

---

**FINAL NOTICE**

---

To: **Langtons (IFA) Limited**  
Of: **46 St. Peter Street**  
**Tiverton, Devon, EX16 6NR**

Date: **21 September 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 requirement to pay a financial penalty.**

**1. THE PENALTY**

- 1.1. The FSA gave Langtons (IFA) Ltd ("Langtons") a Decision Notice on 11 September 2006 which notified Langtons that pursuant to section 206 of the Financial Services and Markets Act 2000 ("FSMA"), the FSA had decided to impose a financial penalty of £63,000 on Langtons in respect of breaches of the FSA's Principles for Businesses ("the Principles") and the FSA Rules which occurred between 1 January 2003 and 30 November 2005 ("the Relevant Period").
- 1.2. Langtons confirmed on 7 September 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 Langtons the facts and matters relied on, the FSA imposes a financial penalty on Langtons in the amount of £63,000.
- 1.4. By agreeing to settle at an early stage of the proceedings, Langtons qualified for a 30% (stage 1) reduction in penalty pursuant to the FSA's executive settlement procedures.<sup>1</sup> Were it not for this discount the FSA would have sought to impose a financial penalty of £90,000 on Langtons.

---

<sup>1</sup> Chapter 13.7 of the Enforcement Manual ("ENF") contains guidance on discounts for early settlement.

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

### **Summary**

- 2.1. For the reasons outlined below, Langtons acted in contravention of the Principles and the FSA Rules as there were serious failures in its senior management arrangements, its compliance arrangements, systems and controls, training and competence, the approval and communication of financial promotions and complaints handling.
- 2.2. Langtons' conduct breached the following Principles:

*Principle 2: A firm must conduct its business with due skill, care and diligence; and*

*Principle 3: A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.*

### **Senior Management Arrangements**

- 2.3. Langtons acted in contravention of Principle 2 and Principle 3 of the Principles by failing to:
- (1) clearly and appropriately apportion significant responsibilities amongst its senior management and adequately monitor and control its business; and
  - (2) record the roles and responsibilities of its senior management and have clear and appropriate reporting lines.
- 2.4. These failings led to Langtons also breaching FSA Rules 2.1.1R and 2.2.1R in the part of the FSA Handbook ("the Handbook") entitled Senior Management Arrangements, Systems and Controls ("SYSC").

### **Compliance Arrangements, Systems and Controls**

- 2.5. Langtons acted in contravention of Principle 2 and Principle 3 of the Principles by failing to:
- (1) implement systems and controls that were adequate for the nature, scale and complexity of its business, which governed training and competence, the approval and communication of financial promotions and internal complaints handling;
  - (2) have a compliance manual which was sufficiently tailored to its business practices; and
  - (3) implement systems and controls in relation to the provision of management information and to counter the risk of financial crime.
- 2.6. These failings also led to Langtons breaching FSA Rules 3.1.1R and 3.2.6R in the part of the FSA Handbook entitled SYSC.

## **Training and Competence**

- 2.7. Langtons acted in contravention of Principle 2 and Principle 3 of the Principles by failing to:
- (1) implement systems and controls that allowed it to determine the training needs of its employees and organise training that was timely, planned and appropriately structured;
  - (2) ensure that its employees were competent, remained competent and at regular intervals assess their knowledge and skills;
  - (3) ensure that employees under supervision were appropriately supervised and that supervisors had the required technical knowledge and people management skills to act in the position; and
  - (4) make appropriate training and competence records.
- 2.8. These failings also led to Langtons breaching FSA Rules 2.3.1R, 2.4.1(1) R, 2.4.5R 2.6.1R, 2.7.1R, 2.7.5AR and 2.8.1R in the part of the Handbook entitled Training and Competence ("TC").

