Financial Services Authority

FINAL NOTICE

To: **Land of Leather Limited**

Of: **Units K1-K2 Lower Road**
Northfleet
Kent DA11 9BL

Date: **9 May 2008**

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (the FSA) gives you final notice about a requirement to pay a financial penalty:

1. THE PENALTY

1.1 The FSA gave Land of Leather Limited (Land of Leather or the firm) a Decision Notice on 8 May 2008 which notified Land of Leather that pursuant to section 206 of the Financial Services and Markets Act 2000 (the Act) the FSA had decided to impose a financial penalty of £210,000 on Land of Leather. This penalty is in respect of breaches of Principle 3 of the FSA's Principles for Businesses (the Principles) between 5 May 2006 and 20 June 2007 (the Relevant Period) in relation to non-advised sales of payment protection insurance (PPI) from Land of Leather's furniture retail stores.

1.2 Land of Leather agreed 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 Land of Leather the facts and matters relied on, the FSA imposes a financial penalty on Land of Leather in the amount of £210,000.

1.4 Land of Leather agreed to settle at an early stage of the FSA's investigation. It therefore qualified for a 30% (stage 1) reduction in penalty, pursuant to the FSA's executive settlement procedures. Were it not for this discount, the FSA would have imposed a financial penalty of £300,000 on Land of Leather.

2. REASONS FOR THE ACTION

2.1 It is imperative that firms do not sell PPI unless they have appropriate systems and controls in place to ensure that their customers are treated fairly. Senior management must also properly consider information provided to them and its implications on whether their firm is complying with its regulatory obligations. Land of Leather failed in both these respects and consequently breached the FSA's Principles in relation to its sale of PPI.

2.2 These breaches, which are described in more detail at section 4 below, relate to Land of Leather's failure to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems (Principle 3).

2.3 In particular, the FSA has identified the following breaches in respect of Land of Leather's systems and controls:

(1) Land of Leather became authorised to sell PPI by the FSA on 5 May 2006, having previously sold PPI as an appointed representative. A programme of re-training was then rolled out across all of Land of Leather's 90 stores, but this was not completed until November 2006. As a result, Land of Leather did not ensure that all of its sales staff were adequately and fully trained to sell PPI until six months after the firm became authorised.

(2) Land of Leather did not require its sales staff to be tested on their understanding of the training they received until May 2007, when an online distance learning programme and test began to be rolled out across all of Land of Leather's stores region by region. This roll out had not been completed by the end of the Relevant Period in June 2007, over 13 months after Land of Leather became authorised.

(3) From the firm's authorisation in May 2006 until February 2007, Land of Leather sold PPI in its branches without any effective checks on its sales force to ensure that they were selling PPI fairly. A control was introduced in February 2007 whereby store managers observed live sales, but this was inadequate as the firm's only sales monitoring tool and no further checks on how PPI was being sold were implemented during the Relevant Period.

(4) Whilst senior management responded appropriately when specific issues were escalated to them for approval, they failed properly to consider the information being provided to them and its implications on whether Land of Leather was complying with its regulatory obligations. The material failings described above could, and should, have been identified on the information provided to senior management.

2.4 These failings meant that Land of Leather did not have adequate procedures to be able to ensure that its sales staff:

(1) provided customers with full, clear and accurate information about PPI; and

(2) did not provide advice, given that Land of Leather only sold PPI on a non-advised basis and so its sales staff had not been trained to assess customers' demands and needs for PPI.

These failings resulted in an unacceptable risk of unsuitable sales and represented a failure by Land of Leather to maintain controls that would ensure that it would treat its customers fairly.

2.5 The need for Land of Leather to have robust and effective systems and controls and sales processes was particularly great because it sold PPI from a large network of furniture retail stores comprising 90 branches (with approximately 340 sales staff).

2.6 Land of Leather's breaches are viewed as serious, meriting the imposition of a substantial penalty, because:

(1) Land of Leather exposed 57,950 customers to an unacceptable increased risk of buying unsuitable PPI. The average cost of PPI was a single premium of £380 (interest of £339 would be added to the PPI premium if the policy ran for its full term of three years). However, based on past performance, it is estimated that only 14.25% of those customers (approximately 8,260) will in practice end up paying for PPI – most customers settle their borrowing in full during an initial 12 month payment-free period and avoid any charge. The total amount of premium paid by Land of Leather's customers, therefore, is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years).

