FINANCIAL CONDUCT AUTHORITY

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FINAL NOTICE

To: **Arthur Jonathan Cobill**

Individual Reference Number: **AJC00059**

Date: **11 March 2024**

1. ACTION

1.1. For the reasons given in this Final Notice, the Authority hereby:

(1) publishes a statement of Mr Cobill's misconduct for failing to comply with Statement of Principle 2, pursuant to section 66 of the Act; and

(2) makes an order, pursuant to section 56 of the Act, prohibiting Mr Cobill from performing any function in relation to the regulated activity of advising on Pension Transfers and Pension Opt Outs carried on by an authorised person, exempt person or exempt professional firm.

1.2 The Authority would have imposed a financial penalty of £1,113,225 on Mr Cobill. However, the Authority recognises that there may be a significant liability for redress for Inspirational Financial Management Ltd's (in administration) ("IFM") customers which will likely fall to the Financial Services Compensation Scheme ("FSCS"). In these circumstances, the Authority has agreed with Mr Cobill that in lieu of the imposition of a financial penalty, the sum of £120,000 be paid direct to the FSCS to contribute towards any redress due to IFM's customers. This is in furtherance of the Authority's consumer protection objective. In light of the above and taking into account the exceptional circumstances of the British Steel Pension Scheme ("BSPS"), the Authority hereby publishes a statement of Mr Cobill's misconduct.

2. SUMMARY OF REASONS

Overview

2.1. Mr Cobill was qualified to provide defined benefit Pension Transfer advice at IFM. He incompetently gave unsuitable advice to customers, most of whom were BSPS members, to transfer away from schemes which offered important guarantees, resulting in customers' retirement funds being unnecessarily put at risk, against their best interests.

2.2 Between 8 June 2015 and 22 December 2017 ("the Relevant Period"), Mr Cobill advised 289 customers on whether to transfer out of their Defined Benefit Pension Schemes ("DBPS"). Notwithstanding FCA guidance which created a presumption of unsuitability in respect of transferring out of a Defined Benefit Pension arrangement, Mr Cobill advised 245 out of 289 (85%) of these customers to complete a Pension Transfer. The proportion of Mr Cobill's BSPS customers advised to transfer was even greater – 198 out of 223 (89%).

2.3 IFM's customers faced a difficult and very important decision concerning their pensions during the Relevant Period. Many of these pensions were of significant value and customers were reliant on the guaranteed benefits offered under their existing schemes. BSPS customers were required to make this decision in the context of a high level of speculation at the time about the future of the BSPS due to a restructuring of the scheme. Mr Cobill's non-compliant advice to transfer out exposed both BSPS and non-BSPS customers to the risk of not being able to meet their income needs throughout retirement since their income would be dependent on the performance of the recommended investment. In many cases, Mr Cobill did not have a reasonable basis for believing that those customers could financially bear any investment risks related to the Pension Transfers which he recommended.

2.4 One British Steel customer advised by Mr Cobill was wholly reliant on benefits from the BSPS as he had no other assets which could be used to provide income in retirement. IFM provided him with a cashflow projection indicating that the fund value following transfer would likely last until age 100, even at low growth rates.

However, given the client's likely expenditure in retirement, this was not accurate and in fact there was a likelihood that the fund would be exhausted in his lifetime.

2.5 IFM operated a contingent charging model for Pension Transfer advice, meaning that a customer paid for IFM's advice only if the customer transferred their defined benefit pension following IFM's recommendation. If IFM advised the customer not to transfer, it received no fee.

2.6 Mr Cobill personally advised 198 of IFM's BSPS customers to transfer out CETVs with a total value of more than £90 million and with an average value of more than £456,000. At least 191 of those 198 BSPS customers (96%) followed his advice and transferred out of their DBPS. By December 2020, IFM had paid Mr Cobill a total of £1,139,487.01 in commission in connection with advice given to its Pension Transfer clients during the Relevant Period.

2.7 The Authority has carried out significant work in response to the harm, or prospective harm, caused to members of the British Steel Pension Scheme by authorised firms and their advisers. The Authority has taken intervention action in the form of requirements to vary the permissions of relevant authorised firms to mitigate the risk of ongoing harm to consumers. The Authority has also commenced enforcement investigations into particular firms and individuals, including the investigation into Mr Cobill.

Mr Cobill

2.8 During the Relevant Period, Mr Cobill was approved by the Authority to perform the CF30 (Customer) controlled function at IFM, where he worked as a self-employed Pension Transfer Specialist.

IFM

2.9 IFM is an independent financial advice firm based in Huddersfield, West Yorkshire, where Mr Cobill was the sole Pension Transfer Specialist. It was authorised by the Authority to undertake Pension Transfers and Pension Opt Outs and to arrange (bring about) deals in investments. During the Relevant Period, IFM advised 307 customers on whether to transfer out of their DBPS. IFM ceased providing advice to BSPS customers in December 2017 and, following intervention from the Authority, agreed to cease providing Pension Transfer advice altogether. 231 out of IFM's 307 customers (75%) were members of the BSPS. Mr Cobill was the adviser for 289 out of the 307 (94%) customers advised by IFM during the

Relevant Period, including for 223 of the 231 (96%) BSPS customers advised by IFM.

2.10 Notwithstanding FCA guidance which created a presumption against advising a customer to transfer out of their DBPS, during the Relevant Period, Mr Cobill advised 245 (85%) of his Pension Transfer customers to transfer out. The proportion of IFM's BSPS customers which Mr Cobill personally advised to transfer out was even greater at 89%.

2.11 The Authority reviewed 18 of IFM's completed Pension Transfer advice files from the Relevant Period. Mr Cobill provided seriously flawed Pension Transfer advice to a significant proportion of IFM's Pension Transfer customers. For many of his customers, he failed to gather sufficient information from them (including on their financial situation), meaning that he was not in a sufficiently informed position and should not have given his customers advice on transferring their pensions. For some customers, Mr Cobill provided advice which was unsuitable in light of the customers' investment objectives and attitude to risk. Moreover, Mr Cobill did not put his customers in a sufficiently informed position to decide that transferring out was in their best interests. Some Suitability Reports contained misleading information, and in 176 out of the 198 (89%) BSPS cases where Mr Cobill recommended transfer, customers were sent the Suitability Report after the transfer documents had been submitted to the BSPS.

FCA's Statements of Principle for Approved Persons

2.12 During the Relevant Period:

(a) Statement of Principle 2 stated that: "*An approved person must act with due skill, care and diligence in carrying out their accountable functions*".

Mr Cobill's failings in the performance of his CF30 (Customer) function

2.13 The Authority considers that, during the Relevant Period, by reason of the matters described below in section 4 of this Notice, Mr Cobill breached Statement of Principle 2, in that he failed to act with due skill, care and diligence when advising customers on Pension Transfers.

2.14 In particular, in a significant proportion of cases, Mr Cobill:

(a) failed to obtain the necessary information from the customer and/or failed properly to take into account the customer's financial situation when assessing whether it was suitable for them to transfer out of their DBPS. As a result, he failed to assess or give due consideration to whether customers could financially bear the risks involved in a Pension Transfer;

(b) failed properly to assess whether the Pension Transfer recommended met the customer's investment objectives;

(c) failed properly to assess whether the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer recommended and failed to give due consideration to the customer's lack of experience and knowledge in that context;

(d) failed to ensure that any, or any adequate, transfer analysis (TVAS) was prepared for and explained adequately to all customers comparing the benefits likely to be paid under the DBPS with benefits afforded by the personal pension or other pension scheme into which it was proposed that the client should transfer. Even where a TVAS was prepared, it did not always support the decision to transfer; and

(e) failed to check the contents of the Suitability Reports issued by IFM in his name and to ensure that the Suitability Reports contained adequate information to explain the Personal Recommendation, having regard to the customer's specific circumstances and objectives. As a consequence, he did not become aware of and did nothing to rectify the serious failings in the drafting of the reports, such as the inclusion of incorrect and misleading information and the use of generic wording that was almost entirely derived from templates, meaning that reports nominally compiled for different customers were substantially identical in content.

Seriousness

2.15 The Authority considers Mr Cobill's failings to be particularly serious because:

(a) they caused a significant risk of loss to individual consumers who transferred out of their DBPS as a result of Mr Cobill's advice. The average CETV of IFM's Pension Transfer customers was more than £394,000. The average CETV of IFM's BSPS customers was more than £455,000. For many customers, their DBPS was their most valuable asset and was their only retirement provision other than their state pension;

(b) Mr Cobill obtained a substantial, direct benefit from his breaches; and

(c) Mr Cobill's breaches affected particularly vulnerable people, namely BSPS members, who were in a vulnerable position due to the uncertainty surrounding the future of the BSPS.

Sanction

2.16 The Authority considers that Mr Cobill has demonstrated a lack of competence and capability to advise on Pension Transfers and Pension Opt Outs. The Authority therefore hereby prohibits Mr Cobill from performing any function in relation to the regulated activity of advising on Pension Transfers and Pension Opt Outs carried on by an authorised person, exempt person or exempt professional firm.