## **Financial Promotions**

- 2.9. Langtons acted in contravention of Principle 2 and Principle 3 of the Principles by failing to organise and control its compliance function in relation to financial promotions to ensure that it approved and communicated financial promotions that complied with the FSA Rules. As a result Langtons failed to:
- (1) ensure that the approval was carried out by an individual with appropriate expertise;
  - (2) ensure that financial promotions it issued were clear fair and not misleading;
  - (3) ensure that financial promotions it issued included a fair and adequate description of the risks involved, the nature of the investment and the commitment required;
  - (4) ensure its financial promotions contained suitable text regarding past performance; and
  - (5) adequately resource, train and monitor the operation of its compliance function.
- 2.10. These failings also led to Langtons breaching FSA Rules 3.6.1R, 3.8.4R, 3.8.8R and 3.8.11R in the part of the Handbook entitled Conduct of Business ("COB").

## **Complaints Handling**

- 2.11. Langtons acted in contravention of Principle 2 and Principle 3 of the Principles by failing to:

- (1) operate an effective internal complaints handling system and ensure that a person with sufficient competence, independence and authority investigated complaints;
  - (2) adopt and implement procedures and processes which promoted cooperation with the Financial Ombudsman Service ("FOS"); and
  - (3) take reasonable steps to ensure its employees were aware of its complaints handling procedure.
- 2.12. These failings also led to Langtons breaching FSA Rules 1.2.1R, 1.2.16R, 1.6.1R and 1.2.21R in the part of the Handbook entitled Dispute Resolution: Complaints ("DISP").

### **Seriousness of the Findings**

- 2.13. Langtons' failings are viewed by the FSA as particularly serious and therefore merit the imposition of a financial penalty in that:
- (1) there were serious systemic weaknesses in implementing, operating and maintaining adequate management systems and internal controls in relation to senior management responsibilities, the training and competence of its advisers and supervisors, the approval and communication of financial promotions, and complaints handling;
  - (2) the absence of clear senior management responsibilities and appropriate compliance arrangements meant that there was a lack of key safeguards in place to ensure the proper application of the Principles and the FSA Rules and to ensure the protection of consumers;
  - (3) Langtons was unaware of the failings and they were only discovered as a result of the FSA's visits rather than through the operation of its systems and procedures;
  - (4) non-compliant financial promotions were communicated to the public despite the considerable material issued by the FSA highlighting the importance of financial promotions and setting out the regulatory approach in this area; and
  - (5) these failings occurred over a three year period.

### **Decision to impose a financial penalty**

- 2.14. In determining the level of the financial penalty, the FSA has taken into account a number of factors which reduced the penalty it would otherwise have imposed on Langtons. These are:
- (1) engaging an independent consultant to review its compliance arrangements and systems, providing the independent consultant's compliance report to the FSA and demonstrating a willingness to adopt the recommendations in the report and to remedy the identified inadequacies;
  - (2) amending, shortly after the commencement of the FSA investigation, its financial promotion procedures to incorporate an external review of all financial promotions by the independent compliance consultant prior to Langtons' own final approval;

- (3) two employees agreed to attend industry training approved by the FSA in relation to the regulatory requirements of apportionment and oversight, financial promotions, training and competence and compliance;
- (4) there is no evidence that Langtons deliberately contravened the Principles and the FSA Rules;
- (5) there is no evidence of a material level of customer detriment; and
- (6) co-operating fully with the FSA, moving quickly to agree the facts of the case in order to settle this matter.

