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## FINAL NOTICE

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**To: 2 Minds Mortgages Limited**

**Address: 23 Aubrey Road  
Small Heath  
Birmingham  
B10 9DQ**

**FRN: 301216**

**Date: 4 March 2010**

**TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London, E14 5HS (“the FSA”) gives final notice about the cancellation of the Part IV permission of 2 Minds Mortgages Limited (“2 Minds”)**

### **1. ACTION**

- 1.1 The FSA gave 2 Minds, a Decision Notice dated 28 January 2010 (“the Decision Notice”), which notified 2 Minds that, pursuant to section 45 of the Financial Services and Markets Act 2000 (“the Act”), the FSA had decided to cancel the permission granted to 2 Minds (“2 Minds’ Part IV permission”).
- 1.2 2 Minds did not refer the matter to the Financial Services and Markets Tribunal. Accordingly, the FSA has today cancelled 2 Minds’ Part IV permission.

### **2. REASONS FOR THE ACTION**

#### **Summary**

- 2.1 The directors of 2 Minds (Qadeem Mohammed, Nazia Bi and Rukhsana Shaheen) were asked by Sarfraz Mohammed to apply to perform controlled functions at 2

Minds. These individuals lacked any understanding of the nature of the business of 2 Minds. At best their involvement was limited to ad hoc administrative tasks. In practice, all business decisions were taken by Sarfraz Mohammed, who was also 2 Minds' only adviser and the majority shareholder of 2 Minds.

2.2 This was not a transparent management arrangement. Sarfraz Mohammed succeeded in performing all management functions at 2 Minds, despite not being an approved person. 2 Minds was not therefore subject to oversight from anyone in an official senior management position, and the individuals who took on responsibility for ensuring that it complied with regulatory requirements did not discharge those responsibilities. Sarfraz Mohammed involved at least one of the directors, Nazia Bi, in the submission to a lender of a mortgage application based on false information and applied for a fraudulent mortgage application for himself through 2 Minds.

2.3 2 Minds did not have competent and prudent management because:

- (1) its governing body was not made up of individuals with an appropriate range of skills and experience to understand, operate and manage its regulated activities;
- (2) its governing body was not organised in a way that enabled it to address and control the regulated activities of the firm;
- (3) it had not put in place systems and controls against money laundering but, instead, its arrangements facilitated financial crime;
- (4) in relation to carrying on insurance mediation activity no one within its management structure who was responsible for insurance mediation activity demonstrated the knowledge and ability necessary for the performance of their duties (and in all probability they did not know that they had such a duty).

2.4 The FSA found that Sarfraz Mohammed was knowingly involved in the submission of a false mortgage application for Customer A, and was therefore of the opinion that Sarfraz Mohammed lacks honesty and integrity and therefore is not a fit and proper person.

2.5 The FSA was not therefore satisfied that 2 Minds is a fit and proper person having regard to all the circumstances including its connection to Sarfraz Mohammed and the need to ensure that 2 Minds' affairs are conducted soundly and prudently.

2.6 The FSA therefore concluded that, on the basis the facts, matters and conclusions described in the Decision Notice and this Final Notice, 2 Minds was failing, and would continue to fail, to satisfy Threshold Condition 5 (Suitability), which is set out in Schedule 6 of the Act, and also that the action should be taken in support of the FSA's consumer protection, market confidence and financial crime objectives.

### **3. RELEVANT STATUTORY PROVISIONS AND OTHER REGULATORY PROVISIONS**

3.1 The FSA's regulatory objectives, established in section 2(2) of the Act, include

consumer protection, market confidence and the reduction of financial crime.

- 3.2 By section 45 of the Act, the FSA is authorised to cancel an authorised person's permission, where the authorised person is failing or is likely to fail to satisfy the Threshold Conditions or where it is desirable to exercise that power in order to protect the interests of consumers or potential consumers.
- 3.3 Threshold Condition 5, in Schedule 6 to the Act, states that the authorised person concerned must satisfy the FSA that it is a fit and proper person having regard to all the circumstances, including its connection with any person and the need to ensure that it conducts its affairs soundly and prudently.

**Guidance concerning Threshold Condition 5: Suitability (paragraph 5, Schedule 6 to the Act) - COND 2.5**

- 3.4 COND 2.5.3G(1) states that the emphasis of this threshold condition is on the suitability of the firm itself but that in certain circumstances the FSA may consider that the firm is not suitable because of doubts over the individual or collective suitability of persons connected with the firm.
- 3.5 COND 2.5.7G states that in determining whether a firm will satisfy and continue to satisfy Threshold Condition 5 in respect of having competent and prudent management and exercising due skill, care and diligence, relevant matters may include, but are not limited to whether (in summary):
- (1) the governing body of the firm is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities;
  - (3) the governing body of the firm is organised in a way that enables it to address and control the regulated activities of the firm;
  - (10) the firm has in place systems and controls against money laundering;
  - (12) in the case of a firm that carries on insurance mediation activity:
    - (a) a reasonable proportion of the persons within its management structure who are responsible for the insurance mediation activity; and
    - (b) all other persons directly involved in its insurance mediation activity;demonstrate the knowledge and ability necessary for the performance of their duties.

**Enforcement Guide**

- 3.6 Paragraph 8.13(1) of the Enforcement Guide ("EG") states that the FSA will consider cancelling a firm's Part IV permission using its own initiative power contained in section 45 of the Act where the FSA has very serious concerns about a firm, or the

way its business is or has been conducted.

