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**FINAL NOTICE**

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**To:** **Fastmoney.co.uk Limited**

**FRN:** **424331**

**Address:** **PO Box 3044  
Newcastle-Under-Lyme  
Staffordshire,  
ST55 9DY**

**Date:** **11 November 2011**

**1. ACTION**

- 1.1. For the reasons given in this notice, the FSA hereby imposes on Fastmoney a financial penalty of £28,000.
- 1.2. Fastmoney agreed to settle at an early stage of the FSA's investigation and qualified for a 30% (Stage 1) discount under the FSA's executive settlement procedures. Were it not for this discount, the FSA would have imposed a financial penalty of £40,000.

**2. SUMMARY OF REASONS**

- 2.1. Fastmoney arranged regulated mortgage contracts, including regulated bridging loans, on a non-advised basis for retail customers.
- 2.2. Fastmoney failed to take reasonable care to organise and control its affairs responsibly and effectively, in breach of Principle 3, by failing to:

- (1) establish a non-advised sales process which ensured that customers took out an appropriate regulated mortgage contract and were treated fairly;
  - (2) review adequately the competence of its sales representatives and take appropriate action to ensure that they remained competent for their role; and
  - (3) take reasonable steps to supervise its sales representatives so that they adhered to the non-advised sales scripts and avoided giving personal recommendations to customers.
- 2.3. Fastmoney failed to pay due regard to the information needs of its customers and communicate information to them in a way which was clear, fair and not misleading, in breach of Principle 7, by:
  - (1) failing to ensure that customers, particularly those who took out bridging loans, had received and read initial disclosure documents and key facts illustrations containing information about the mortgage product and associated charges before Fastmoney proceeded with completing a mortgage application on their behalf;
  - (2) offering many customers one particular mortgage product based on its own judgment of which of the available mortgages was cheapest, instead of presenting all options to the customer in a fair and unbiased way (as required for non-advised sales); and
  - (3) failing to disclose adequately the cost to customers of its services. In particular, it potentially caused financial detriment to a number of customers by failing to provide clear, fair and not misleading information about additional broker fees.
- 2.4. Between August 2005 and March 2010, Fastmoney arranged 370 regulated mortgage contracts and 18 regulated bridging loans.
- 2.5. The FSA considers Fastmoney's failings to be particularly serious because its customers were typically financially unsophisticated people with an adverse credit history who were seeking to obtain a loan at short notice to enable them to meet financial liabilities and ongoing commitments. In some cases, customers needed to obtain a loan urgently to avoid having their homes repossessed. Because of their circumstances, the impact of poor financial decisions was magnified.
- 2.6. The FSA also has taken into account the fact that Fastmoney stopped selling regulated bridging loans and took steps to upgrade its compliance arrangements after the FSA raised concerns.
- 2.7. The FSA has concluded that the nature and seriousness of Fastmoney's breaches warrant a financial penalty of £40,000 (before discount). This action supports the FSA's statutory objectives of maintaining market confidence in the UK financial system and securing the appropriate degree of protection for consumers.

### **3. DEFINITIONS**

#### **3.1. The definitions below are used in this Final Notice:**

the “Act” means the Financial Services and Markets Act 2000

“DEPP” means the FSA’s Decision Procedures and Penalties Manual

“EG” means the FSA’s Enforcement Guide

“ENF” means the FSA’s Enforcement Manual

“Fastmoney” means Fastmoney.co.uk Limited

“the FSA” means the Financial Services Authority

“MCOB” means the Mortgages and Home Finance: Conduct of Business sourcebook in the FSA Handbook

“Mr Latham” means Mr Simon John Latham

“Mr Mason” means Mr Stuart Mason

“the Principles” means the FSA’s Principles for Businesses

“the relevant period” means the period from August 2005 to March 2009

“the skilled person requirement notice” means the Requirement Notice issued to Fastmoney on 17 December 2010 pursuant to section 166 of the Act

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

### **4. FACTS AND MATTERS**

#### **Background**

4.1. Fastmoney is a small mortgage broker based in Newcastle-under-Lyme, Staffordshire. It was authorised by the FSA on 26 August 2005 to arrange regulated mortgage contracts. It does not have permission to give mortgage advice. On 5 August 2011, Fastmoney at its own request voluntarily varied its permission to the effect that it has ceased conducting FSA regulated activities.