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

#### **Background**

- 3.1. Langtons is a private company that was incorporated in the United Kingdom on 17 May 1999. It is a regional Independent Financial Advisors ("IFA") with its head office and administration function in Tiverton, Devon and has offices in St. Austell, Cornwall and a presence in Spain.
- 3.2. During 2003, Langtons' Board of Directors expanded from two to four directors and expanded to seven directors during 2004. As at 30 November 2005, Langtons had a total of 29 investment advisers, 14 held Controlled Function 21 (investment adviser) and a further 15 held Controlled Function 22 (trainee investment adviser). Over the Relevant Period, Langtons had a total of 37 advisers registered with the FSA.
- 3.3. Langtons has been regulated by the FSA since 1 December 2001. Prior to this date, it was regulated by the Personal Investment Authority. It is an authorised person under FSMA with permissions granted by the FSA in the following regulated activities:
  - (1) Advising on investments (except Pension Transfers and Opt Outs);
  - (2) Agreeing to carry on a regulated activity;
  - (3) Arranging (bringing about) deals in investments;
  - (4) Making arrangements with a view to transactions in investments;
  - (5) Advising on regulated mortgage contracts;
  - (6) Arranging (bringing about) regulated mortgage contracts; and
  - (7) Making arrangements with a view to regulated mortgage contracts.
- 3.4. During the Relevant Period, Langtons provided advice in relation to investments, critical illness and life assurance protection, long-term health care and mortgage contracts.
- 3.5. During the Relevant Period, Langtons was subject to the requirements imposed on it by FSMA and the Principles and FSA Rules contained in the Handbook.

#### **4. BREACHES OF THE PRINCIPLES**

- 4.1. During the Relevant Period, Langtons was required by virtue of Principle 2 of the Principles to conduct its business with due skill, care and diligence and by virtue of Principle 3 of the Principles to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- 4.2. Langtons' failure to comply with Principle 2 and Principle 3 of the Principles is outlined in paragraph 4.3 to paragraph 4.39 below.

##### **Failure to establish effective senior management roles, responsibilities and reporting lines**

- 4.3. During the Relevant Period, Langtons had in place a governance body and structure in the form of its Board of Directors and its FSA approved persons holding the controlled functions of director (CF 1), apportionment and oversight (CF 8), compliance oversight (CF 10) and money laundering reporting officer (CF 11).
- 4.4. Despite this Langtons failed to take reasonable care to adequately apportion responsibilities amongst its senior management, particularly relating to training, apportionment and compliance oversight. Langtons did not have clear and appropriate reporting lines; instead its reporting lines were confusing and uncertain and its management responsibilities were not clearly communicated within Langtons.
- 4.5. There was internal confusion amongst senior managers about their responsibilities and roles. This ultimately led to misunderstandings within the senior management team, particularly in relation to apportionment and oversight. In the absence of an effectively operating governing body with clear responsibilities, Langtons' systems and controls were not maintained. By failing to maintain a clear and appropriate apportionment of responsibilities and ensuring that its business was adequately controlled and monitored, Langtons also breached SYSC 2.1.1R.
- 4.6. During the Relevant Period, Langtons did not record its arrangements for the apportionment of responsibilities amongst its senior management. There were no written job descriptions nor were the roles and responsibilities of senior management documented through organisational charts and diagrams. Where particular responsibilities were allocated to more than one senior manager, Langtons was unable to demonstrate how the responsibilities and functions were shared or divided. In particular, senior managers were unable to demonstrate a complete understanding of their roles and responsibilities.
- 4.7. By failing to record the apportionment of responsibilities through job descriptions and other documentation, Langtons also breached SYSC 2.2.1R.

##### **Failure to establish effective compliance arrangements: management information, monitoring and the compliance manual**

- 4.8. Langtons' Board of Directors only began to have regular board meetings in June 2004. Since that date, the Board has not reviewed formal compliance reports or papers, although board members maintain that compliance related issues were discussed on

an informal and ad hoc basis. In one particular instance, information in relation to a customer complaint and the decision on whether to pay a FOS award or seek further review was not referred to the Board for consideration in a prompt and timely manner.

