

---

**FINAL NOTICE**

---

To: Geoffrey Thomas Robbins  
DOB: 03/03/1950

Dated 31 August 2006

**TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you final notice about a decision to make a prohibition order against you.**

**1. THE ACTION**

- 1.1. The FSA gave you a Decision Notice on 31 August 2006 which notified you that pursuant to section 56 of the Financial Services and Markets Act 2000 ("the Act"), the FSA had decided to to make a prohibition order against you, Geoffrey Thomas Robbins, from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm (the "Prohibition Order").
- 1.2. You confirmed in an agreement dated 7 August 2006 that it will not be referring the matter to the Financial Services and Markets Tribunal.

- 1.3. Accordingly, for the reasons set out below and having agreed with you the facts and matters relied on, the FSA hereby makes the Prohibition Order against you.

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

- 2.1. The proposed action by the FSA relates to your conduct from (at least) March 2005 until March 2006 while acting as Director of Walsall Bridge Insurance Consultants Limited ("Walsall"). This conduct, when considered by reference to the FSA's prescribed regulatory standards for individuals, is such that it appears to the FSA that you are not a fit and proper person to perform any controlled function and that the FSA should take the proposed action.

- 2.2. In particular, you have breached the FSA's Rules and the Statements of Principle and Code of Conduct for Approved Persons by:

- (1) your failure to act with integrity by (i) deliberately using client money to run Walsall's business and (ii) providing your clients with inaccurate and misleading information about their insurance policies both in terms of cost and cover in place;
- (2) your failure to act with due skill, care and diligence in carrying out your controlled functions, and in managing the business of Walsall for which you were responsible, by not ensuring adequate control of client monies;
- (3) your failure to deal with the FSA in an open and cooperative way and to disclose appropriately any information of which the FSA would reasonably expect notice, namely Walsall's failure to meet the FSA's financial resources requirements and the improper use of client money.

- 2.3. The FSA has concluded by virtue of the matters referred to above that:

- (1) you are not a fit and proper person; and
- (2) having regard to its regulatory objectives, including the risk that you pose to consumers and to confidence in the market generally, it is necessary and

desirable for the FSA to exercise its power to make the Prohibition Order against you.

### **3. RELEVANT STATUTORY PROVISIONS, RULES AND GUIDANCE**

#### **Relevant statutory provisions**

3.1. The FSA's statutory objectives, set out in Section 2(2) of the Act are: market confidence, public awareness, the protection of consumers and the reduction of financial crime.

3.2. The FSA's power to make a prohibition order is set out at section 56 of the Act, which provides, *inter alia*:

*"(1) Sub-section (2) applies if it appears to the [Financial Services] Authority that an individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person.*

*(2) The Authority may make an order ('a prohibition order') prohibiting the individual from performing a specified function, any function falling within a specified description or any function.*

*(3) A prohibition order may relate to:*

*(a) a specified regulated activity, any regulated activity falling within a specified description or all regulated activities;*

*(b) authorised persons generally or any person within a specified class of authorised person."*

#### **Relevant regulatory rules**

3.3. In deciding to take the action described above, the FSA must have regard to the guidance published in the FSA Handbook. The relevant considerations in relation to the action specified above are set out below.

#### **The Enforcement Manual**

3.4. The FSA's policy in relation to prohibition orders is set out in Chapter 8 of the Enforcement Manual ("ENF"). ENF 8.4 summarises the FSA's policy on making prohibition orders and the circumstances under which Enforcement will consider recommending such action. In particular ENF 8.4.2 provides that:

*"(1) the FSA will have the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual's lack of fitness and propriety is relevant.*

- (2) *depending on the circumstances of each case, the FSA may seek to prohibit individuals from carrying out any class of relevant function in relation to any class of regulated activity, or it may limit the prohibition order to specific functions in relation to specific regulated activities. The FSA may also make an order prohibiting an individual from being employed by a particular firm, type or firm or any firm. (ENF 8.4.2G(2));*
- (3) *the scope of a prohibition order will depend on the range of functions which the individual concerned carries out in relation to regulated activities, the reasons why he is not fit and proper and the severity of risk which he poses to consumers or the market generally (ENF 8.4.2G(3))."*

3.5. **ENF 8.5.1A** provides that:

*"The FSA will consider exercising its power to make a prohibition order against approved persons only in the more serious cases of lack of fitness and propriety where it considers that the other powers available to it are not sufficient to achieve the FSA's regulatory objectives."*

3.6. **ENF 8.5.2** states when it decides whether to exercise its power to make a prohibition order against such an approved person the FSA will consider a number of factors including the criteria for assessing the fitness and propriety of approved persons contained in the Fit and Proper test for Approved Persons.