(2) Land of Leather knew before it became authorised that it needed to implement re-training, competency testing and monitoring of its sales force. External accountants instructed by the firm prior to authorisation identified a high priority need for re-training of sales staff and the introduction of PPI sales monitoring, and a medium priority need for competency testing of staff. This information was provided to the firm in March 2006, two months prior to the firm's authorisation.

(3) Senior management at Land of Leather received regular compliance reports and other updates which should have alerted them that the high and medium priority recommendations identified by external accountants had not been addressed in a timely manner.

(4) The significance of the weaknesses in Land of Leather's controls was identified by the FSA following a visit as part of its thematic work on the sale of PPI, not by Land of Leather.

(5) The failings arose against a background of high profile communications by the FSA highlighting the need for firms to ensure their PPI sales processes were meeting FSA requirements.

2.7 The FSA recognises that Land of Leather took a number of positive steps to improve its systems and controls for PPI during the Relevant Period. For example, Land of Leather created and distributed sales aids for use in stores from June 2006 and during the Relevant Period it enhanced the level of resource that was devoted to compliance activities. Once stores received re-training, the firm's PPI take-up rates (i.e. penetration rates) dropped significantly – on average the stores' take-up rates dropped by 28%, from 95% to 67% during the Relevant Period. Further, the firm identified the desirability of more effective and varied monitoring of its sales staff, and was working on proposals which it planned to implement for mystery-shopping and a post-sale customer contact exercise. These improvements and proposals are viewed as positive and have been taken into account by the FSA in considering the appropriate level of penalty in this case.

2.8 The FSA also recognises the following additional measures taken by Land of Leather which mitigate the seriousness of its failings:

(1) Once the FSA identified concerns, Land of Leather voluntarily suspended its PPI sales until it received appropriate advice from external accountants regarding its PPI sales systems and procedures and had implemented their recommendations. It has also recently made changes to its senior management arrangements in respect of PPI.

(2) Land of Leather conducted a consumer contact exercise involving all customers who bought PPI on or after 1 November 2006 (comprising over 30% of the total number of PPI customers). This gave customers the opportunity to reconsider whether PPI was suitable for them. No widespread mis-selling was identified and, in a small number of cases (under 0.2%), customers cancelled their PPI policies and avoided any charge for PPI. Following consultation with the FSA, Land of Leather has agreed to conduct a similar consumer contact exercise as soon as possible for customers who purchased PPI between 5 May 2006 and 31 October 2006 from stores which had not yet received re-training.

(3) The firm and its senior management co-operated fully with the investigation.

2.9 The FSA considers that Land of Leather's positive response to the identification of concerns by the FSA is significant in demonstrating the firm's current commitment to treating its customers fairly.

3. RELEVANT STATUTORY AND REGULATORY PROVISIONS

3.1 Section 206 of the Act provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, … it may impose on him a penalty, in respect of the contravention, of such an amount as it considers appropriate."

3.2 The FSA's Principles are a general statement of the fundamental obligations of firms under the regulatory system. They derive their authority from the FSA's rule-making powers as set out in the Act and reflect the FSA's regulatory objectives. Principle 3 (management and control) states the following:

"*A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.*"

4. FACTS AND MATTERS RELIED ON

Background

The firm

4.1 Land of Leather has been authorised by the FSA to sell non-investment insurance contracts since 5 May 2006. It previously sold PPI under an appointed representative arrangement.

4.2 Land of Leather's main business is as a furniture retailer. It has a secondary business selling third party consumer finance – and PPI – to customers in connection with their retail purchases. The FSA regulates Land of Leather's sales of PPI.

4.3 The FSA's investigation related to sales made by Land of Leather's branch network. Land of Leather had 90 stores throughout the United Kingdom and there were some 340 full time sales staff selling PPI during the Relevant Period.

The PPI products sold

4.4 Land of Leather sold PPI on a non-advised basis, so it did not make personal recommendations to customers as to whether they should purchase PPI. Land of Leather offered two different policies to customers, depending on whether they worked 16 hours or more per week (in which case a life, accident, sickness and unemployment policy was sold) or less than 16 hours per week (in which case a life, hospitalisation, and personal accident policy was sold).

4.5 The main finance option offered by Land of Leather was a 'buy now pay later' scheme. This provided an initial 12 month payment-free period during which the customer could repay the full amount of their furniture purchase without incurring any charges for interest or for PPI. The customer enjoyed free life cover during this initial payment-free period.