2.17 The Authority would have imposed a financial penalty of £1,113,225 on Mr Cobill. However, the Authority recognises that there may be a significant liability for redress for IFM's customers which will likely fall to the FSCS. In these circumstances, the Authority has agreed with Mr Cobill that in lieu of the imposition of a financial penalty, the sum of £120,000 be paid direct to the FSCS to contribute towards any redress due to IFM's customers. This is in furtherance of the Authority's consumer protection objective. In light of the above and taking into account the exceptional circumstances of the BSPS, the Authority hereby publishes a statement of Mr Cobill's misconduct for failing to comply with Statement of Principle 2.

3 DEFINITIONS

3.1 The definitions below are used in this Final Notice:

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

"APER" means the Authority's Statements of Principle for Approved Persons and Code of Practice for Approved Persons;

"the Authority" means the Financial Conduct Authority;

"Authority's Rules" means the Authority's Conduct of Business Sourcebook as applicable during the Relevant Period;

"British Steel Pension Scheme" or "BSPS" means the British Steel Defined Benefit Pension Scheme that was in place during the period 8 June 2015 to 13 December 2017;

"BSPS 2" means the Defined Benefit Pension Scheme designed to succeed the BSPS, created after the RAA was put into effect;

"CETV" means cash equivalent transfer value, which is the cash value of benefits which have been accrued to, or in respect of, a member of a pension scheme at a particular date. The CETV represents the expected costs of providing the member's benefits within the scheme and, in the case of a Defined Benefit Pension Scheme, the CETV is determined using actuarial assumptions;

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

"Defined Benefit Pension Scheme" or "DBPS" means an occupational pension scheme as defined by Article 3(1) of the Financial Services and Markets Act (Regulated Activities) Order 2001, namely where the amount paid to the beneficiary is based on how many years the beneficiary has been employed and the salary the beneficiary earned during that employment (rather than the value of their investments);

"Defined Contribution" or "DC" means a common type of pension where contributions are held in investments until the holder reaches their chosen retirement age;

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

"EG" means the Authority's Enforcement Guide;

"FSCS" means the Financial Services Compensation Scheme;

"the Handbook" means the Authority's Handbook of rules and guidance;

"IFM" means Inspirational Financial Management Limited;

"Mr Cobill" means Arthur Jonathan Cobill;

"Mr Hofstetter" means William Hofstetter;

"PCLS" means pension commencement lump sum, an amount of money available to a member of a pension scheme which may be paid out as a lump sum when they begin taking pension benefits, and which is not subject to taxation;

"Pension Opt Out" has the meaning given in the Handbook and includes a transaction resulting from the decision of a retail client to opt out of an occupational pension scheme to which his employer contributes and of which he is a member;

“Pension Protection Fund” or “PPF” is a statutory public corporation which protects people with a defined benefit pension when an employer becomes insolvent. If the employer doesn't have enough funds to pay you the pension they promised, the PPF will provide compensation instead. However, some reduction may apply;

“Pension Transfer” has the meaning given in the Handbook and includes the transfer of deferred benefits from an occupational pension scheme (with safeguarded benefits, such as a DBPS) to a personal pension scheme;

“Pension Transfer Specialist” has the meaning given in the Handbook and includes an individual appointed by a firm to check the suitability of, amongst other things, a Pension Transfer, who has passed the required examinations as specified in the Training and Competence Sourcebook, part of the Handbook;

“Personal Recommendation” means a recommendation that is advice on transfer of pension benefits into a personal pension or SIPP, and is presented as suitable for the customer to whom it is made, or is based on a consideration of the customer’s circumstances;

“the Principles” means the Authority’s Principles for Businesses and rules (as applicable during the Relevant Period);

“Regulated Apportionment Arrangement” or “RAA” means the statutory mechanism that can be used in corporate restructuring situations where a sponsoring employer of a DBPS stops participating in the pension scheme (thereby freeing the sponsoring employer from its financial obligations to the pension scheme) in order to avoid insolvency, subject to certain conditions being met and the RAA being approved by The Pensions Regulator and the PPF;

“the Relevant Period” means 8 June 2015 to 22 December 2017;

“Statements of Principle” mean the Authority’s Statements of Principle and Code of Practice for Approved Persons issued under section 64A(1)(a) of the Act;

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

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

"TVAS" stands for 'transfer value analysis' and is the comparison that a firm must carry out in accordance with COBS 19.1.2R when a firm gives advice or a personal recommendation about, amongst other things, a Pension Transfer; and

"TVAS Report" means a document that reports to the customer in respect of the comparison firms are required to carry on in accordance with COBS 19.1.2R.

4 FACTS AND MATTERS

Background

IFM

4.1 IFM is an independent financial advice firm based in Huddersfield, West Yorkshire. Since 28 July 2003, IFM has been authorised by the Authority. During the Relevant Period, IFM had a range of permissions to carry on regulated activities, including permission to advise on Pension Transfers.

4.2 On 21 December 2017, the Authority held a conference call with IFM. An assessment of the defined benefit Pension Transfer work identified problems with customer files. IFM ceased providing advice to BSPS customers in December 2017 and, following intervention from the Authority, agreed to cease providing Pension Transfer advice altogether.

4.3 During the Relevant Period, IFM advised 261 customers to transfer out of their DBPS, 247 of whom were advised by Mr Cobill.

Mr Cobill

4.4 Mr Cobill is an experienced financial adviser. He started working in financial services in 1988 and was first authorised as a financial adviser in 1991. He qualified as a Pension Transfer Specialist in 1997. Prior to his involvement with IFM, Mr Cobill worked for and held controlled functions at a number of authorised firms and consistently advised on Pension Transfers.

4.5 Between 24 March 2010 and 8 December 2019 (and therefore for the duration of the Relevant Period), Mr Cobill was approved to carry out the CF30 (Customer) function at IFM. Mr Cobill gave almost all of the advice to Pension Transfer customers during the Relevant Period.

4.6 Throughout the Relevant Period, Mr Hofstetter was approved to perform the CF1 (Director) and CF10 (Compliance Oversight) functions at IFM. Mr Hofstetter was also approved to perform the CF30 (Customer) function at IFM. Mr Hofstetter acted as an adviser in a small number of Pension Transfer cases but, because he was not a qualified Pension Transfer Specialist, his advice was subject to checking by Mr Cobill.

4.7 Mr Cobill was supported by those working in IFM's office. Throughout the Relevant Period, Mr Cobill was self-employed rather than being employed by IFM. He was paid 70% of IFM's earnings from new business and 80% of its earnings from renewals.

Pension transfers

4.8 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. Pensions are, in most cases, a primary resource for ensuring financial stability in retirement. For some people, they are the only way of funding retirement. 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 financial adviser fails to conduct the affairs of their advice business in a manner that is compliant with the Authority's regulatory requirements, this exposes their customers to a significant risk of harm.

4.9 Pensions can be structured in a variety of ways. However, a DBPS is particularly valuable because an employer sponsor carries the financial burden associated with offering a secure, guaranteed income for life to members, which typically increases each year in line with inflation. This is in contrast to, for example, a DC pension scheme where employer and employee capital contributions are invested, but the investment and mortality risk are borne by the member. The Authority expects that for the majority of customers it is in their best interests to remain in their DBPS because of the guarantees and protections it offers.

4.10 Customers who engage advisers and authorised firms to provide them with advice in relation to their pensions therefore place significant trust in them. It is important that firms and their advisers exercise due skill, care and diligence when advising customers regarding their pensions, ensuring that the advice given to a customer is suitable for them, having regard to all of their relevant circumstances. This is even more important when customers have no option but to make a decision regarding their pension.

4.11 Transferring out of a DBPS involves giving up the guaranteed benefits in exchange for a cash-equivalent transfer value which is typically invested in a DC pension. If a customer leaves a DBPS, they will have to buy an annuity to obtain a guaranteed level of income. Alternatively, they may rely on income from investments, but investments will have to be managed in such a way as to produce ongoing income; and even then, there is no guarantee as to the amount or duration of that income.

4.12 The introduction of pensions freedoms (introduced in April 2015) for DC pensions made transferring out of a DBPS an attractive option for some people. However, the Authority considers that, given the nature of the guaranteed benefits provided under a DBPS, advisers' default assumption should be that transferring out and giving up those benefits is unlikely to be suitable for a customer unless they can clearly show, based on a customer's specific circumstances, that it is in their best interests.

4.13 During the Relevant Period, IFM advised 307 customers on potential transfers from a DBPS to an alternative pension arrangement, 231 (75%) of whom were members of the BSPS. Mr Cobill personally advised 289 out of 307 (94%) of those customers on IFM's behalf and approved the advice given to the other 18 customers by Mr Hofstetter. Notwithstanding FCA guidance which created a presumption against advising a customer to transfer out of their DBPS, 247 out of 289 (85%), of its Pension Transfer customers were advised by Mr Cobill to transfer. The proportion of IFM's BSPS customers advised to transfer was even greater – 198 out of 223 (89%). IFM advised its BSPS customers to transfer out CETVs with a total value of more than £93 million and with an average value of more than £455,000. At least 198 out of 206 (96%) of those BSPS customers followed IFM's advice and transferred out.