#### **4. FACTS AND MATTERS RELIED ON**

##### **Background**

- 4.1 2 Minds was authorised and regulated by the FSA since 31 October 2004 as a mortgage broker and since 14 January 2005 as an insurance broker. It had an appointed representative called Edwards Estates Limited (“Edwards Estates”). The following three individuals were candidates for approval to perform controlled functions in relation to regulated activities carried on by 2 Minds. 2 Minds ceased conducting regulated activities on 10 October 2008 on a voluntary basis.
- (1) With effect from 31 October 2004, Qadeem Mohammed performed the controlled functions of CF1 Director, CF8 Apportionment and oversight, CF11 Money Laundering Reporting, CF28 Systems and controls and Responsibility for insurance mediation.
  - (2) With effect from 31 October 2004, Rukhsana Shaheen performed the controlled functions of CF1 Director, CF8 Apportionment and oversight and Responsibility for insurance mediation.
  - (3) With effect from 29 November 2004, Nazia Bi performed the controlled function of CF1 Director (AR) in relation to Edwards Estates.
- 4.2 The only adviser at 2 Minds was Sarfraz Mohammed who is also the majority shareholder of 2 Minds and a director of Edwards Estates.
- 4.3 On 5 September 2008, the FSA appointed investigators to investigate circumstances suggesting that 2 Minds and its only adviser, Sarfraz Mohammed, were knowingly involved in the submission of fraudulent mortgage applications to lenders and/or failing to take reasonable steps to prevent the use of 2 Minds to commit mortgage fraud. The FSA concluded that Sarfraz Mohammed was knowingly involved in the submission of mortgage applications based on false and misleading information and that he failed to be candid and truthful in all of his dealings with the FSA.
- 4.4 The investigators interviewed two of the directors of 2 Minds, Qadeem Mohammed and Nazia Bi, in Birmingham on 8 October 2008. As a result of their answers to the investigators’ questions, it became immediately apparent that Sarfraz Mohammed made all business decisions and was responsible for the operation of 2 Minds, and that at best Qadeem Mohammed and Nazia Bi were employed on a casual basis to perform administrative tasks. Rukhsana Shaheen appears to be a director of 2 Minds only for tax purposes. As such, there was no formal governing body at 2 Minds. As Sarfraz Mohammed was not a company director or an FSA-approved person, he was in effect conducting regulated business in such a way that he was not formally or transparently accountable for his actions. He was also found to be knowingly involved in the submission of a fraudulent mortgage application.
- 4.5 On 10 October 2008, the FSA wrote to 2 Minds setting out its concerns about its governance arrangements and invited it to apply to vary its Part IV permission to cease conducting regulated activities with immediate effect. 2 Minds submitted a

voluntary variation application which took effect on 10 October 2008.

### **Qadeem Mohammed**

- 4.6 Qadeem Mohammed only applied for approval to perform significant influence functions at 2 Minds because he was asked to do so by Sarfraz Mohammed. In practice, Sarfraz Mohammed made all business decisions.
- 4.7 Qadeem Mohammed told the FSA that his own role was limited to checking mortgage application forms for minor omissions.
- 4.8 Qadeem Mohammed showed no understanding of the roles and responsibilities of a person who was approved to perform significant influence functions at an authorised firm. He did not know the names of the shareholders of 2 Minds. He said he had not heard of another director, Rukhsana Shaheen, and he could not comment on the activities of 2 Minds' appointed representative Edwards Estates.

### **Nazia Bi**

- 4.9 Despite applying for approval to perform the controlled function of CF1 Director (AR) in relation to Edwards Estates, Nazia Bi could not comment on the activities of Edwards Estates, and she said that she was not even aware that she had been approved by the FSA to perform that controlled function.
- 4.10 Nazia Bi said that Sarfraz Mohammed made all business decisions. When she was shown a copy of a false employment reference signed by her as a director of Edward Estates, she said that she regularly signed documents handed to her by Sarfraz Mohammed, and that she did not consider it important to check whether the details were accurate before signing documents given to her by Sarfraz because he was her brother.

### **Rukhsana Shaheen**

- 4.11 According to Sarfraz Mohammed, Rukhsana Shaheen was appointed as a director of 2 Minds but performed no functions at 2 Minds. The other directors of 2 Minds said that they had not heard of Rukhsana Shaheen.

## **5. REPRESENTATIONS**

- 5.1 2 Minds applied for a Voluntary Variation of Permission (VVOP) which took effect on 10 October 2008. 2 Minds therefore suspended the conduct of any regulated business and had little or no prospect of doing any business again.
- 5.2 In the circumstances 2 Minds did not contest the action. All relevant parties, including the shareholders of 2 Minds did not contest this course of action.

## **6. CONCLUSIONS**

- 6.1 The FSA noted the VVOP by 2 Minds and the confirmation of its agreement to the action set out in this Notice.
- 6.2 2 Minds had no effective governing body or competent and prudent management

and it was connected to Sarfraz Mohammed who knowingly submitted at least one false mortgage application to a lender.

- 6.3 2 Minds was not fit and proper and was failing and likely to continue to fail to satisfy Threshold Condition 5 (Suitability). Its Part IV permission was therefore cancelled.

## **7. DECISION MAKER**

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

## **8. IMPORTANT**

- 8.1 This Final Notice is given to 2 Minds in accordance with section 390(1) of FSMA.

### **Publicity**

- 8.2 Sections 391(4), 391(6) and 391(7) of FSMA apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to 2 Minds or prejudicial to the interests of consumers.

- 8.3 The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

### **FSA contacts**

- 8.4 For more information concerning this matter generally, you should contact Chris Walmsley at the FSA's Enforcement and Financial Crime Division (direct line: 020 7066 5894).

**Tom Spender**  
**Head of Department**  
**FSA Enforcement and Financial Crime Division**