4.2. Fastmoney advertised its services on the internet and in national newspapers, targeting customers who were unlikely to be able to get prime mortgages. It sold mortgages nationally using the following non-advised sales process:

- (1) Fastmoney’s telesales staff received telephone calls from new customers and asked questions from a script to gather basic information about the customers’ circumstances.

- (2) This information was passed to Fastmoney's sales representatives, who telephoned and/or visited customers and ran through another sales script in order to establish the customers' mortgage preferences and needs, with the aim of producing quotations and a key facts illustration for an appropriate product.
  - (3) With the customer's permission, a representative visited the customer at their home and provided the illustration, mortgage application and other declarations to sign, one being a declaration that Fastmoney had not provided advice, in order to submit the mortgage application.
- 4.3. Between August 2005 and March 2010, Fastmoney arranged 370 regulated mortgage contracts and 18 regulated bridging loans.
- 4.4. Fastmoney was owned (through a holding company) by Simon Latham. Mr Latham was approved by the FSA to perform the following controlled functions during the relevant period at the Firm:
- (1) CF1 (Director) from 12 October 2005 to present;
  - (2) CF3 (Chief Executive) from 26 August 2005 to 12 February 2008; and
  - (3) CF8 (Apportionment and Oversight) from 4 October 2006 to 31 October 2007.
- 4.5. Mr Latham also responsible for insurance mediation from 4 October 2006 to 31 October 2007.
- 4.6. From 2 November 2007, Mr Latham delegated various senior management responsibilities to an individual employee, Mr Mason. From time to time during that period, Mr Mason held significant influence functions CF1 (Director), CF3 (Chief Executive) and CF8 (Apportionment and Oversight) and was responsible for the day to day running Fastmoney's business.
- 4.7. Mr Mason had worked for Mr Latham's companies for five years, but had no previous experience of holding a controlled function or senior management post and did not have any qualifications in the financial services industry. He was given only limited training by Mr Latham prior to taking on these responsibilities and there was no formal monitoring of his performance.
- 4.8. Fastmoney applied to the FSA to withdraw Mr Mason's approval to perform controlled functions. Mr Mason's approval was withdrawn on 26 May 2009.

#### **Skilled person's report**

- 4.9. On 17 December 2010 the FSA issued the skilled person requirement notice requiring Fastmoney to appoint a skilled person to produce a report on:
- (1) whether Fastmoney followed a compliant non-advised sales process and treated customers fairly in selling regulated bridging loans; and
  - (2) whether (and to what extent) Fastmoney charged customers additional broker fees which were not disclosed to them clearly and fairly.

- 4.10. To date, neither part of the skilled person's report has been completed.
- 4.11. In relation to the sales process, the skilled person has at this stage concluded that in all cases it was unclear whether the bridging loan arranged by Fastmoney met the customer's needs and objectives or that sufficient information was provided to customers before seeking their agreement to proceed with a bridging loan application.
- 4.12. In relation to the broker fees, the skilled person has at this stage stated that a number of customers (in addition to 16 already identified by Fastmoney) had not been given clear information about the fees charged by Fastmoney.
- 4.13. Fastmoney has agreed to complete the skilled person's report, but has stated that it is minded to challenge the findings as it believes that not all of the points it has raised have been properly considered. As a result, the FSA does not regard Fastmoney's agreement to complete the skilled person's report as a mitigating factor to be taken into account when assessing Fastmoney's conduct.

## **5. FAILINGS**

- 5.1. The statutory and regulatory provisions and policy relevant to this Final Notice are referred to in the Annex.

### **Principle 3**

#### ***Non-advised sales process***

- 5.2. There were deficiencies in Fastmoney's non-advised sales process which put customers at risk of taking out mortgage contracts whose features, risks and costs they did not sufficiently understand. In particular, Fastmoney:
- (1) failed to keep sufficient records to assess whether it had complied with the requirement to issue an initial disclosure document to customers within five days of the initial telephone contact;
  - (2) could not demonstrate that it collected sufficient information about customers' circumstances to enable it to identify appropriate and affordable mortgage options;
  - (3) did not present a selection of available mortgages to customers in a clear, fair and not misleading way, so as to allow them to make their own informed judgement as to which mortgage was most appropriate to their needs and circumstances; and
  - (4) could not demonstrate that customers had confirmed their awareness and understanding of the risks associated with the mortgage that they applied for.