### **The Fit and Proper Test**

3.7. **FIT 1.1.2** states:

*"The purpose of FIT is to set out and describe the criteria that the FSA will consider when assessing the fitness and propriety of a candidate for a controlled function .... The criteria are also relevant in assessing the continuing fitness and propriety of approved persons." .*

3.8. **FIT 1.2.4** explains

*"The Act does not prescribe the matters which the FSA should take into account when determining fitness and propriety. However, section 61(2) states that the FSA may have regard (among other things) to whether the candidate or approved person is competent to carry out a controlled function"*

3.9. **FIT 1.3.1** states:

*"The FSA will have regard to a number of factors when assessing the fitness and propriety of a person to perform a particular controlled function. The most important considerations will be the person's:*

- (1) *honesty, integrity and reputation;*

(2) *competence and capability; and*

(3) *financial soundness"*

3.10. **FIT 1.3.3** explains that the criteria listed in FIT 2.1 to FIT 2.3 are guidance and will apply in general terms when the FSA is determining a person's fitness and propriety. There is no exhaustive list of all the matters that would be relevant to a particular determination.

3.11. **FIT 1.3.4** states:

*"The criteria listed in [FIT 2.1](#) to [FIT 2.3](#) are guidance and will be applied in general terms when the FSA is determining a person's fitness and propriety. It would be impossible to produce a definitive list of all the matters which would be relevant to a particular determination."*

3.12. **FIT 2.1.1** provides:

*"In determining a person's honesty, integrity and reputation, the FSA will have regard to matters including, but not limited to, those set out in [FIT 2.1.3 G](#) which may have arisen either in the United Kingdom or elsewhere. The FSA should be informed of these matters (see [SUP 10.13.16 R](#)), but will consider the circumstances only where relevant to the requirements and standards of the regulatory system."*

3.13. **FIT 2.1.3** states

*"The matters referred to in [FIT 2.1.1 G](#) to which the FSA will have regard include, but are not limited to:*

(5) *whether the person has contravened any of the requirements and standards of the regulatory system or the equivalent standards or requirements of other regulatory authorities (including a previous regulator), clearing houses and exchanges, professional bodies, or government bodies or agencies;*

(13) *whether, in the past, the person has been candid and truthful in all his dealings with any regulatory body and whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards."*

3.14. **FIT 2.2.1** states that:

*"In determining a person's competence and capability, the FSA will have regard to matters including but not limited to:*

2) *whether the person has demonstrated by experience and training that the person is able, or will be able if approved, to perform the controlled function."*

## **The Statements of Principle and Code of Conduct for Approved Persons**

3.15. The Statements of Principle and Code of Conduct for Approved Persons ("APER") sets out the Statements of Principle in respect of approved persons and provides examples of conduct which, in the opinion of the FSA, do not comply with a Statement of Principle. It further describes factors which, in the opinion of the FSA, are to be taken into account in determining whether or not an approved person's conduct complies with a Statement of Principle.

3.16. The guidance provided in APER 3.1.3 provides that:

*"The significance of conduct identified in the Code of Practice for Approved Persons as tending to establish compliance with or a breach of a Statement of Principle will be assessed only after all the circumstances of a particular case have been considered. Account will be taken of the context in which a course of conduct was undertaken, including the precise circumstances of the individual case, the characteristics of the particular controlled function and the behaviour to be expected in that function."*

3.17. APER 3.1.4 provides that:

*"An approved person will only be in breach of a Statement of Principle where he is personally culpable. Personal culpability arises where an approved person's conduct was deliberate or where the approved person's standard of conduct was below that which would be reasonable in all the circumstances (see ENF 11.5.3 G (Action against approved persons))."*

**Statement of Principle 1 provides that:**

3.18. *"An approved person must act with integrity in carrying out his controlled function."*

3.19. APER 4.1 lists types of conduct which do not comply with Statement of Principle 1. In particular, APER 4.1.10 states that deliberately misusing the assets of a client is conduct which breaches Statement of Principle 1. APER 4.1.11 provides that this behaviour could include:

*"(3) Misappropriating a client's assets, including wrongly transferring to personal accounts cash or securities belonging to clients;*

*(4) Wrongly using one client's funds to settle margin calls or to cover trading losses on another client's account or on the firm's accounts;*

*(5) Using a client's funds for purposes other than those for which they were provided."*

- 3.20. APER 4.1.3 further states that deliberately misleading (or attempting to mislead) a client is conduct which breaches Statement of Principle 1. APER 4.1.4(1) provides that this behaviour could include *"falsifying documents"*.

**Statement of Principle 2 states that:**

- 3.21. *"An approved person must act with due skill, care and diligence in carrying out his controlled function."*
- 3.22. APER 4.2 lists types of conduct which do not comply with Statement of Principle 2. In particular, APER 4.2.3 states that failing to inform a customer of material information in circumstances where he was aware, or ought to have been aware, of such information, and of the fact that he should provide it, is conduct which breaches Statement of Principle 2.
- 3.23. APER 4.2.11 further states failing to provide adequate control over a **client's** assets is conduct which breaches Statement of Principle 2. APER 4.2.12(2) provides that this behaviour could include *"failing to process a clients payments in a timely manner"*.