- 4.9. Langtons did not have in place arrangements to ensure that adequate and regular management information was provided to its Board of Directors for business oversight purposes. Only monthly profit and loss figures were presented to the Board on a regular basis.
- 4.10. Langtons did not have in place appropriate arrangements to ensure that delegated responsibilities were being performed adequately, reviews were not conducted and regulatory and compliance issues were not reported to the Board of Directors. In particular it was unable to demonstrate that senior management was provided with or had access to adequate information to allow them to monitor the status and ongoing progress of compliance risks at Langtons. The limited information produced was not relevant, reliable or timely.
- 4.11. The lack of apportionment of responsibilities and understanding of senior management roles meant that systems and controls were not reviewed on a regular basis. This failure meant that Langtons was not in a position to identify, measure and manage regulatory risks nor could it be sure that its senior management were fully aware of compliance risks. Langtons failed to appreciate the requirement for senior management to review its approach to treating customers fairly ("TCF") and, as a result, the compliance function failed to appreciate the need to formulate a TCF policy.
- 4.12. Langtons did not establish and implement a detailed compliance monitoring program and it did not have in place adequate controls covering all aspects of its business and the FSA Rules. In particular, monitoring of regulatory and compliance risk was informal and limited.
- 4.13. During 2003, Langtons' Compliance Department was resourced by a Compliance Director and a Compliance Manager. From 2004 until November 2005 Langtons had only a Compliance Director, who had overall responsibility for compliance. Langtons' compliance department was under-resourced and adequate training had not been provided. There were no procedures in place to ensure that the compliance manual was available to staff or a register to reflect that all staff had read and understood the content of the compliance manual. Langtons did not identify the compliance and regulatory issues it faced.
- 4.14. As a result of the above, Langtons also breached SYSC 3.1.1R as it failed to take reasonable care to establish and maintain systems and controls that were appropriate for its business.
- 4.15. Langtons had money laundering procedures which were outdated and not customised for its business. In particular, the procedures still contained references to the organisation that produced them. Langtons did not establish and maintain systems for countering the risk of financial crime. Money laundering reports on the effectiveness of its systems and controls were not presented to the Board of Directors and appropriate training was not carried out with staff. As a result, Langtons did not have

effective systems and controls to counter the risk of financial crime and also breached SYSC 3.2.6R.

#### **Failure to establish effective Training and Competence Arrangements**

- 4.16. Langtons failed to determine the training needs of the 37 investment advisers employed over the Relevant Period. It also failed to organise training that was timely, planned and appropriately structured and evaluated. Advisers did not have adequate training plans, employee training needs were not regularly assessed and they did not have training objectives which took into account their knowledge, skill and development needs. Langtons did not have documentary evidence to show that it regularly and effectively assessed the training needs of its employees or that it set development timescales.
- 4.17. Such training that was undertaken by advisers was not properly recorded and Langtons had no systems or procedures in place to ensure it could evaluate training in terms of its relevance, timeliness and appropriateness for each adviser. Langtons did not regularly review or assess the Continuing Professional Development ("CPD") records to ensure the training undertaken was relevant for the employees' needs.
- 4.18. Eight advisers' files contained no CPD records and the majority of the remaining files had not been updated for an average of 13 months. This failure to keep adequate and appropriate documentation meant that Langtons was unable to assess and determine if its advisers were undertaking effective and up to date training, which addressed changes in the market.
- 4.19. The core of Langtons' training regime was a compulsory monthly training meeting for all advisers. However the training was not planned, appropriately structured or evaluated. Training was not always relevant to advisers needs and some of the more experienced advisers felt that the training was too basic.
- 4.20. Langtons failed to ensure that it conducted and organised appropriate training which took into account the needs of its advisers and it did not determine or review the training of its advisors, as a result it also breached TC 2.3.1R.
- 4.21. Langtons failed to ensure that it had in place adequate competence assessment criteria that were clearly understood by its advisers and its supervisors. Many trainee advisers were unaware of how they could attain competence. Langtons did not set challenging assessments to determine the training and technical knowledge of its advisers nor did it have any continuing assessment methods. There were no formal statements of competence, no training scripts or technical briefing papers to assess an adviser's competence. Langtons failed to assess the gaps in its advisers' skills and knowledge and it failed to put in place an appropriate training plan to fill those gaps.
- 4.22. During the Relevant Period, Langtons had 17 trainee advisers registered with the FSA. However, some of these advisers were acting in the capacity of competent advisers despite being registered as trainee advisers. Langtons was unable to demonstrate how or why any particular adviser had been classified as competent. Langtons did not have in place a mechanism by which advisers could be assessed and

registered as competent and the compliance department was unaware of how to assess competence.