#### ***Sales of regulated bridging loans***

- 5.3. Fastmoney sold regulated bridging loans to 15 customers in circumstances where:

- (1) its non-advised sales scripts did not include the necessary questions about a customer's circumstances to allow representatives to identify a bridging loan as an appropriate product for the customer;
  - (2) it did not keep adequate records to demonstrate that its representatives refrained from giving advice about bridging loans when conducting sales discussions with customers;
  - (3) it could not demonstrate that it applied a defined methodology for determining whether selling a particular bridging loan from its limited lending panel was the most appropriate outcome for the customer;
  - (4) its non-advised sales scripts did not prompt sales representatives to provide sufficient information about the features, risks and costs of a bridging loan - and sufficient time to consider the information - before seeking agreement to proceed with an application; and
  - (5) it sought to rely on customers' declarations that they understood the features and risks of the bridging loan in circumstances where this was unlikely to have been the case.
- 5.4. The skilled person could not ascertain from Fastmoney's records whether it had followed compliant non-advised sales process or treated customers fairly in respect of any of the bridging loan sales.

#### ***Training and competence***

- 5.5. Fastmoney failed adequately to review adequately the competence of its staff and take appropriate action to ensure that they remained competent for their role. In particular:
- (1) there was no process to assess the ongoing competence of senior management. As a result, Fastmoney appointed Mr Mason to perform significant influence functions at Fastmoney when he was not competent to perform these roles;
  - (2) staff training sessions were organised periodically for sales representatives on an ad hoc basis, but there was no system in place to assess the extent to which these training sessions resulted in actual learning; and
  - (3) there was no system for checking or ascertaining the competency or training needs of any individual sales representative.

#### ***Supervision of sales representatives***

- 5.6. Fastmoney did not take reasonable steps to supervise its sales representatives so that they adhered to the non-advised sales scripts and avoided giving personal recommendations to customers.
- (1) Fastmoney did not keep records of its initial telephone contact or sales discussions with customers, so was unable to check whether the sales representatives adhered to the sales scripts;

- (2) Fastmoney did not employ any external compliance resource, and its own internal compliance resource only began checking a significant sample of customer files in 2008. Prior to that, only a handful of files were checked and no-one at Fastmoney identified or rectified significant record keeping deficiencies in Fastmoney's sales records;
- (3) field representatives, whose roles during the relevant period varied from conducting sales at customers' homes to simply providing mortgage applications and declarations to sign, were almost entirely unmonitored; and
- (4) Fastmoney relied heavily on its customers – who were typically financially unsophisticated – to assess whether it had conducted a compliant and fair non-advised sale, through the making of complaints. It was a significant failing that the only mechanism which Fastmoney used to assess the quality of service being provided to customers was customer complaints. In responding to the FSA's concerns about the charging of fees, Mr Latham explained that there had been no complaints in that regard. In response to the skilled person's requirement to contact customers in order for redress to be assessed, he said that to do so would encourage customers "*to make complaints which may not be a true reflection*".

## **Principle 7**

- 5.7. Fastmoney did not provide clear, fair and not misleading information to customers about the nature of its service, nor the risks and features of the mortgage contracts that it arranged.
- 5.8. Mortgages were arranged for customers in some instances without them having been provided with initial disclosure documents and/or key facts illustrations at the appropriate time and where confirmations of Fastmoney's fees were not signed.
- 5.9. In the majority of cases it appeared that Fastmoney's representatives only ever offered the customer one mortgage from one lender, based on its own judgment on which of the available mortgages was cheapest. It did not present all available options to the customer in a clear, fair and not misleading way, as required by the non-advised sales process.
- 5.10. Fastmoney also failed to disclose adequately the cost to customers of its services. In particular, it may have caused financial detriment to some customers by failing to provide clear, fair and not misleading information about additional broker fees payable by the customer.

## **6. SANCTION**

- 6.1. Having regard to the facts and matters, the FSA considers it appropriate and proportionate in all the circumstances to impose a financial penalty on Fastmoney for the breaches described above.
- 6.2. The FSA's policy on the imposition of financial penalties is set out in Chapter 6 of DEPP, which forms part of the FSA Handbook. The relevant sections of DEPP are set out in more detail in the Annex. In addition, the FSA has had regard to the

corresponding provisions of Chapter 13 of ENF in force during part of the relevant period until 27 August 2007 and Chapter 7 of EG, in use thereafter.

- 6.3. The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring firms which have committed breaches from committing further breaches, and helping to deter other firms from committing similar breaches, as well as demonstrating generally the benefits of compliant behaviour.
- 6.4. DEPP 6.5.2G sets out a non-exhaustive list of factors that may be of relevance in determining the level of a financial penalty. The FSA considers that the following factors to be particularly relevant in this case.