4.6 If the customer did not repay the full amount of their furniture purchase in the initial 12 month payment-free period, the remaining balance was rolled over into a three year interest-bearing repayment loan. The customer also then had to pay for the PPI by paying a single premium, which was added to the customer's consumer finance borrowing and attracted interest over the remaining term of the loan. The average single premium cost was approximately £380 (interest of £339 would be added to the PPI premium if the policy ran for its full term of three years).

4.7 Land of Leather sold PPI with 77% of the consumer finance agreements it sold, amounting to 57,950 PPI policies during the Relevant Period. However, based on past trends, it is estimated that approximately 85.75% of customers repay their loans during the initial payment-free period. The number of customers who purchased PPI during the Relevant Period and will actually pay for it is projected to be approximately 8,260 customers. The total amount of premium paid by Land of Leather's customers, therefore, is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years).

FSA work before and during the Relevant Period

4.8 Before and during the Relevant Period, the FSA communicated to firms the importance of having in place robust systems and controls when selling PPI. Whilst the FSA recognises that Land of Leather was not authorised by the FSA when the first phase of its thematic work in relation to PPI was published, the FSA expects firms who become authorised to familiarise themselves with publications relevant to their regulated activities.

4.9 In November 2005, the FSA published on its website the results of the first phase of its thematic work on PPI, highlighting a number of key areas where firms were not treating their customers fairly. This report identified that the training and competence of sales staff was not sufficient in many of the firms the FSA visited, and also that compliance monitoring was very poor in some cases. The report also identified that generally there were inadequate controls in place for non-advised sales which could lead to firms providing advice when they did not intend to.

4.10 A second phase of PPI thematic work was reported on in October 2006. The FSA noted that for smaller firms whose main business was not financial services, there was a risk of customer detriment owing to poorly trained sales staff and lack of supervision of their activities.

4.11 The FSA visited Land of Leather in May 2007 as part of a third phase of thematic work on PPI and identified a number of concerns relating to the adequacy of Land of Leather's systems and controls for its sales of PPI.

Gap analysis by external accountants

4.12 In preparing for becoming FSA authorised to sell and arrange PPI, Land of Leather instructed external accountants to conduct a gap analysis to assess the areas where Land of Leather's operations may need to be amended or documented in order to achieve compliance with the FSA's Principles and rules.

4.13 The external accountants produced a report of their gap analysis in March 2006, two months prior to Land of Leather's authorisation. This identified a number of issues where the accountants felt that attention was needed and provided recommendations where appropriate, which were characterised as high, medium or low priority. We address a number of these recommendations below.

Breaches of the FSA's Principles and rules

4.14 By reason of the facts and matters referred to in paragraphs 4.15 to 4.35 below, the FSA considers that Land of Leather has breached Principle 3 of the FSA's Principles for Businesses.

Staff re-training and competency testing

4.15 In light of issues they identified prior to Land of Leather becoming FSA authorised, the external accountants recommended that all sales staff should be provided with further training. In particular, they recommended that such staff, who were only allowed to sell PPI on a non-advised basis and were therefore not trained to assess customers' demands and needs for PPI, should be reminded of the difference between the provision of information and the provision of advice. This recommendation was identified as 'high priority'.

4.16 The external accountants also recommended that sales staff should be assessed following sales process training to evidence that they were competent to sell PPI compliantly. They characterised this recommendation as 'medium priority', secondary to carrying out the high priority training of sales staff.

4.17 Land of Leather sent a company-wide email three days before authorisation and another email on the day of authorisation. These emails highlighted that sales staff could provide factual information about PPI but were not permitted to offer any advice or recommendation to the customer. They did not, however, provide any further guidance regarding how to maintain a non-advised approach. The emails highlighted the importance of explaining to customers that PPI is optional (and obtaining customers' explicit consent to the sale of PPI) and of advising them to read the policy summary. They also directed staff who had not received any PPI training not to sell PPI.

4.18 Shortly after FSA authorisation, Land of Leather conducted some sampling of its own to assess whether re-training was required. This was partly prompted by the external accountants' findings (the external accountants had only visited one store before writing their gap analysis report) and there were also concerns over high take-up rates – which were 94% at the time. It was decided as a result of this further sampling that all sales staff should receive re-training. This decision was consistent with the external accountants' recommendations received two months earlier.

4.19 A programme of re-training was then rolled out across all stores, but was not completed until November 2006, some six months after Land of Leather became authorised. In the meantime, Land of Leather's sales staff continued to sell PPI. This was despite Land of Leather being unable to ensure that customers were being treated fairly. The stores' PPI take-up rates dropped on average by 28% following re-training.