The BSPS

4.14 The BSPS was one of the largest DBPSs in the UK, with approximately 125,000 members and £15 billion in assets as of 30 June 2017. In March 2017, the BSPS was closed to future accruals, which meant that no new members could join it and existing members could no longer build up their benefits. The BSPS also had an ongoing funding deficit.

4.15 In early 2016, various options were being explored in relation to the BSPS as a result of insolvency concerns relating to one of its sponsoring employers. These options included seeking legislative changes which would have allowed pension increases available under the BSPS to be reduced to the statutory minimum levels, and the sale of one of the sponsoring employers. However, it was concluded that the only way to avoid insolvency would be to enter into a Regulated Apportionment Arrangement ("RAA").

4.16 On 11 August 2017, the Pensions Regulator gave its clearance for the RAA. Under the RAA, the BSPS would receive £550 million and a 33% equity stake in one of the sponsoring employers and the BSPS would transfer into the PPF. In addition, a new DBPS ("BSPS 2") was proposed by the sponsoring employers in combination with the RAA proposal. The RAA received formal approval on 11 September 2017, which resulted in the BSPS being separated from the sponsoring employers.

4.17 As a consequence of the RAA, members of the BSPS were required to make a choice between two options offered by the BSPS, namely to either:

(a) remain in the BSPS and therefore move into the PPF; or

(b) transfer their benefits into BSPS 2.

4.18 Alternatively, BSPS members could take a CETV and transfer their pension benefits into an alternative pension arrangement (for example a personal pension scheme or another occupational pension scheme held by the member).

4.19 On 11 and 21 September 2017, the BSPS announced that it would separate from the sponsoring employers, including the principal sponsor, Tata Steel UK. Information about the options available to members was available on the BSPS's website from 11 August 2017, and in October 2017, the BSPS distributed information packs to members about these options. Members were required to choose their preferred option by 22 December 2017. Those who wanted to transfer their pension benefits from the BSPS to a personal pension were required to submit the required paperwork to execute the transfer by 16 February 2018.

4.20 The Rookes Review, an independent review of the support given to BSPS members during restructuring and 'Time to Choose', stated that BSPS members experienced, and were influenced by, a set of unique circumstances. These included the following:

(a) distrust of their employer;

(b) limited information on alternative options;

(c) tight timescales to make a decision; and

(d) limited support.

4.21 Some BSPS members were in vulnerable circumstances. For example, BSPS members tended to have no other assets and relied more on income from their DBPS than members of other schemes.

IFM's Pension Transfer advice business and Mr Cobill's role

4.22 Before enquiries from BSPS members started to come in to IFM in mid-2017, Pension Transfer advice made up a less significant proportion of IFM's business and revenue. In the period of nearly two years from 8 June 2015 to 1 April 2017, IFM advised on only 56 Pension Transfers. Mr Cobill advised 48 out of 56 of these customers. The remaining customers were advised by Mr Hofstetter and Mr Cobill checked the advice given.

4.23 As IFM's only Pension Transfer Specialist, Mr Cobill had a key role in determining IFM's Pension Transfer advice process, deciding, for example, how many times he would see each customer and when customer signatures would be obtained on transfer documents. He also conducted the advice process for 94% of Pension Transfer customers, obtaining information from customers, analysing the information provided and providing his recommendation to them.

The Advice Process

4.24 IFM's Pension Transfer advice process before mid-2017 was described by IFM as consisting of a series of steps. Once a customer had made contact, there would be an initial conversation to discuss the matter in general terms. If the customer wanted to take matters further, IFM would gather information about the customer and about the ceding scheme, including the CETV. IFM would then carry out a comparison between the ceding scheme and the proposed arrangement (a TVAS). There would be further discussions or emails between IFM and the customer to ensure that IFM had all the information it needed to advise.

4.25 According to IFM, once all the information had been gathered, there would normally be at least two, possibly three face-to-face meetings with the customer. The first meeting would be for the purposes of gathering further information; at the second meeting, the information gathered would be presented and the advice would be given. IFM would then issue the customer's Suitability Report – a written summary and explanation of its advice - which would be drafted by back-office staff. On Mr Hofstetter's account, the Suitability Report would be reviewed and signed off by Mr Cobill before being sent to the customer for their consideration.

However, there was no system in place to ensure the review of Suitability Reports and Mr Cobill accepted in interview that he did not review every Suitability Report before it was provided to a customer.

4.26 If IFM advised the customer to transfer their pension and the customer decided to follow that advice, there would be a final meeting with the customer to complete the documentation. IFM's back-office staff would then check that all relevant paperwork had been uploaded to its electronic file and would submit the necessary applications to the ceding scheme and the new provider.

4.27 IFM operated a contingent charging model for the Pension Transfer advice it provided, meaning that a customer paid for its advice only if the customer transferred their defined benefit pension following IFM's recommendation. If IFM advised the customer not to transfer, it received no fee. The fee charged was typically 3% or 4% of the customer's CETV and was paid out of the customer's transferred funds, in addition to a £250 fixed fee for the initial set up. Mr Cobill was self-employed and received in commission 70% of the initial fees charged by IFM to its Pension Transfer customers and 80% of the fees charged for ongoing advice.

4.28 In around March 2017, Mr Cobill was approached by an adviser at another authorised firm with connections to the British Steel community but without the capacity to advise BSPS members on Pension Transfers. IFM and the other firm agreed that IFM would accept introductions from the other firm of BSPS customers who were interested in receiving advice on transferring out of their DBPS. Under the arrangement between the two firms, the other firm provided only the customer's contact details directly to Mr Cobill. No other information was provided and no fee was payable by IFM or Mr Cobill in exchange for the introductions. This was a voluntary and relatively informal arrangement; neither IFM nor Mr Cobill were bound to accept every introduction received from the other firm. Mr Cobill therefore retained control of the volume of work undertaken by him.

4.29 In the second half of 2017, the other firm introduced significant numbers of BSPS members seeking Pension Transfer advice to IFM. IFM began to take on Pension Transfer advice customers in ever greater numbers, all of them with the same ceding scheme – the BSPS. This volume of new Pension Transfer business was unprecedented in IFM's experience. IFM altered its charging structure for BSPS customers with Mr Cobill's agreement. They were to be charged less than non-

BSPS customers: IFM's contingent charging model was maintained, but a cap of £5,000 was introduced.

4.30 BSPS customers also went through an advice process different to that used by IFM prior to mid-2017 (as described above). BSPS customers had fewer meetings with IFM's adviser. The two to three meetings were replaced by one or two and in the majority of cases there was only one. IFM's explanation for these changes is that it considered that there was less work involved for IFM in advising BSPS members, because the BSPS members all had the same ceding scheme and because they had in many cases already obtained information, including their CETV, from the scheme trustees.

4.31 In September 2017, approximately six months after the first approach from the other firm, that firm stopped referring customers to IFM. However, IFM continued to acquire new BSPS Pension Transfer customers in significant numbers through customer referrals.

4.32 Almost all of IFM's BSPS Pension Transfer customers were advised by Mr Cobill. IFM's summary information for its BSPS files shows him as adviser in 223 out of 231 files (96%). Mr Cobill's role as sole Pension Transfer Specialist meant that he was also responsible for checking the advice given in the other eight files, for which Mr Hofstetter was the adviser.

Significant increase in the rate at which Mr Cobill gave Pension Transfer advice

4.33 Having advised a customer on a Pension Transfer on average once every 10 days or so before the BSPS introductions began, Mr Cobill quickly transitioned to working at a much faster rate. During IFM's busiest period advising Pension Transfer customers, the four months from August 2017 to November 2017 inclusive, it was common for Mr Cobill to meet several BSPS customers per day to advise them on transferring their pensions. There were 26 occasions on which he had three meetings per day, 17 on which he had 4 meetings per day and 4 on which he had five meetings per day. In this period, IFM, almost exclusively through Mr Cobill, met customers 231 times and made 208 Personal Recommendations over 87 working days, giving averages of approximately 2.65 meetings and 2.39 recommendations per day. The vast majority of those customers (87%) were advised to transfer out of the BSPS.

The increase in Mr Cobill's workload

4.34 The increase in Pension Transfer business led to a significant increase in Mr Cobill's workload. Mr Cobill described himself when interviewed by the Authority as, "*working 14 hours a day seven days a week*" throughout the period August to November 2017. He told the Authority that he had never worked at that rate before and that "*there was more work than reasonably one person would deal with*".