**Deterrence (DEPP 6.5.2G(1))**

- 6.5. The financial penalty will reinforce the message that the FSA expects authorised firms to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems, so as to ensure that they pay due regard to the interests and information needs of customers.

**The nature, seriousness and impact of the breach in question (DEPP 6.5.2G(2))**

- 6.6. In determining the appropriate sanction, the FSA has had regard to the seriousness of the breaches, including the nature of the requirements breached and the duration of the breach.
- 6.7. The FSA considers Fastmoney's failings to be particularly serious because its customers were typically financially unsophisticated people with an adverse credit history who were seeking to obtain a loan at short notice to enable them to meet financial liabilities and ongoing commitments. In some cases, customers needed to obtain a loan urgently to avoid having their homes repossessed. Because of their circumstances, the impact of poor financial decisions was magnified.
- 6.8. The FSA has taken into account, as a mitigating factor, that Fastmoney ceased transacting regulated bridging loans as soon as the FSA raised concerns about these transactions.

**The extent to which the breach was deliberate or reckless (DEPP 6.5.2G(3))**

- 6.9. The FSA has found no evidence to show that Fastmoney acted in a deliberate or reckless manner.

**The size, financial resources and other circumstances of the firm (DEPP 6.5.2G(5))**

- 6.10. The FSA has found no evidence to suggest that Fastmoney will be unable to pay the penalty.

**Disciplinary record and compliance history (DEPP 6.5.2(9))**

- 6.11. Fastmoney has not been the subject of previous disciplinary action.



### **Other action taken by the FSA (DEPP 6.5.2G(10))**

- 6.12. In determining the level of financial penalty, the FSA has taken into account penalties imposed by the FSA on other authorised firms for similar breaches.
- 6.13. Having considered all the circumstances set out above, the FSA has determined that £40,000 (before any discount for early settlement) is an appropriate financial penalty to impose on Fastmoney.

## **7. PROCEDURAL MATTERS**

### **Decision makers**

- 7.1. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.
- 7.2. This Final Notice is given under, and in accordance with, section 390 of the Act.

### **Manner and time for payment**

- 7.3. The financial penalty must be paid by Fastmoney to the FSA in three monthly instalments, the first instalment being a payment of £2,700 within three months of the date of the Final Notice (being 11 February 2012), followed by eleven further payments of £2,300 at three monthly intervals thereafter, with the total amount of the financial penalty to be paid within three years of the Final Notice.

### **If the financial penalty is not paid**

- 7.4. If all or any part of an instalment is outstanding on the day after it is due to be paid, the FSA may recover the outstanding amount as a debt owed by Fastmoney and due to the FSA.

### **Confidentiality and publicity**

- 7.5. 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 FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to Mr Latham or prejudicial to the interests of consumers.
- 7.6. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

### **FSA contacts**

- 7.7. For more information concerning this matter generally, Fastmoney should contact Rachel West (direct line: 0207 066 0142; fax: 020 7066 0143) of the Enforcement and Financial Crime Division of the FSA.

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**Tom Spender**  
**FSA Enforcement and Financial Crime Division**

## **ANNEX**

### **STATUTORY PROVISIONS, REGULATORY GUIDANCE AND POLICY**

#### **1. Statutory provisions**

- 1.1. The FSA's regulatory objectives are set out in section 2(2) of the Act and include maintaining confidence in the financial system and the protection of consumers.
- 1.2. Section 138 of the Act provides that the FSA may make such rules applying to authorised persons as appear to it to be necessary or expedient for the purpose of protecting consumers.
- 1.3. The FSA has the power, pursuant to section 206 of the Act, to impose a financial penalty of such amount as it considers appropriate where the FSA considers an authorised person has contravened a requirement imposed on him by or under the Act.

#### **2. The Principles**

- 2.1. The FSA has published the Principles which apply either in whole, or in part, to all authorised firms.
- 2.2. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and reflect the FSA's regulatory objectives. A firm may be liable to disciplinary sanction where it is in breach of the Principles. The Principles relevant to this matter are.
  - (1) Principle 3 - a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
  - (2) Principle 7 - a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
- 2.3. The FSA's statutory objectives are set out in section 2(2) of the Act and include the protection of consumers.
- 2.4. The FSA has the power, pursuant to section 206 of the Act, to impose a financial penalty of such amount as it considers appropriate where the FSA considers an authorised person has contravened a requirement imposed on him by or under the Act.