- 4.23. The conduct outlined above indicates that Langtons did not have systems, controls and procedures to ensure that its advisers attained competence nor did it regularly assess the competence of its advisers; as a result it was also in breach of TC 2.4.1R and TC 2.4.5R.
- 4.24. During the Relevant Period, Langtons did conduct a number of key performance indicator assessments to determine advisers' performance; however these only covered the sales transacted, remedial action required, the product and provider spread, the persistency rates and the number of complaints received. Langtons adopted an informal and unstructured approach to monitoring competence. Since 2003 there had been a decline in the number of compliance assessments and file checks conducted by Langtons. For the majority of advisors formal assessment meetings had not been held since the end of March 2004.
- 4.25. As result of the above, Langtons did not have in place appropriate arrangements to assess the knowledge, skills and experience of its advisers and to ensure its advisers maintained competence.
- 4.26. Langtons has failed to demonstrate a systemic approach to assessing the ongoing competence of its advisers to ensure their competence was maintained. It had limited controls and insufficient records to demonstrate the technical knowledge and skills of its advisers, as a result Langtons also failed to comply with TC 2.6.1R.
- 4.27. Langtons failed to ensure that its advisers and trainee advisers were appropriately supervised and monitored. Its supervisors had not undertaken appropriate or adequate industry training and in some instances had only completed an initial assessment course. There was confusion and a lack of understanding between the supervisors about their roles. During the Relevant Period, Langtons did not assess the ongoing competence of its supervisors, despite this being specified as a requirement in its compliance manual. There were no records to demonstrate ongoing supervision and monitoring, as a result Langtons also breached TC 2.7.1 R and TC 2.7.5A R.
- 4.28. Langtons failed to make appropriate records to demonstrate compliance with the TC Rules and as a result has also breached TC 2.8.1 R.

#### **Financial Promotions Systems and Controls**

- 4.29. Langtons failed to ensure that it took reasonable care to organise and control its financial promotions compliance function responsibly and effectively. During the Relevant Period Langtons approved 18 financial promotions (together "the promotions") that did not comply with COB 3.
- 4.30. COB 3.6.1R (2) requires Langtons to arrange for the compliance exercise in COB 3.6.1R (2) to be carried out by an individual with appropriate expertise. The employee responsible for approving the majority of the promotions had no previous experience and had not received relevant or adequate training to perform the role. The employee responsible lacked the appropriate expertise to confirm compliance of its financial

promotions and did not completely understand the relevant COB Rules and accompanying detailed guidance.