4.35 Mr Cobill remained IFM's only Pension Transfer Specialist throughout the period August to November 2017. The only increase in staffing at IFM at that time took the form of an administrative assistant engaged by Mr Hofstetter for one or two days a week over a two-week period. However, in his interviews with the Authority Mr Cobill did not complain of being unsupported, of raising concerns as to his workload or of being placed under undue pressure, by IFM or anybody else. Mr Cobill accepted that he had not been obliged to take on every introduction or inquiry that he or IFM received.

4.36 In early/mid December 2017, IFM stopped taking on new Pension Transfer business. Although Mr Cobill told the Authority that he could not remember exactly why this had happened, he suspected that it was because he had been "*burnt out*" and unable to continue at the pace adopted during the previous four months. Before December 2017, neither IFM nor Mr Cobill had declined any new business on grounds of lack of capacity.

A compressed approach to Pension Transfer advice

4.37 Mr Cobill advised the increased number of Pension Transfer customers at such a fast rate without additional support by taking a compressed approach to the advice process. For at least 70 out of the 206 (34%) BSPS customers who were advised to transfer out Mr Cobill held the first meeting with the customer, gathered the fact-find from them, made the Personal Recommendation to them to transfer out of their DBPS and obtained the customer's signature on the BSPS discharge forms to effect the transfer, all on the same day. In some cases, the customer signed the discharge forms for the BSPS at the first meeting, before receiving Mr Cobill's Personal Recommendation.

4.38 Mr Cobill asserted that obtaining signed transfer documents prior to issuing Suitability Reports was an acceptable practice because customers could revoke their agreement to transfer even after submission of the forms to the BSPS.

However, the practice of obtaining signed transfer forms at the first meeting decreased the likelihood that customers would pay close attention to the Personal Recommendation and make a considered decision based on the advice given. The practice also suggests that Mr Cobill's advice did not start from the correct presumption that transferring out of the BSPS would not be in the customer's best interests.

The Authority's review of Mr Cobill's advice

Background

4.39 The Authority reviewed a representative sample of 18 customer files of the customers who were advised by IFM during the Relevant Period; 14 out of 18 of files in the sample related to BSPS members and more than half were from IFM's busiest period of August to November 2017. Mr Cobill was the adviser in 15 of these files; in the other three files, Mr Cobill checked advice given by Mr Hofstetter. The Authority assessed the files against the applicable rules in COBS relating to suitability. As an approved person performing the CF30 (Customer) function, Mr Cobill had a duty to act with due skill, care and diligence when advising IFM's customers and checking the advice given by Mr Hofstetter. Mr Cobill was an experienced financial services professional. He should have been aware of the Authority's rules and guidance relating to the suitability of advice and acted with due skill, care and diligence in ensuring that the Personal Recommendations he gave and approved were suitable and met those requirements.

4.40 The Authority found that in 15 out of 18 (83%) of the customer files it reviewed, and 13 out of 15 (86%) of those files where Mr Cobill was the adviser, IFM failed to comply with relevant regulatory requirements regarding Pension Transfer advice. All the files contained material information gaps and for six customer files the Pension Transfer advice given was unsuitable, as detailed further below. The Authority considers it appropriate to infer from the prevalence of failures within the sample that the advice given or approved to IFM's customers failed to comply with relevant regulatory requirements regarding Pension Transfer advice for a significant proportion of all Pension Transfer customers during the Relevant Period. Mr Cobill was either the named adviser or he checked the advice provided in Mr Hofstetter's name for all of IFM's Pension Transfer customers.

Information Collection

4.41 During the Relevant Period, as presently, COBS stated that the overarching suitability requirement was for a firm to take reasonable steps to ensure that a personal recommendation (which included, in this context, a recommendation to transfer or not to transfer a pension) was suitable for its customer (COBS 9.2.1R, see Annex A).

4.42 To do so, a firm should obtain the necessary information regarding the customer's:

(a) knowledge and experience in the investment field relevant to the pension transfer;

(b) financial situation; and

(c) investment objectives.

4.43 Making a personal recommendation without the necessary information increases the risk of providing unsuitable advice. During the Relevant Period, as presently, COBS stated that if a firm did not obtain the necessary information to assess suitability, it should not make a personal recommendation (COBS 9.2.6R, see Annex A).

4.44 The Authority's review revealed gaps in the necessary information recorded in 15 out of the 18 files reviewed (83%), including 13 out of 15 (86%) of those files where Mr Cobill was the adviser. In such circumstances, Mr Cobill should not have made a Personal Recommendation or approved Mr Hofstetter's Personal Recommendation.

4.45 There was a pervasive failure, occurring in 13 out of 18 files, to obtain information concerning the customer's predicted expenditure in retirement. There was also a common failure, occurring in 14 out of 18 files, on 13 of which Mr Cobill was the adviser, to obtain information about the customer's financial situation. Both areas are key in determining suitability. Without such information, IFM should not have made a Personal Recommendation. The customer's predicted expenditure throughout retirement is a key indicator of what their income needs will be in retirement, information which is important in assessing whether a customer should give up their defined benefits. Information about a customer's wider financial situation, including, for example, any other pensions that they may have, is central to assessing the extent of their reliance on the income provided by their DBPS, and their capacity for loss.

4.46 An example of IFM's failure to obtain the information necessary to enable it to advise can be seen in the case of Mr B. Mr B was one of four BSPS Pension Transfer clients seen by IFM during a single day, on 19 October 2017. He was one of two clients seen on that day who signed his fact-find, received a Personal Recommendation to transfer out of his Defined Benefit Pension Scheme and signed his discharge forms to effect the transfer all on the same day. Mr B's fact-find both lacks information and contains conflicting information about Mr B's liabilities and expenditure. For example, the only item of monthly expenditure recorded is a £600 mortgage payment and no other detail is recorded in relation to the mortgage, despite the templated wording seeking these details. However, later on in the document, a box next to the wording, "*I have no mortgage but have a few other obligations like credit card payments etc.*" has been ticked. The notes page of the fact-find is blank. There is a page of handwritten notes on the file which merely records the information in the fact-find in summary form, with nothing additional. IFM failed to obtain sufficient information in respect of Mr B to make a Personal Recommendation.

4.47 The prevalence of information gaps in the 18 customer files reviewed by the Authority shows that Mr B's was not an isolated case. The Authority considers it appropriate to infer from the prevalence of information gaps within the sample of 18 customer files that for a significant proportion of IFM's other Pension Transfer customers during the Relevant Period, IFM did not obtain the information necessary to make a Personal Recommendation.

Explanations given for the gaps in the customer information on file

4.48 IFM's position is that necessary information was obtained from customers in every case, even if the information was not recorded on the customer file. However, IFM staff members gave differing explanations to the Authority regarding the gaps in customer information on file. Mr Cobill asserted that he recorded customer information in notes which were placed on the customer file, but that these had not been scanned by administrative staff and had subsequently disappeared. Mr Hofstetter and a member of the back office staff disagree with Mr Cobill's account, asserting that all hard copy notes on the customer files were scanned prior to the paper files being destroyed.

4.49 Having carefully considered all of the evidence on this issue, the Authority accepts that IFM may in some cases have obtained, but failed to record, some information in addition to that which is recorded in the customer files. However, the Authority does not accept that all of the necessary information was obtained in every customer's case or that IFM took reasonable steps to ensure the suitability of its advice to each of its customers.

Unsuitable Pension Transfer advice

4.50 The overarching suitability requirement (COBS 9.2.1R) is for a firm to take reasonable steps to ensure that a personal recommendation (which includes, in this context, a recommendation to transfer or not to transfer a pension) is suitable for its customer.

4.51 The starting point for Pension Transfer advice is the guidance in COBS 19.1.6G(3) (or, from 8 June 2015 to 1 April 2018, in COBS 19.1.6G) that a firm should only consider a transfer, conversion or opt-out to be suitable if it can clearly demonstrate, on contemporary evidence, that the transfer, conversion or opt-out is in the customer's best interests. These provisions indicate that if the firm cannot clearly demonstrate this, then it should assume the transaction will not be suitable. In the worst scenarios, a loss of guaranteed benefits equates to severe customer harm, surrendering a primary resource for ensuring financial stability in retirement or, alternatively, commencing retirement.

4.52 Of the fifteen customer files where IFM had failed to gather sufficient information, the Authority has been able to assess six as giving unsuitable advice. All six of the customers who received unsuitable advice were BSPS members and Mr Cobill was the adviser in all cases. Therefore, in the sample reviewed by the Authority, Mr Cobill personally gave unsuitable advice to 6 out of 15 of his customers (40%). According to their fact-finds, all six customers were still employed in the steel industry, with above average earnings and significant CETVs, reflecting significant safeguarded benefits due to them through their membership of the BSPS. None of them had other assets or investments of any significance and they had little or no knowledge or experience of financial services or investing.

Reliance on the Defined Benefit Scheme and Inability to Bear Transfer Risk

4.53 Five of the six customers for whom Mr Cobill's Pension Transfer advice was unsuitable were reliant on their DBPS to meet their income needs throughout retirement. Their DBPS pension was their primary source of income in retirement.