#### **3. DEPP**

- 3.1. DEPP came into effect on 28 August 2007. Although the references in this Final Notice are to DEPP, the FSA has also had regard to the appropriate provisions of the FSA's Enforcement Manual, which preceded DEPP and applied during part of the relevant period.
- 3.2. The FSA's policy on the imposition and amount of penalties that applied up to 5 March 2010 was set out in Chapter 6 of DEPP.

- 3.3. DEPP 6.1.2G provides that the principal purpose of imposing a financial penalty is to promote high standards of regulatory and/or market conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches, and demonstrating generally the benefits of compliant behaviour. Financial penalties are therefore tools that the FSA may employ to help it to achieve its regulatory objectives.
- 3.4. DEPP 6.5.1G(1) provides that the FSA will consider all the relevant circumstances of a case when it determines the level of financial penalty (if any) that is appropriate and in proportion to the breach concerned.
- 3.5. DEPP 6.5.2G sets out a non-exhaustive list of factors that may be relevant to determining the appropriate level of financial penalty to be imposed on a person under the Act. The following factors are relevant to this case:

*Deterrence: DEPP 6.5.2G(1)*

- 3.6. When determining the appropriate level of financial penalty, the FSA will have regard to the principal purpose for which it imposes sanctions, namely to promote high standards of regulatory and/or market conduct by deterring persons who have committed breaches from committing further breaches and helping to deter other persons from committing similar breaches, as well as demonstrating generally the benefits of compliant business.

*The nature, seriousness and impact of the breach in question: DEPP 6.5.2G(2)*

- 3.7. The FSA will consider the seriousness of the breach in relation to the nature of the rule, requirement or provision breached, which can include considerations such as the duration and frequency of the breach, whether the breach revealed serious or systemic weaknesses in the person's procedures or of the management systems or internal controls relating to all or part of a person's business and the loss or risk of loss caused to consumers, investors or other market users.

*The extent to which the breach was deliberate or reckless: DEPP 6.5.2G(3)*

- 3.8. The FSA will regard as more serious a breach which is deliberately or recklessly committed, giving consideration to factors such as whether the person has given no apparent consideration to the consequences of the behaviour that constitutes the breach. If the FSA decides that the breach was deliberate or reckless, it is more likely to impose a higher penalty on a person than would otherwise be the case.

*The size, financial resources and other circumstances of the person on whom the penalty is to be imposed: DEPP 6.5.2G(5)*

- 3.9. The degree of seriousness of a breach may be linked to the size of the firm. For example, a systemic failure in a large firm could damage or threaten to damage a much larger number of consumers or investors than would be the case with a small firm: breaches in firms with a high volume of business over a protracted period may

be more serious than breaches over similar periods in firms with a smaller volume of business.

- 3.10. In addition, the size and resources of a person may also be relevant in relation to mitigation, in particular what steps the person took after the breach had been identified; the FSA will take into account what it is reasonable to expect from a person in relation to its size and resources, and factors such as what proportion of a person's resources were used to resolve a problem.

*The amount of benefit gained or loss avoided: DEPP 6.5.2G(6)*

- 3.11. The FSA may have regard to the amount of benefit gained or loss avoided as the result of the breach, for example the FSA will impose a penalty that is consistent with the principle that a person should not benefit from the breach, and the penalty should also act as an incentive to the person (and others) to comply with regulatory standards and required standards of market conduct.

*Conduct following the breach: DEPP 6.5.2G(8)*

- 3.12. The FSA may take into account the degree of co-operation the person showed during the investigation of the breach by the FSA any remedial steps taken since the breach was identified, including whether these were taken on the person's own initiative or that of the FSA, for example, identifying whether consumers or investors or other market users suffered loss and compensating them where they have and taking steps to ensure that similar problems cannot arise in the future.

*Other action taken by the FSA (or a previous regulator): DEPP 6.5.2G(10)*

- 3.13. The FSA seeks to apply a consistent approach to determining the appropriate level of penalty. The FSA may take into account previous decisions made in relation to similar misconduct.

*FSA guidance and other published materials: DEPP 6.5.2G(12)*

- 3.14. A person does not commit a breach by not following FSA guidance or other published examples of compliant behaviour. However, where a breach has otherwise been established, the fact that guidance or other published materials had raised relevant concerns may inform the seriousness with which the breach is to be regarded by the FSA when determining the level of penalty.