**Statement of Principle 4 states that:**

- 3.24. *"An approved person must deal with the FSA and with other regulators in an open and cooperative way and must disclose appropriately any information of which the FSA would reasonably expect notice."*
- 3.25. APER 4.4 lists types of conduct which do not comply with Statement of Principle 4. In particular, APER 4.4.7 states that failing promptly to inform the **FSA** of information of which he is aware and which it would be reasonable to assume would be of material significance to the **FSA**, whether in response to questions or otherwise is conduct which breaches Statement of Principle 4. APER 4.4.8 provides that the FSA can take account of:
- "(1) The likely significance of the information to the FSA ....; and*
- (2) Whether any decision not to inform the FSA was taken after reasonable enquiry and analysis of the situation.*

**Statement of Principle 7 states that:**

- 3.26. *"An approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system."*
- 3.27. APER 4.7 lists types of conduct which do not comply with Statement of Principle 7. APER 4.7.3 states that failing to take reasonable steps to implement adequate and appropriate systems of control to comply with the relevant requirements and standards of the regulatory system in respect of its regulated activities is such conduct.

**Client assets manual (CASS)**

- 3.28. As a result of Statement of Principle 7, an approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with CASS.
- 3.29. **CASS 5.5** sets out the rules and guidance applicable to the segregation and the operation of client money accounts and provides that unless otherwise permitted, client money is kept separate from the firm's own money (CASS 5.5.2G).
- 3.30. **CASS Rule 5.5.3** requires a firm to hold client money separate from the firm's money and CASS Rule 5.5.5(1) requires that a firm must segregate client money by paying it as soon as practicable into a client bank account. Guidance on a firm's obligations to periodically calculate and reconcile the money in its client bank account is given at CASS 5.5.62.
- 3.31. In summary, the relevant considerations are whether, in terms of honesty, integrity, competence and capability, the relevant individual is fit and proper to perform functions in relation to regulated activities and, if not, the severity of the risk posed by him. Having established these matters, it can be determined whether prohibition will be necessary to achieve the FSA's regulatory objectives and what degree of prohibition would best serve the achievement of those objectives in each case.



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

### **Background**

- 4.1. You have been a Director of Walsall, a small insurance intermediary, since it commenced trading on 5 January 1984 and for about the last 12 years, have been the only director with sole responsibility for Walsall's business activities.
- 4.2. The FSA became responsible for the regulation of general insurance firms on 14 January 2005 on which date Walsall became an FSA authorised firm, permitted to hold and control client money but only in respect of non-investment insurance contracts and to operate a statutory trust client account. Premiums received and payable to insurers were held in this separate client account ("the Client Account").
- 4.3. From 14 January 2005, you became an approved person responsible for insurance mediation at Walsall and to perform the following significant influence controlled functions:
  - CF1 (Director);
  - CF8 (Apportionment and Oversight)

### **Chronology of events**

- 4.4. In November 2005, the FSA received information that Walsall had obtained loans subsequent to June 2004 totalling approximately £188,000 for the purpose of funding commercial insurance premiums. The FSA was informed that you had admitted that there were no insurance policies in place and that the loans had been obtained fraudulently.
- 4.5. In a letter to the FSA dated 7 December 2005, you said that the loans were proposed as a means to assist cash flow at Walsall. You told the FSA that in excess of 50% of the total loan amounts had been repaid with the remainder due to be repaid within eight weeks.
- 4.6. In a subsequent letter to the FSA dated 20 January 2006, you referred to the matter as a regrettable error on your part and said that no clients' funds had been put at risk. It is understood that you have since repaid the loan balances.

- 4.7. On 28 February 2006, the FSA received information that Walsall owed one insurer approximately £19,500 by way of outstanding insurance premiums which had remained unpaid for some months.
- 4.8. On 3 March 2006, the FSA conducted a supervisory visit to the Firm during which you stated that Walsall had a historic cash flow problem. On 6 March 2006, the FSA was informed that Walsall was insolvent and that you had decided to cease trading with immediate effect.
- 4.9. You have taken no steps since that date to regularise Walsall's insolvent position. On 10 March 2006, the FSA wrote to you reminding you of your duties as a director and that you should take specialist insolvency advice and implement appropriate action but you have declined to do so, citing cost restraints.
- 4.10. The FSA appointed investigators on 16 March 2006. The Memorandum of Appointment of Investigators notified you that the investigation was directed to consider your fitness and propriety given concerns that you may have accepted insurance premiums from clients but failed either to pass these sums over to the relevant intermediaries or underwriters or to arrange the associated insurance policies.