These customers did not have significant assets which could be used to supplement any shortfalls in their income needs. Given their financial situation, it was especially important for these customers to retain guaranteed income because they did not have the capacity to bear the risks of transferring. In all 5 cases, IFM recommended transfer away from the defined benefit scheme when there was insufficient evidence to suggest that the customer could bear the transfer risk. Mr Cobill's advice to transfer out exposed these customers to a risk of not being able to meet their income needs throughout retirement because their income would be dependent on the performance of the recommended investment. Mr Cobill did not have a reasonable basis for believing that these customers could financially bear the risk that the value of their pension investments may fall following the Pension Transfers recommended in their cases.

Lack of Evidence to Support Customer Objectives

4.54 IFM failed to provide sufficient evidence to demonstrate that specific objectives which drove the transfer were in the customer's best interests. This was seen in all 6 cases assessed by the Authority as being unsuitable for transfer.

4.55 As the primary purpose of a pension is to meet the income needs of an individual in retirement, when maximising the customer's death benefits or the flexibility of alternative arrangements is treated as a high priority, there is an increased risk that this is at the expense of the primary purpose. There may therefore be a trade-off that must be resolved in the best interests of the customer given their circumstances (COBS 9.2.1R(1) and 9.2.2R(1)(b)). The file reviews uncovered examples of where this tension was resolved in favour of transfer, but where the firm did not demonstrate why this was the case.

4.56 All but one of the Suitability Reports for BSPS customers reviewed by the Authority listed the customer's primary objective as providing greater flexibility when drawing benefits from their pension funds, suggesting a heavily templated approach and failure to properly explore the customers' objectives. In all six files where unsuitable Pension Transfer advice was given, Mr Cobill failed to demonstrate that maximising flexible benefits was in the customer's best interests. There was either no evidence in support of the need to access funds flexibly or insufficient evidence that to do so was in the customer's best interests.

4.57 Other objectives indicated by customers on the fact-find had no supporting explanation or facts recorded. It was therefore unclear on what basis Mr Cobill had recommended the transfers. An example is provided by the file of Mr C. Mr C was 53 years old and anticipated retiring at age 60. Having no source of retirement income other than the BSPS and the state pension, he was reliant on the income provided by the BSPS in retirement. He had no mortgage and his current income needs were relatively low, with no reason for them to increase in retirement. Accordingly, taking into account early retirement factors, BSPS 2 might have provided him with retirement income adequate to his needs, with minimal risk. In terms of his other requirements or objectives, he had no need for a PCLS at retirement and his preferred type of death benefit was a pension.

4.58 Mr C was a cautious investor. The Authority's guidance provides that a transfer should only be considered suitable where it can clearly be demonstrated, on the basis of contemporary evidence, that the transfer is in the customer's best interests. Moreover, the Authority's Rules require that there is a reasonable basis for believing that a recommendation meets a customer's investment objectives. Given Mr C's attitude to risk, the risks inherent in a decision to transfer out of a DBPS, and the lack of strong drivers to transfer in his case, the Authority would expect to find evidence of a thorough explanation of how the recommended transfer met Mr C's objectives, including consideration of available alternatives to transferring. In fact, the fact-find recorded nothing about his objectives beyond ticking templated boxes; no further information or explanation was captured. The Suitability Report contains only generic reasons, described using templated wording.

4.59 Mr Cobill did not have a reasonable basis for believing that the recommendation to transfer met the customer's investment objectives.

No basis for believing customer had necessary knowledge or experience to understand the risks involved in the transfer

4.60 Pursuant to COBS 9.2.2R(1)(c), IFM was obliged to obtain sufficient information to provide a reasonable basis for believing that its clients had the necessary experience and knowledge to understand the risks involved in the transfers. COBS 9.2.3R states that the information obtained had to include the types of service, transaction and investment with which the client was familiar, the nature, volume and frequency of their investment decisions, and their level of education.

4.61 The only information concerning the customers' knowledge and experience recorded in the six files assessed by the Authority where unsuitable Pension Transfer advice was given took the form of the customers' responses to a single tick-box, multiple choice question on the fact-find about their knowledge of financial decisions. In two cases, the customers ticked the box describing themselves as having "*Very little understanding or knowledge*" of financial decisions. In the other cases, where the customer had asserted a level of knowledge when their occupation and investments suggested this was not the case, there was no evidence of the adviser challenging or scrutinising these answers on file. A general lack of knowledge and experience could be inferred in all cases. Five out of six customers had worked for the same employer for a substantial period of time and, apart from the benefits available in their DBPS, all six customers had little in the way of other assets or investments (save for their ongoing contributions to their employer's group pension plan and, in one case, an ISA). Further, there was no evidence of them having previously taken financial advice and no evidence of them having any knowledge of managing pension investments.

4.62 The customers advised by Mr Cobill faced a difficult and very important decision concerning their pensions in the context of the pensions' significant value and a high level of speculation about the future of the BSPS. The customers whose files were reviewed by the Authority had limited knowledge and experience. Given the nature of the customers, the type of transaction envisaged, and the risks involved, Mr Cobill did not obtain sufficient information to provide a reasonable basis for believing that the customers had the necessary experience and knowledge to understand the risks involved in the transfer of their defined benefits.

Failure to consider attitude to transfer risk

4.63 Pursuant to COBS 9.2.2R(1)(a), IFM was obliged to obtain information giving it a reasonable basis for believing that its recommendation to transfer met the client's investment objectives. As part of that, IFM was obliged to obtain information on the client's preferences regarding risk taking and their risk profile, in accordance with COBS 9.2.2R(2). IFM had to have a reasonable basis for believing that the customer was prepared to take the risk involved in transferring out of their DBPS – in particular, the risk involved in exchanging guaranteed benefits for non-guaranteed benefits which are subject to investment risk borne by the customer.

4.64 In three out of the six cases assessed where unsuitable Pension Transfer advice was given (Mr B, Mr E and Mr W), there is no evidence that Mr Cobill had a reasonable basis for believing that the Personal Recommendation to transfer met the customer's objectives in the context of their attitude to risk. Customer files lacked evidence of discussions around risk, depletion of the fund and customer responses/rationale as regards their views.

4.65 By way of example, Mr W generally selected the most cautious responses available in the fact-find, categorised himself as a 'cautious risk' investor and added narrative comments on more than one occasion to emphasise the point, such as: "*I am quite a cautious person and require a stable income for my retirement which will not exhaust and be able to support my wife when I die*."

4.66 The Suitability Reports for Mr B, Mr E and Mr W make no reference to their attitudes to risk. Instead, they all contain the following templated wording:

> "As a result of our discussions, it became clear that you are attracted to the flexibility of the personal pension and imagine this will suit your retirement needs better than a fixed income for life. Equally, it is very important to you that you are in control of your retirement provisions and that you can draw benefits when you want rather than being bound by scheme rules and trustee discretion. Ensuring your pension will not die with you and allowing it to be fully inherited by your family is also a key objective of yours."
>
> "Ultimately, the level of value placed on one aspect of a pension is down to the individual. In other words, if an individual wants the peace of mind from a guaranteed pension, then they will clearly place a high value on a Scheme Pension.
>
> From our discussions, it is clear that you place a higher value on having choice and control over your pension fund than having a guaranteed lifetime income."

4.67 The documentation on file provides no explanation of how the above conclusions have been reached in light of these customers' attitudes to risk as expressed in their fact-finds. Mr B and Mr E did not complete the section of the Pension Review Questionnaire which asked them to list their priorities in numerical order. Mr W did complete this section and prioritised his three most important objectives as follows: "*1) Improve the security of my pension fund; 2) Ability to afford to retire early; and 3) Flexibility and control of income in retirement*." He added a note stating that he required a stable income for retirement. All three described themselves as cautious investors who would tolerate only low volatility. Neither Mr B nor Mr E mentioned leaving money to their family as an objective for them. In the cases of Mr B and Mr E, insufficient information was recorded to justify the conclusion that their desire for flexibility outweighed their cautious approaches to risk. For Mr W, this conclusion was inconsistent with the objectives stated in his questionnaire and insufficiently justified given his attitude to risk.

Transfer analysis not supportive of transfer or no transfer analysis

4.68 In order to provide Pension Transfer advice in accordance with COBS 19.1.2R, IFM was obliged to carry out a comparison between the benefits likely to be paid by the ceding scheme with the benefits afforded by a personal pension. IFM further had to ensure that the comparison included enough information for the client to be able to make an informed decision and give the customer a copy of the comparison, drawing the customer's attention to the factors that did and did not support IFM's advice. Finally, IFM had to take reasonable steps to ensure that the customer understood its comparison and its advice. This was important, given the limited knowledge and experience of many of the customers in the sample. Where files did not demonstrate that this was the case, there was a risk that the customer followed the advice without understanding how the transfer compared with what they were giving up.