4.20 Whilst the re-training was being provided, a number of particular concerns were identified regarding how sales staff were selling PPI. These concerns, reported to senior management in September 2006, were:

(1) Very few sales staff informed the customer how much PPI would cost after the initial 12 month payment-free period.

(2) Sales staff were unable to explain the purpose of the Initial Disclosure Document.

(3) Few sales staff understood that there were two different PPI polices and why different policies were available.

(4) Sales staff did not ask the customer relevant questions to determine if exclusions applied.

(5) Sales staff did not point out the PPI cancellation rights to the customer.

The re-training was not accelerated as a result of identification of these concerns nor were any other steps taken in response, except that sales aids had been distributed to sales staff in June 2006 and Land of Leather had begun planning the implementation of a distance learning programme. This was an inadequate response to the issues which had been identified.

4.21 Land of Leather did not require sales staff to be tested on their understanding of the training they received until May 2007. An online distance learning programme and test was piloted in one region in February 2007 and revealed serious concerns regarding the competency of sales staff: only eight of the 29 sales staff tested were deemed competent to sell PPI. The programme was then rolled out region by region from May 2007. It had not been implemented across all of Land of Leather's stores by the end of the Relevant Period in June 2007, over 13 months after Land of Leather became FSA authorised.

4.22 As a result of the above, Land of Leather breached its obligation under Principle 3 to take reasonable care to organise and control its affairs responsibly and effectively by allowing its sales staff to sell PPI for a period of up to six months without ensuring that they were properly trained and by failing to ensure its sales staff were competent for a period of over 13 months. Whilst the FSA recognises that a firm may wish to test the extent to which findings of external advisers are representative of the firm's entire sales force, this must be done in a timely manner so that a firm is satisfied, from the moment it becomes authorised by the FSA, that customers will not be subject to an unacceptable risk of unsuitable sales.

Sales monitoring

4.23 The external accountants who conducted a gap analysis of the firm's systems and controls also identified that, from the time of authorisation, Land of Leather would be responsible for ensuring compliance with FSA requirements and that a compliance monitoring process needed to be devised. This was characterised as 'high priority'.

4.24 Despite this, upon becoming authorised Land of Leather did not introduce any procedures for observing live sales by its staff nor any other sales monitoring controls. Instead, Land of Leather simply relied on managers to perform a typical managerial function in overseeing their staff, without requiring any particular checks as regards PPI. This position continued until February 2007, some nine months after authorisation. The delay was caused in part because the firm concentrated in the initial period after authorisation on devising and rolling out the programme of staff re-training, without any resource being channelled into addressing the need for sales monitoring.

4.25 In February 2007, Land of Leather introduced a formal control whereby store managers observed live sales. Managers were required to observe one sale by each member of sales staff, on a monthly basis, up to a minimum of three observations or until the store manger believed the individual had attained competence – after which they were no longer required to be observed. A PPI observation checklist was designed and issued in the second quarter of 2007 to formalise store managers' observations. This control was inadequate as the only form of monitoring of Land of Leather's sales staff, especially as once an individual had passed three manager observations, he might never be observed again.

4.26 The FSA recognises that, during the Relevant Period, Land of Leather considered and actively worked on implementing a number of other monitoring controls. This included plans for a programme of mystery-shopping and a post-sale customer contact exercise. However, these plans were not implemented by the time the FSA identified concerns, over 13 months after Land of Leather became authorised.

4.27 In summary, Land of Leather allowed its sales force to sell PPI for the Relevant Period without effective monitoring to ensure that its sales staff were complying with its procedures for sales of PPI. This breached Principle 3. This failing was particularly serious for the first nine months of the Relevant Period, when there were no formal checks in place in respect of PPI sales.

Senior management responsibility

4.28 Senior management at Land of Leather were responsible for ensuring that the firm prepared properly for FSA authorisation.

4.29 The FSA recognises that it was a positive step for Land of Leather to have instructed external accountants to conduct a gap analysis prior to authorisation. Land of Leather's main response to a number of high and medium priority issues subsequently identified by the accountants was to increase the specialist compliance resource at the firm. This increase in resource was only put in place, however, immediately after the firm became authorised. This allowed no time for any improvements to systems and controls to be made in advance of authorisation. The only other action taken by Land of Leather prior to authorisation was to send the company-wide emails referred to in paragraph 4.17 above.