- 4.31. Langtons had no effective arrangements in place to monitor the compliance of the financial promotions it approved to ensure they complied with the Principles and the FSA Rules. The extent and persistence of the COB Rule breaches in the promotions demonstrates Langtons lacked effective systems, controls and procedures for monitoring whether:
- (1) all financial promotions had been submitted for, and received confirmation of compliance in accordance with COB 3 before publication;
  - (2) adequate records of finalised financial promotions were retained and maintaining an up-to-date advertising register; and
  - (3) compliance procedures for the approval and communication of financial promotions were adopted, adhered to and implemented.
- 4.32. Shortly after the commencement of the investigation, an independent compliance consultant was engaged to assist Langtons in the area of financial promotions.
- 4.33. The promotions promoted various products, including, amongst others, Individual Savings Accounts ("ISAs"), Venture Capital Trusts ("VCTs"), Traded Endowment Policies ("TEPs") and Property Funds. The majority of the promotions were published in newspapers within the Devon and Cornwall area. Some of the promotions were communicated by direct mail and e-mail. The combined estimated readership of the promotions was 382,632.
- 4.34. In various respects, the following breaches were identified:
- (1) two of the promotions breached COB 3.8.8 R (1) (a) as they did not include a fair and adequate description of the nature of the investment;
  - (2) seven of the promotions breached COB 3.8.8R (1) (b) as they failed to include sufficient information of the commitment required for the product;
  - (3) 14 of the promotions breached COB 3.8.8 R (1) (c) because the nature and size of the risk warnings were inadequate;
  - (4) four of the promotions breached COB 3.8.11R because they did not contain suitable text in relation to past performance;
  - (5) four of the promotions breached COB 3.8.4R as reasonable steps were not taken to ensure that the promotions were clear, fair and not misleading; and
  - (6) four of the promotions classified as "editorials" by Langtons were in fact financial promotions and not exempt under the Financial Services and Markets Act (Financial Promotion Order) 2005 from the application of COB 3.

#### **Failure to handle complaints fairly and adequately**

- 4.35. During the Relevant Period Langtons received 16 complaints concerning its business, seven of which concerned the sale of structured capital at risk products (SCARPs) and

nine of which were referred to the FOS for further consideration. All of the complaints were initially handled by Langtons' compliance department and were rejected with no redress being offered.

- 4.36. Langtons had a complaints procedure in place which was contained within its compliance manual. It did not have controls in place to ensure the procedures were read and understood by its staff. As a result, Langtons also failed to comply with DISP 1.2.21R.
- 4.37. Langtons failed to ensure that its complaints were dealt with by a person of sufficient competence, independence and authority. Its complaints officer did not undertake, and was not provided with, any industry or complaints training to assist in the performance of the role, nor did the complaints officer have any previous experience in complaints handling. In four cases, the complaints files show that an employee who was the subject of the complaints exerted significant influence on the complaints officer and the handling of the complaints by either drafting the response or contacting the complainant directly to discuss the complaint. As a result, Langtons also failed to comply with DISP 1.2.16R.
- 4.38. Langtons did not have systems which ensured that it promptly and effectively dealt with the settlement of final awards made against it. In three cases where the FOS held in favour of the complainant, Langtons failed to comply with the award within the specified time and in one instance, rather than challenging the award, payment was simply ignored. The awards were complied with three weeks, eight months and nine months late, respectively, after the FOS's final decision. The FSA has not made a finding of intentional or deliberate conduct against Langtons in relation to its failure to pay the FOS awards within the specified time.
- 4.39. Langtons also failed to comply with DISP 1.2.1R to put in place and operate appropriate and effective internal complaints handling procedures. As a result of the above, Langtons failed to ensure that complaints were dealt with fairly and effectively. It did not act with due skill, care and diligence, and failed to ensure that its compliance officer was adequately trained. It did not have risk management systems to ensure complaints were dealt with independently and to ensure its employees were aware of its complaints handling procedures and that they acted in accordance with them. Langtons did not promptly and effectively co-operate with the FOS regarding complaints made against it.

## **5. ANALYSIS OF SANCTION**

- 5.1. As a consequence of the above actions, the FSA considers that Langtons breached Principle 2 and Principle 3 of the Principles and the FSA Rules.
- 5.2. The FSA's policy in relation to the imposition of financial penalties is set out in Chapter 13 of the Enforcement Manual (ENF) which forms part of the FSA Handbook. The principal purpose of financial penalties is to promote high standards of regulatory conduct by deterring authorised and approved persons who have breached regulatory requirements from committing further contraventions, by helping to deter other firms from committing contraventions, and demonstrating generally to firms the benefits of compliant behaviour.