4.69 During the Relevant Period, this comparison would typically be contained in a TVAS Report, which would set out, amongst other things, a comparison relating to specific benefits (for example, death benefits) and a critical yield calculation. The critical yield is guidance on the level of return (expressed as a percentage) that the customer’s investment will need to achieve up to the point they start drawing from the pension to match the benefits they would receive from their DBPS.

4.70 Mr Cobill gave the vast majority of IFM’s Personal Recommendations to transfer to IFM’s BSPS customers. His Personal Recommendations often coincided with the customer’s signature of the BSPS discharge forms necessary to effect the transfer. This meant that the customer’s decision to transfer was often being made and implemented in a face-to-face meeting with Mr Cobill. A TVAS should have formed part of his analysis and he should therefore have ensured that one was completed to an adequate standard for every customer. He should also have taken reasonable steps to ensure that the customer understood the comparison and should have explained to the customer why he was recommending that they transfer out of their DBPS if the results of the comparison did not support the transfer.

4.71 In three of the files reviewed, the TVAS Report was not properly prepared, in that it was not conducted on the basis of the customer's preferred retirement age or on the basis of their stated intention to draw a PCLS. Where calculated to a higher retirement age than desired by the customer, the critical yield figure will be lower, suggesting the receiving fund does not need to perform as well. For example, in the case of Mr H, the TVAS was prepared to the retirement age of 65 rather than the preferred retirement age of 55. The critical yield calculated to age 55 is likely to be much higher than that calculated to age 65. Moreover, the TVAS was not prepared assuming Mr H took his PCLS, even though this is indicated as a possibility in the suitability report.

4.72 Further, in all six of the files assessed by the Authority where Mr Cobill was the adviser and unsuitable Pension Transfer advice was given, the transfer analysis did not support the Personal Recommendation to transfer, in that the critical yield referred to in the Suitability Report was greater than the return likely to be achievable in light of the customer's attitude to investment risk. For example, in the case of Mr W, the BSPS customer described at paragraphs 4.64 to 4.67 above, the critical yield obtained was 7.7%. The Authority considers that this return was unlikely to be matched by investments consistent with Mr W's extremely cautious attitude to risk.

4.73 In seven out of 14 (50%) of the BSPS files reviewed by the Authority and three out of six of the files assessed by the Authority where unsuitable Pension Transfer advice was given, there was no TVAS Report in the customer file where one was required. This omission occurred throughout IFM's BSPS customer book. For 71 of the 206 BSPS customers (34%) for whom IFM made a recommendation to transfer (of whom 67 were advised by Mr Cobill), IFM did not obtain a TVAS Report or otherwise carry out the comparison required by the rules.

4.74 In many cases (including some, such as that of Mr W, where a TVAS was prepared) the Suitability Report contained the following templated wording:

> "Any comparison is made against the expected retirement income at 65 under the current scheme rules and benefits. Given we know these are to change, the analysis will not represent a true picture and <u>will arguably add no value to the process</u>. Moreover, as your intention behind transferring is to take full advantage of pensions 'freedom' rather than purchase a lifetime annuity in the future, <u>the results of a TVAS are largely academic</u>.

For your information however, I can confirm that our analysis to date of the British Steel Scheme has shown that annual investment returns of typically around 8.0% p.a. are required in order to match the benefits available at 65 from the 'current' British Steel scheme. Given the terms are due to change for the worse however, it follows that the required growth rate to match the British Steel 2 scheme will be lower." [emphasis added]

4.75 COBS 19.1.2R requires that Pensions Transfer clients are provided with a TVAS which contains sufficient information to enable them to make an informed decision. Mr Cobill accepted that TVAS comparisons would always yield different return figures for different customers. However, customers who were not provided with a TVAS were given an imprecise and potentially inaccurate figure of a typical annual return of 8%. Customers were entitled to receive a precise comparison, taking into account their personal circumstances and evaluating the benefits of the ceding scheme with those of the receiving scheme. Without such comparison, customers were deprived of information which would have increased their level of understanding in the decision-making process.

Non-specific Customer Objectives

4.76 Customer objectives were often recorded in a generic way suggesting a standardised templated approach. In accordance with COBS 9.4.7R, IFM was obliged to set out in the Suitability Report, as a minimum, the customer's demands and needs; why it had concluded that the transfer was suitable for the customer having regard to the information provided by the customer; and any possible disadvantages of the transaction for the customer. In other words, the report was a written record of the customer's circumstances and the adviser's Personal Recommendation and the reasons for it.

4.77 The Suitability Reports reviewed by the Authority contained little evidence to suggest that the stated objectives of the customers had been properly explored, scrutinised and challenged by the adviser to ensure they were appropriate and achievable, particularly the desire for flexibility. The underlying reason for the customer objectives was not always recorded meaning the driver for transfer could not be assessed; alternative means of achieving the aim or the appropriate importance to attach to the objective cannot be evaluated.

4.78 All but one of IFM's Suitability Reports for BSPS customers reviewed by the Authority gave in the first instance the customer's primary objective as "*Transfer your defined benefit pension to a money purchase pension plan to provide greater* *flexibility when drawing benefits from your pension fund*". In 9 out of 14 of these Suitability Reports, the customer's recorded objectives were substantively the same. 11 of the 14 BSPS Suitability Reports reviewed contained identical reasons for the recommendation to transfer. In all 14 cases, the warnings of the possible disadvantages were identical.

4.79 Mr Cobill sought to justify similarities in advice by reference to similarities in the BSPS customers' circumstances. However, the circumstances of every customer were unique. The Suitability Reports failed to reflect these differences in sufficient detail or to explain to customers how IFM had taken into account the information provided by the customer in reaching the conclusion that the advice was suitable. Important elements of the rationale for transfer were highly templated and the Suitability Reports do not clearly communicate the reasons for IFM's advice.

Incorrect information about the PPF given in Suitability Reports

4.80 If BSPS members did not opt for BSPS 2 or to transfer out of the BSPS, the default outcome was to enter into the PPF and receive compensation in lieu of a pension. Nine out of the 14 Suitability Reports for BSPS customers reviewed by the Authority contained incorrect information about the benefits available to BSPS members entering into the PPF. Early retirement would always have been available as an option for those BSPS members who went into the PPF. However, nine Suitability Reports used templated wording with incorrect information on that point, as follows:

(a) in the first in time (advice given in July 2017) the report stated that on the scheme entering the PPF, "*the option of early retirement will be lost";*

(b) in the next six (advice given in August, September and October 2017) the reports stated that, "*Early retirement is unlikely to be an option under the PPF*" (and stated that the terms of BSPS 2 in this context were as yet unknown);

(c) in the next two (advice given in October and November 2017) the reports stated that, "*Early retirement will not be an option under the PPF*" (but stated that it would under BSPS 2).

4.81 Of the five remaining customer files reviewed by the Authority, one Suitability Report does not address the customer's stated concerns that early retirement may not be available under the PPF, and the remaining four (all of which were prepared in November and December 2017) correctly state that early retirement was an option under the PPF. It appears from these four files that IFM corrected the wording regarding the availability of early retirement in the PPF by at least early November 2017 and, based on some IFM customer Suitability Reports obtained by the Authority outside its file review exercise, it appears that some Suitability Reports contained the correct information as early as September 2017. Regardless of when exactly the error was realised, IFM allowed Suitability Reports containing incorrect information to be provided to customers and did not subsequently write to those customers to correct the position.

The materiality of the PPF issue

4.82 Early retirement was a common objective among BSPS members. In that context, for Mr Cobill to wrongly advise its BSPS customers at any stage in the advice process that early retirement was either unavailable or unlikely to be available in the PPF created a significant risk that members' decisions to transfer out of their DBPSs would be made or maintained on a materially false basis. The mistake also had the potential to make the riskier option of a Pension Transfer seem more attractive than it might otherwise to cautious BSPS members. In some cases, the templated wording in the Suitability Report risked making it appear that the BSPS member might not be able to retire early at all unless they transferred out of the BSPS altogether.

Failure to check Suitability Reports

4.83 Mr Cobill accepted in interview with the Authority that as an adviser he should have ensured that Suitability Reports were accurate before they were sent to customers. However, throughout the Relevant Period, Mr Cobill failed to ensure that he took sufficient steps to ensure the accuracy and completeness of Suitability Reports sent to customers having been drafted by a paraplanner. For BSPS customers in the latter part of 2017, he read only a "*tiny proportion*" of reports. This gave rise to the risk that Suitability Reports sent to customers were inaccurate, a risk that in fact crystallised as set out in paragraph 4.80 above. Reviewing the Suitability Reports would have provided Mr Cobill with an opportunity to identify and correct such errors. However, in the absence of adequate review by him, the inaccurate statements regarding the PPF were not corrected in Suitability Reports and clients who had received incorrect information were not notified of the error.

Benefit derived by Mr Cobill

4.84 IFM operated a contingent charging model for Pension Transfer advice, meaning that a customer paid for IFM's advice only if the customer transferred their defined benefit pension following IFM's recommendation. The fee charged was typically 3% or 4% of the customer's CETV and was paid out of the transferred funds, in addition to a £250 fixed fee for the initial set up. This was subject to a £5,000 cap for BSPS customers.

