authority's conclusions in respect of them are set out below.

### Senior Managers

2. *One Life has taken on board the Authority's comments formulated in the Warning Notice of some of its senior managers and as a result has withdrawn the candidacy of its former SMF 16 and two of its SMF function candidates and put forward a new individual for the SMF 16 Compliance oversight function.*
3. Having conducted competency interviews with the SMF 16 candidate and two SMF 3 candidates, the Authority is not satisfied that the individuals proposed for the SMF 16 Compliance oversight and SMF 3 Executive director as sales director have demonstrated that they are fit and proper to discharge the responsibilities they are assigned. In particular, both individuals have contributed to creation and implementation of the new sales scripts and training programs that form the core of the improved sales processes of the firm. However, these sales processes do not comply with the relevant Handbook provisions. Hence, the involvement of the SMF candidates in the development and sign-off of these processes call in question their competence and whether they have sufficient understanding of the Authority's rules to discharge their functions in a way to ensure the firm's compliance of the same.

### Sales processes

4. *One Life has accepted the concerns expressed by the Authority in the Warning Notice about the sales calls. This led to an overhauling of the sales process in that new sales scripts were put in place; the staff received and are still receiving extensive training and the calls are more closely monitored and feedback is regularly given to sales staff. This has resulted in a sales process that is now compliant in all respects with FPCOB and the Authority's rules more in general.*
5. The Authority has reviewed the new materials and a sample of the sales calls provided by the firm. The Authority is not satisfied that the new sales scripts and, as a consequence, the amended sales process is adequate to ensure the firm's compliance with the Authority's rules and namely that the customers are treated fairly. In breach of FPCOB 8.2.5R, no information is gathered in relation to whether any person has already made provision for the covered individual's funeral. In addition, the Authority is concerned that the way information is gathered and assessed about any potential vulnerability of the customer is inadequate. There are too few questions and they are asked at a late stage of the sales call, not making it possible to make adjustments during the call with view of the specific vulnerability or to properly assess the potential vulnerability.

### Data vendor agreement

6. *Following feedback from the Authority, One Life terminated all its relationships with lead generators. There only remains one agreement with a data vendor. One Life purchases data from this data vendor for individuals who have expressed an interest in funeral planning as part of a multi-product telephone questionnaire. The data is*

*gathered by the data vendor to sell on as a commodity to whoever wishes to purchase from them. The data vendor does not provide any advice or recommendation to the individuals, but simply notes their preferences and designates their data accordingly. This means that One Life's agreement with the data vendor falls outside of the scope of FPCOB 6.5.2R as the data vendor cannot be said to be engaging either in funeral plan distribution or in intermediation. This is because both distribution and intermediation would require some engagement – advice or arrangement - with the customer on the part of the data vendor. The data vendor's activities do not include any sort of advice or arranging and therefore One Life's agreement with them is not in breach of the commission ban set out in FPCOB 6.5.2R.*

7. The Authority does not agree with the interpretation of FPCOB 6.5.2R presented by One Life. The provision on the commission ban is formulated in a broad manner in order to capture a variety of different activities. In particular, FPCOB 6.5.2R(2)(c), which stipulates the commission ban in relation to introducers, is intended to cover activities that fall short of making arrangements – which would fall into the distribution category – such as the scenario envisaged in the agreement between One Life and the data vendor. It is worth noting that an introduction is not contingent on the ultimate sale of the product, it is sufficient that the customer's details are passed on, such as it is done by the data vendor to One Life. This is further supported by the Authority's Consultation Paper. Paragraph 2.28 states that: "Intermediaries who are involved in distributing funeral plans to customers [...] may also include firms whose role is more limited (such as lead generators). Further, paragraph 2.29 clarifies that: "Firms should be aware of the Treasury's view that the activities of lead generators are likely to meet the definition of [...] 'making arrangements'. Therefore, it is the Authority's view that the agreement that One Life has in place with the data vendor is in breach of the commission ban as set out in FPCOB 6.5.2R.