### **FSA investigation**

- 4.11. On 21 March 2006, the FSA attended at Walsall's premises for the purpose of gathering documents and information and found that:
- (a) your latest bank statement for the Client Account showed a credit balance of £358.43 as at 3 March 2006;
  - (b) you were holding unpaid insurers and intermediaries statements which you estimated to total approximately £100,000;
  - (c) you were unable to identify or supply a list of clients without insurance cover;
  - (d) you were operating your business in a way which appeared to have systems and controls failings, in that you had no organisation or effective method in place to demonstrate proper records management.

4.12. On 13 April 2006, the FSA contacted 22 insurers and intermediaries with whom Walsall is understood to have conducted business and established that Walsall owed premiums of approximately £145,925. As a result of Walsall's failure to pass over client insurance premiums to the insurers, at least 19 clients had been taken off risk.

4.13. In addition, the FSA investigation has established that:

- (1) in interview you admitted you knowingly and deliberately withdrew money from the Client Account which you used over a period of at least 12 months to keep Walsall trading, including payment of Walsall's ongoing expenses, salaries, company vehicles and legal costs;
- (2) in interview you said that the amount owing to insurers by way of unpaid premiums could be in the region of £80,000;
- (3) you were fully aware that your conduct was wrong, unlawful, and in breach of the FSA's requirements relating to holding client assets and client money ("CASS");
- (4) you provided at least 2 clients with inaccurate and misleading information about their insurance policies;
- (5) you charged at least 6 clients significantly inflated insurance premiums; and
- (6) you failed to arrange insurance for at least 2 clients which resulted in one client incurring uninsured losses of approximately £5,000.

4.14. The FSA has noted that on 1 February 2006, you paid £32,000 into the Client Account from your personal pension fund but this was insufficient to address the shortfall.

#### **RELEVANT GUIDANCE ON SANCTION**

4.15. Paragraphs 3.4-3.6 above explains FSA's policy in relation to prohibition orders as set out in Chapter 8 of the Enforcement Manual. ENF 8.5.2 provides that FSA will consider a number of factors and criteria for assessing the fitness and propriety of approved persons. The FSA considers that the conduct described at 4.11–4.13 above was in breach of the following Statements of Principle:

- (1) Principle 1: *"An approved person must act with integrity in carrying out his controlled function;*
  - (2) Principle 2: *"An approved person must act with due skill, care and diligence in carrying out his controlled function."*
- 4.16. The FSA considers that by knowingly and dishonestly using a significant amount of client money over an extended period of time (at least 12 months) which you improperly used to run Walsall's business, you have demonstrated a serious lack of honesty and integrity. This is compounded by the fact that not only did you fail to pass over client premiums to insurers and intermediaries or to arrange the associated policies, but you provided clients with inaccurate and misleading information about their insurance policies, leaving clients uninsured.
- 4.17. Principle 4: *"An approved person must deal with the FSA and with other regulators in an open and cooperative way and must disclose appropriately any information of which the FSA would reasonably expect notice."*
- 4.18. The FSA also considers that by failing to inform the FSA of Walsall's financial difficulties and the misuse of the Client Account, you have demonstrated that you do not have the requisite honesty, integrity, competence and capability to perform the functions for which you were approved.
- 4.19. Principle 7: *"An approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system."*
- 4.20. The FSA considers that by failing to produce client information when requested to do so, you failed to demonstrate that you had implemented adequate and appropriate systems of control in relation to Walsall's business so as to enable you to demonstrate compliance with the regulatory standards and requirements.

#### **CONDUCT FOLLOWING THE CONTRAVENTION**

- 4.21. In interview, you admitted misappropriating client money from the Client Account. You have received full credit for your admission, the action taken by you to

voluntarily vary Walsall's Part IV permission and for agreeing to a Prohibition Order by consent at the earliest possible stage.

## **5. CONCLUSION**

5.1. In the light of the facts and matters described above, the FSA considers that you failed to act with the honesty integrity and competence required of an Approved Person and you have breached the fit and proper criteria.

5.2. Having regard to its regulatory objectives including the need to maintain confidence in the financial system, and the severity of risks posed to consumers, the FSA considers it necessary to impose a Prohibition Order prohibiting you from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm.

## **6. DECISION MAKER**

6.1. The decision which gave rise to the obligation to give this Final Notice was made by the Executive Decision Makers.

## **7. IMPORTANT**

7.1. This Final Notice is given to you in accordance with section 390 of the Act.

### **Publicity**

7.2. 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 you or prejudicial to the interests of consumers.

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

### **FSA contacts**

7.4. For more information concerning this matter generally, you should contact Felicity Rowan at the FSA (Tel: 020 7066 1424 / fax: 020 7066 1425).

Jonathan Phelan  
Head of Department – Retail 3  
Enforcement Division