4.85 In many BSPS cases, the £5,000 cap was met. As a consequence, the initial charges charged by IFM to 206 BSPS Pension Transfer customers that it advised to transfer out in the eight-month period May 2017 to December 2017 inclusive totalled £972,438.96.

4.86 70% of initial charges and 80% of ongoing charges were paid by IFM to Mr Cobill under the terms of the agreement between them. This meant that IFM paid Mr Cobill more than £640,000 for BSPS cases in the period May 2017 to December 2017. By December 2020, IFM had paid Mr Cobill a total of £1,139,487.01 in commission in connection with advice given to its Pension Transfer customers during the Relevant Period.

5. FAILINGS

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

5.2 Mr Cobill breached Statement of Principle 2 during the Relevant Period, in that he failed to act with due skill, care and diligence when advising customers on Pension Transfers. His failings meant that the advice he provided did not comply with regulatory requirements and standards, which created a significant risk that his advice that a customer should transfer out of their DBPS would not be suitable for them. In particular, Mr Cobill:

(a) failed to obtain the necessary information from the customer, particularly information concerning their financial situation when assessing whether it was suitable for them to transfer out of their DBPS. That meant that Mr Cobill was unable properly to assess the customer's income needs in retirement, the extent of their reliance on the retirement income provided by their DBPS, or their capacity for loss. Those issues went to the heart of whether a Pension Transfer was suitable for a customer;

(b) failed properly to assess, on the basis of the information obtained, or give due consideration to, whether the recommendation was suitable for the customer and in their best interests and in particular whether:

(i) the customer could financially bear the risks involved in a Pension Transfer. Mr Cobill advised customers with no source of retirement income other than their DBPS and the state pension and with cautious attitudes to risk to give up their guaranteed benefits without sufficient justification;

(ii) the Pension Transfer recommended met the customer’s investment objectives. In some cases, there was no evidence of Mr Cobill having properly scrutinised customer’s objectives or giving proper consideration to whether the Pension Transfer met the customer’s retirement goals; nor any evidence of due consideration by him of the customer’s risk-taking preferences or their risk profile;

(iii) the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer recommended and failed to give due consideration to the customer’s lack of experience and knowledge in that context. Mr Cobill advised steel industry employees with limited experience or knowledge of investments to give up the guaranteed benefits of their DBPS in a rushed and perfunctory manner; and

(iv) failed to ensure that any, or any adequate, transfer analysis was prepared for and explained adequately to all customers comparing the benefits likely to be paid under the DBPS with benefits afforded by the personal pension scheme into which it was proposed that the customer should transfer. Even where a TVAS was prepared, it did not always support the decision to transfer.

5.3 Mr Cobill failed to check the contents of the Suitability Reports issued by IFM in his name and to ensure that the Suitability Reports contained adequate information to explain the Personal Recommendation, having regard to the customer’s specific circumstances and objectives. As a consequence of this, he did not become aware of and did nothing to rectify the serious failings in the drafting of reports, such as the inclusion of incorrect and misleading information and the use of generic wording that was almost entirely derived from templates, meaning that reports nominally compiled for different customers were substantially identical.

5.4 As a consequence of his actions, Mr Cobill failed to meet the regulatory standards applicable to a Pension Transfer Specialist performing the CF30 controlled function. The Authority therefore considers that he is not fit and proper to perform any function in relation to the regulated activity of advising on Pension Transfers and Pension Opt Outs carried on by an authorised person, exempt person or exempt professional firm.

6. SANCTION

Financial penalty

6.1 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

6.2 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.

6.3 Mr Cobill derived direct financial benefit from his role in giving Pension Transfer advice on behalf of IFM, in the form of commission payments from IFM of 70% of initial charges to Pension Transfer customers and 80% of ongoing charges levied on those customers by IFM for investment advice given after the customers had transferred out of their Defined Benefit Pension Schemes. IFM paid Mr Cobill a total of £1,139,487.01 for Pension Transfer advice given by him during the Relevant Period.

6.4 In calculating Mr Cobill's direct financial benefit from his breach, the Authority considers it appropriate to calculate an amount reflective of the proportion of IFM's customer files it identified during its review where IFM failed to comply with relevant regulatory requirements regarding Pension Transfer advice (after deduction of quantifiable tax liabilities incurred by Mr Cobill). This is £562,860.23.

6.5 The Authority has charged interest on Mr Cobill's benefits at 8% per year from 22 December 2017 to the date of this Notice, amounting to £280,165.61.

6.6 Step 1 is therefore £843,025 (rounded down to the nearest £1).

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 Cobill's breaches of Statement of Principle 2 was from 8 June 2015 to 22 December 2017. The Authority considers Mr Cobill's relevant income for that period to be £900,887.02.

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.

Impact of the breach

6.11 Mr Cobill gained a substantial, direct benefit from his breach. IFM paid him a total of £1,139,487.01 in commission in connection with his advice to its Pension Transfer customers during the Relevant Period. (DEPP 6.5B.2G(8)(a)).

6.12 Mr Cobill's breach caused a significant risk of loss, as a whole, to consumers who transferred out of their DBPS as a result of his advice. IFM's 307 Pension Transfer customers held pensions with CETVs totalling more than £111 million. IFM's BSPS customers transferred out CETVs with a total value of more than £93 million. Mr Cobill's breach placed a large proportion of those funds at significantly increased risk (DEPP 6.5B.2G(8)(b)).

6.13 Mr Cobill's breach caused a significant risk of loss to individual consumers who transferred out of their DBPS as a result of his advice. The average CETV of IFM's Pension Transfer customers was more than £394,000. The average CETV of IFM's BSPS customers was more than £455,000. For many customers, their DBPS was their most valuable asset and was their only retirement provision other than their state pension (DEPP 6.5B.2G(8)(c)).

6.14 Mr Cobill's breach affected particularly vulnerable people, namely BSPS members, who made up the majority of his Pension Transfer advice customers during the Relevant Period and many of whom were in a vulnerable position due to the uncertainty surrounding the future of the BSPS (DEPP 6.5B.2G(8)(d)).

Nature of the breach

6.15 Mr Cobill's breach was committed repeatedly over the course of more than two years, in respect of many separate instances of Pension Transfer advice (DEPP 6.5B.2G(9)(b)).

6.16 Mr Cobill is an experienced industry professional (DEPP 6.5B.2G(9)(j)).

6.17 Mr Cobill, as IFM's sole Pension Transfer Specialist, bore significant responsibility for the business area affected by his breach – Pension Transfer advice (DEPP 6.5B.2G(9)(l).

Whether the breach was committed deliberately or recklessly

6.18 Mr Cobill's breach was committed negligently rather than deliberately or recklessly (DEPP 6.5B.2G(13)(d)).

Level of seriousness

6.19 DEPP 6.5B.2G(12) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers that the fact that Mr Cobill's breach caused a significant risk of loss to individual consumers who transferred out of their DBPS as a result of his advice is particularly relevant (DEPP 6.5B.2G(12)(a)).

6.20 DEPP 6.5B.2G(13) lists factors likely to be considered 'level 1, 2 or 3 factors'. Of these, the Authority considers that Mr Cobill's breach was committed negligently (DEPP 6.5B.2G(13)(d)).

6.21 Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 30% of £900,887.02, or £270,266.11.

6.22 Step 2 is therefore £270,266.11.

Step 3: mitigating and aggravating factors

6.23 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.

6.24 The Authority has considered whether any of the mitigating or aggravating factors listed in DEPP 6.5B.3G, or any other such factors, apply in this case and has concluded that none applies to a material extent, such that the penalty ought to be increased or decreased.

6.25 Step 3 is therefore £270,266.11.

Step 4: adjustment for deterrence

6.26 Pursuant to DEPP 6.5B.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the individual who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.27 The Authority considers that the Step 3 figure of £270,266.11 represents a sufficient deterrent to IFM and others, and so has not increased the penalty at Step 4.

6.28 Step 4 is therefore £270,266.11.

Step 5: settlement discount

6.29 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 firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.30 No settlement discount applies.

6.31 Step 5 is therefore £270,266.11. This is to be rounded down to £270,200.

Conclusion as to financial penalty

6.32 Having applied the five-step framework set out in DEPP, the appropriate level of financial penalty to be imposed on Mr Cobill is £1,113,225.

6.33 The Authority would have imposed a financial penalty of £1,113,225 on Mr Cobill. However, the Authority recognises that there may be a significant liability for redress for IFM's customers which will likely fall to the FSCS. In these circumstances, the Authority has agreed with Mr Cobill that in lieu of the imposition of a financial penalty, the sum of £120,000 be paid direct to the FSCS to contribute towards any redress due to IFM's customers. This is in furtherance of the Authority's consumer protection objective. In light of the above and taking into account the exceptional circumstances of the BSPS, the Authority hereby publishes a statement of Mr Cobill's misconduct.