4.30 By the time Land of Leather became authorised by the FSA, aside from recruiting additional compliance resource, senior management had not taken any positive steps towards implementing the high and medium priority issues which external accountants had identified (regarding re-training, testing and monitoring), nor had they required anyone else at Land of Leather to do so.

4.31 Upon authorisation, responsibility for PPI compliance was delegated internally by senior management within Land of Leather. Senior management organised regular internal meetings and required periodic reports on key developments regarding the firm's systems and controls. On a number of occasions, proposals for improvements were put to senior management and the necessary operational support and funding was made available. For example, in addition to measures already addressed above, sales aids were issued to stores in summer 2006, a training DVD was introduced in December 2006 (for stores where urgent training was required), and additional PPI resource was provided in January and May 2007.

4.32 Senior management at Land of Leather were, however, provided with regular compliance reports and other updates which should have alerted them that high and medium priority recommendations identified by external accountants had not been addressed in a timely manner. The information regularly provided to senior management revealed how long it was taking to re-train Land of Leather's sales staff and the delays in implementing any testing or monitoring controls. Had senior management taken time to consider whether Land of Leather was treating its customers fairly and otherwise complying with its regulatory requirements, they could, and should, have realised that there were material failings in Land of Leather's systems and controls.

4.33 Senior management did not consider the amount of time it was taking to introduce the necessary systems and controls and whether any steps might need to be taken as a result, despite being aware of the recommendations made by the external accountants. Nor did senior management consider whether, in the circumstances, a partial or full suspension of PPI sales was appropriate whilst the high and medium priority improvements were made.

4.34 The FSA recognises that it is appropriate for a firm to rely on specialist in-house compliance expertise when considering whether its systems and controls are adequate. However, senior management cannot disregard an issue or part of the business once it has been delegated. Nor can they interpret the absence of express concerns being raised as confirmation that the firm is fully compliant, without testing the veracity of such a conclusion in the light of other contradictory information available to them.

4.35 Due to the factors outlined above, Land of Leather breached its obligation under Principle 3 to take reasonable care to organise and control its affairs responsibly and effectively. It failed to ensure that someone at senior management level properly considered the information received by senior management and its implications on whether Land of Leather was complying with its regulatory responsibilities.

5. RELEVANT GUIDANCE ON PENALTY

Determining the level of the financial penalty

5.1 The FSA's policy in relation to the imposition of financial penalties is set out in Chapter 6 of the Decision Procedure and Penalties Manual which forms part of the FSA Handbook. It was previously set out in Chapter 13 of the Enforcement Manual. These Manuals set out the factors that may be of particular relevance in determining the appropriate level of financial penalty for a firm or approved person. The criteria are not exhaustive and all relevant circumstances of the case will be taken into consideration.

Deterrence

5.2 A financial penalty is required to strengthen the message to the market that it is imperative that firms do not sell PPI unless they have appropriate systems and controls in place to ensure that their customers are treated fairly, and that senior management actively engage in ensuring that the firm is compliant.

5.3 As communicated to the market in the FSA's thematic update on the sale of PPI published on 26 September 2007, in line with its general approach, the FSA is seeking to increase the level of fines in PPI cases where this is warranted by the nature, seriousness and impact of the breach in question, and by the likely impact on deterrence. Firms have been given due warning of their obligations to treat customers fairly, both generally and on PPI in particular. Consequently, the FSA will now seek to impose relatively higher fines for firms in the PPI market where standards fall below required levels.

The seriousness of the breaches

5.4 The FSA has had regard to the seriousness of the breaches, including the nature of the requirements breached, the number and duration of the breaches, the extent to which the breaches revealed serious or systemic weakness of the management systems or internal controls, the number of customers who were exposed to risk of loss and the number of customers likely actually to suffer financial detriment.

5.5 The FSA considers that the breaches are serious, meriting the imposition of a substantial penalty because 57,950 customers were sold PPI policies during the Relevant Period, including approximately 8,260 customers who are projected to end up paying for PPI. The total amount of premium paid by Land of Leather's customers is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years). The breaches occurred over a period of at least six months, with some failings continuing for 13 months.

5.6 Further, the significance of the weaknesses in Land of Leather's controls was identified by the FSA, not by Land of Leather. This was despite relevant issues having been identified by external accountants prior to the firm's authorisation and despite the FSA having made a number of high profile communications highlighting the need for firms to ensure their PPI sales processes were meeting FSA requirements.