- 5.3. The severity of the penalty should reflect the degree of wrongdoing in each case and be proportionate to the breach in question. The level of financial penalty should also take into account all the relevant circumstances of the case (ENF 13.3.3). For the avoidance of doubt, this analysis of the level of the penalty was undertaken before applying the 30% stage one discount (ENF 13.7.3).
- 5.4. The FSA decided to impose a financial penalty of £90,000 on Langtons, in respect of the breaches of Principles 2 and 3 of the Principles and the Rules consisting of the following elements:
- (1) a penalty of £30,000 in relation to the apportionment of its senior management and compliance arrangements;
  - (2) a penalty of £30,000 in relation to its systems and controls for financial promotions which related to the approval and communication of financial promotions;
  - (3) a penalty of £20,000 in relation to training and competence systems and controls and determining the training needs of its employees; and
  - (4) a penalty of £10,000 in relation to its complaints handling procedures.

***The seriousness of the misconduct or contravention***

- 5.5. The FSA has had regard to the seriousness of the contraventions, including the nature of the requirements breached and the number and duration of the breaches. For the reasons set out below the FSA considers that the breaches are of a serious nature:
- (1) the failings resulted from serious systemic weaknesses in Langtons' systems and controls and its senior management arrangements. It failed to maintain a clear and appropriate apportionment of significant responsibilities among its senior managers, many of whom were not aware of their responsibilities. The result was that the business and affairs of Langtons could not be adequately monitored;
  - (2) senior management failed to demonstrate a sufficient understanding of Langtons' obligations under the regulatory system; and
  - (3) key compliance arrangements and controls in relation to training, complaints handling and financial promotions were not implemented. This meant that there was a lack of key safeguards to ensure the proper application of the FSA Rules and Principles and the protection of consumers was not safeguarded.

***The duration and frequency of the misconduct***

- 5.6. The breaches occurred over almost three years and currently do not appear to be fully remedied. Langtons failed to uncover most of the inadequacies in its systems and controls, the majority of which were brought to its attention by the FSA.

***The extent to which the misconduct was deliberate or reckless***

- 5.7. The FSA has not concluded that the contraventions were deliberate or reckless.

***The size, financial resources, and other circumstances of the firm***

- 5.8. The FSA has taken into account Langtons' financial resources. It has discussed with Langtons its ability to pay the penalty and has reviewed its most recent financial statements.

***Conduct following the contravention***

- 5.9. Langtons engaged an independent consultant to review its compliance arrangements and systems, provided the independent compliance report to the FSA and has shown a willingness to adopt specific recommendations designed to remedy the inadequacies.
- 5.10. Two employees of Langtons agreed to attend industry training approved by the FSA in relation to the regulatory requirements of apportionment and oversight, financial promotions, training and competence and compliance.
- 5.11. All financial promotions communicated by Langtons shortly after the commencement of the investigation were reviewed by the independent compliance consultant.

***The disciplinary record and compliance history of the firm***

- 5.12. Langtons has not previously been the subject of disciplinary action by the FSA.

***The previous action taken by the FSA in relation to similar findings***

- 5.13. The FSA seeks to ensure consistency when it determines the appropriate level of penalty. The FSA has in the past taken action against firms for similar failings and these have been taken into consideration in setting the level of penalty against Langtons.

**6. DECISION MAKERS**

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

**7. IMPORTANT**

- 7.1. This Final Notice is given to Langtons 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.

***Manner of and time for Payment***

- 7.4. The financial penalty must be paid in full by Langtons to the FSA by no later than 5 October 2006, 14 days from the date of the Final Notice.

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

- 7.5. If all or any of the financial penalty is outstanding on 6 October 2006, the FSA may recover the outstanding amount as a debt owed by Langtons and due to the FSA.

***FSA contacts***

- 7.6. For more information concerning this matter generally, you should contact Nicola Parish of the Enforcement Division of the FSA on direct line: 020 7066 1196.

Georgina Phillippou  
Head of Department  
FSA Enforcement Division