Statement of Misconduct

6.34 The Authority's policy in relation to the imposition of a public censure is set out in Chapter 6 of DEPP. DEPP sets out non exhaustive factors that may be of particular relevance in determining whether it is appropriate to issue a public censure rather than impose a financial penalty. DEPP 6.4.2G (5) includes that it may be a factor (depending on the nature and seriousness of the breach) in favour of a public censure rather a financial penalty including but not limited to where a person has taken steps to ensure that those who have suffered loss due to the breach are fully compensated for those losses. Whilst the full amount of any losses due to Mr Cobill's breach is not yet quantified, they may be significant. In light of this, the Authority has agreed that the sum of £120,000 should be paid direct to the FSCS.

6.35 The Authority has had regard to the fact that Mr Cobill has agreed to pay direct to the FSCS assets that would otherwise be used to satisfy any financial penalty imposed by the Authority to be used towards any redress due to IFM's customers. On that basis, the Authority has not imposed a financial penalty on Mr Cobill but instead hereby publishes on its website this Notice as a statement of Mr Cobill's misconduct under section 66 of the Act.

Prohibition Order

6.36 The Authority has had regard to the guidance in Chapter 9 of EG and FIT 2 of the Handbook in considering whether to impose a prohibition order on Mr Cobill. The Authority has the power to prohibit individuals under section 56 of the Act.

6.37 The Authority considers that it is appropriate and proportionate to prohibit Mr Cobill from performing any function in relation to the regulated activity of advising on Pension Transfers and Pension Opt Outs carried on by an authorised person, exempt person or exempt professional firm, on the grounds that he is not a fit and proper person to perform such functions due to his lack of competence and capability.

7. PROCEDURAL MATTERS

7.1 This Notice is given to Mr Cobill under and in accordance with section 390 of the Act.

7.2 The following statutory rights are important.

Decision maker

7.3 The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Publicity

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

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

Authority contacts

7.6 For more information concerning this matter generally, contact Laurenz Maurer (direct line: 020 7066 8096 / email: Laurenz.Maurer@fca.org.uk).

Nicholas Hills

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT STATUTORY PROVISIONS

1.1. The Authority's statutory objectives, set out in section 1B(3) of the Act, include the operational objective of securing an appropriate degree of protection for consumers (section 1C).

1.2. Section 56 of the Act provides that the Authority may make an order prohibiting an individual from performing a specified function, any function falling within a specified description or any function, if it appears to the Authority that that individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person, exempt person or a person to whom, as a result of Part 20, the general prohibition does not apply in relation to that activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description, or all regulated activities.

1.3. 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, while an approved person, he has failed to comply with a statement of principle issued under section 64 of the Act, or has been knowingly concerned in a contravention by a relevant authorised person of a relevant requirement imposed on that authorised person.

2. RELEVANT REGULATORY PROVISIONS

Statements of Principle and Code of Practice for Approval Persons

2.1. The Authority's Statements of Principle and Code of Practice for Approved Persons ("APER") have been issued under section 64 of the Act. The Code of Practice for Approved Persons sets out descriptions of conduct which, in the opinion of the Authority, do 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.

2.2. During the Relevant Period, Statement of Principle 2 stated:

"*An approved person must act with due skill, care and diligence in carrying out his accountable functions*."

Conduct of Business Sourcebook

2.3. The following rules and guidance in COBS (as were in place during the Relevant Period) are relevant to assessing suitability of Pension Transfer advice given to customers.

2.4. COBS 2.1.1R states that a firm must act honestly, fairly and professionally in accordance with the best interests of its client.

2.5. COBS 4.2.1R(1) states that a firm must ensure that a communication or a financial promotion is fair, clear and not misleading.

2.6. COBS 9.2.1R states that:

(1) A firm must take reasonable steps to ensure that a personal recommendation, or a decision to trade, is suitable for its client.

(2) When making the personal recommendation or managing his investments, the firm must obtain the necessary information regarding the client's:

(a) knowledge and experience in the investment field relevant to the specific type of designated investment or service;

(b) financial situation; and

(c) investment objectives;

so as to enable the firm to make the recommendation, or take the decision, which is suitable for him.

2.7. COBS 9.2.2R (1) states that a firm must obtain from the client such information as is necessary for the firm to understand the essential facts about him and have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of managing:

(a) meets his investment objectives;

(b) is such that he is able financially to bear any related investment risks consistent with his investment objectives; and

(c) is such that he has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

2.8. COBS 9.2.2R (2) states that the information regarding the investment objectives of a client must include, where relevant, information on the length of time for which he wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment.

2.9. COBS 9.2.2R(3) states that the information regarding the financial situation of a client must include, where relevant, information on the source and extent of his regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.

2.10. COBS 9.2.3R states that the information regarding a client's knowledge and experience in the investment field includes, to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved, information on:

(1) the types of service, transaction and designated investment with which the client is familiar;

(2) the nature, volume, frequency of the client's transactions in designated

investments and the period over which they have been carried out;

(3) the level of education, profession or relevant former profession of the client.

2.11. COBS 9.2.6R states that if a firm does not obtain the necessary information to assess suitability, it must not make a personal recommendation to the client or take a decision to trade for him.

2.12. COBS 9.4.1R(4) states that a firm must provide a suitability report to a retail client if the firm makes a personal recommendation to the client and the client enters into a pension transfer, pension conversion or pension opt-out.

2.13. COBS 9.4.7R states that the suitability report must, at least:

(1) specify the client's demands and needs;

(2) explain why the firm has concluded that the recommended transaction is suitable for the client having regard to the information provided by the client; and

(3) explain any possible disadvantages of the transaction for the client.

2.14. COBS 19.1.1R states that if an individual who is not a pension transfer specialist gives advice or a personal recommendation about a pension transfer, a pension conversion or pension opt-out on a firm's behalf, the firm must ensure that the recommendation or advice is checked by a pension transfer specialist.

2.15. COBS 19.1.2R states that a firm must:

(1) compare the benefits likely (on reasonable assumptions) to be paid under a defined benefits pension scheme or other pension scheme with safeguarded benefits with the benefits afforded by a personal pension scheme, stakeholder pension scheme or other pension scheme with flexible benefits, before it advises a retail client to transfer out of a defined benefits pension scheme or other pension scheme with safeguarded benefits;

(2) ensure that that comparison includes enough information for the client to be able to make an informed decision;

(3) give the client a copy of the comparison, drawing the client's attention to the factors that do and do not support the firm's advice, in good time, and in any case no later than when the key features document is provided; and

(4) take reasonable steps to ensure that the client understands the firm's comparison and its advice.

2.16. COBS 19.1.3G explains the information that should be contained within a comparison. In particular, the comparison should:

(1) take into account all of the retail client's relevant circumstances;

(2) have regard to the benefits and options available under the ceding scheme and the effect of replacing them with the benefits and options under the proposed scheme;

(3) explain the assumptions on which it is based and the rates of return that would have to be achieved to replicate the benefits being given up;

(4) be illustrated on rates of return which take into account the likely expected returns of the assets in which the retail client's funds will be invested; and

(5) where an immediate crystallisation of benefits is sought by the retail client prior to the ceding scheme's normal retirement age, compare the benefits available from crystallisation at normal retirement age under that scheme.

2.17. COBS 19.1.6G states that when advising a client who is, or is eligible to be, a member of a Defined Benefit Pension Scheme or other scheme with safeguarded benefits whether to transfer, convert or opt-out, a firm should start by assuming that a transfer, conversion or opt-out will not be suitable. A firm should only consider a transfer, conversion or opt out to be suitable if it can clearly demonstrate, on contemporary evidence, that the transfer, conversion or opt-out is in the client's best interests.

2.18. COBS 19.1.7G states that when a firm advises a retail client on a pension transfer, pension conversion or pension opt-out, it should consider the client's attitude to risk including, where relevant, in relation to the rate of investment growth that would have to be achieved to replicate the benefits being given up.

The Fit and Proper Test for Approved Persons

2.19. The part of the Authority's Handbook entitled "The Fit and Proper Test for Approved Persons" ("FIT") sets out the criteria that the Authority will consider when assessing the fitness and propriety of a candidate for a controlled function. FIT is also relevant in assessing the continuing fitness and propriety of an approved person.

2.20. FIT 1.3.1G states that the Authority will have regard to a number of factors when assessing the fitness and propriety of a person. The most important considerations will be the person's honesty, integrity and reputation, competence and capability, and financial soundness.

The Authority's policy for exercising its power to make a prohibition order

2.21. The Authority's policy in relation to prohibition orders is set out in Chapter 9 of the Enforcement Guide ("EG").

2.22. EG 9.1 states that the Authority may exercise this power where it considers that, to achieve any of its regulatory objectives, it is appropriate either to prevent an individual from performing any functions in relation to regulated activities or to restrict the functions which he may perform.

DEPP

2.23. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.

The Enforcement Guide

2.24. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.

2.25. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial a penalty.