5.7 The FSA recognises, however, that Land of Leather took a number of positive steps to improve its systems and controls for PPI during the Relevant Period. These significantly mitigate the seriousness of the breaches. For example, sales aids were created and distributed for use in stores from June 2006 and the firm subsequently enhanced the level of resource that was devoted to compliance activities. Once stores received re-training, the firm's take-up rates dropped significantly – on average the stores' take-up rates dropped by 28%, from 95% to 67% during the Relevant Period. Further, the firm identified the desirability of more effective and varied monitoring of its sales staff and was working on proposals which it planned to implement for mystery-shopping and a post-sale customer contact exercise.

The extent to which the breach was deliberate or reckless

5.8 The FSA does not consider that Land of Leather acted in a deliberate or reckless manner. In particular, the FSA considers that the failure to implement the recommendations of external accountants in a timely manner resulted from a combination of a failure to fully appreciate the urgency of the recommendations and a failure to properly analyse how long it was taking to improve the firm's systems and controls, rather than from a disregard for the professional advice that had been obtained.

The amount of profits accrued

5.9 The FSA has taken into account the profits Land of Leather made from sales of PPI during the Relevant Period.

5.10 Land of Leather has a prominent position in the furniture retail market with a significant degree of public recognition. However, the sale of PPI is a tertiary activity of the firm (behind furniture sales and arranging credit) and, in terms of total profits made, it is a very small part of Land of Leather's business (PPI sales accounted for just 0.3% of revenue).

The size, financial resources and other circumstances of the firm

5.11 There is no evidence to suggest that Land of Leather is unable to pay the penalty.

Conduct following the breach

5.12 Once the FSA identified concerns, Land of Leather agreed to suspend its PPI sales until it received further appropriate advice from external accountants and had implemented their recommendations. It has also recently made changes to its senior management arrangements in respect of PPI.

5.13 Further, Land of Leather has conducted a consumer contact exercise involving all customers who bought PPI on or after 1 November 2006 (comprising over 30% of the total number of PPI customers). This gave customers the opportunity to reconsider whether PPI was suitable for them. No widespread mis-selling was identified and, in a small number of cases (under 0.2%), customers cancelled their PPI policies and avoided any charge for PPI. Following consultation with the FSA, Land of Leather has agreed to conduct a similar consumer contact exercise as soon as possible for customers who purchased PPI between 5 May 2006 and 31 October 2006 from stores which had not yet received re-training.

5.14 Land of Leather has been given full credit for its suspension of sales and customer contact. Without these positive steps, the financial penalty would have been higher.

5.15 Land of Leather and its senior management have co-operated fully with the Enforcement action.

Previous action taken in relation to similar failings

5.16 In determining the level of financial penalty, the FSA has taken into account penalties imposed by the FSA on other authorised persons for similar behaviour. This was considered alongside the principal purpose for which the FSA imposes sanctions, namely to promote high standards of regulatory 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.

FSA guidance and other published materials

5.17 In determining the appropriate level of financial penalty, the FSA has had regard to the fact that the FSA has published materials (in particular, as described at paragraphs 4.8 to 4.11 above) which raised relevant concerns and set out examples of compliant behaviour. This increases the seriousness with which the FSA has viewed the breaches.

Conclusion

5.18 Having regard to the seriousness of the breaches and the risk they posed to the FSA's statutory objectives of maintaining confidence in the financial system and securing the appropriate degree of protection for consumers, the FSA has imposed a financial penalty of £210,000 on Land of Leather.

6. DECISION MAKERS

6.1 The decision which gave rise to the obligation to give this Final Notice was made by the Settlement Decision Makers on behalf of the FSA.

7. IMPORTANT

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

Manner of and time of Payment

7.2 The financial penalty must be paid in full by Land of Leather to the FSA by no later than 23 May 2008, 14 days from the date of this Final Notice.

If the financial penalty is not paid

7.3 If all or any of the financial penalty is outstanding on 24 May 2008, the FSA may recover the outstanding amount as a debt owed by Land of Leather and due to the FSA.

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 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 Land of Leather or prejudicial to the interests of consumers.

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

FSA contacts

7.6 For more information concerning this matter generally, Land of Leather should contact Mark Lewis (direct line: 020 7066 4244 /fax: 020 7066 4245) of the Enforcement Division of the FSA.

William Amos
Head of Retail 1
FSA Enforcement Division