
FINAL NOTICE

To: **Idris Nagaty**

Date: 14 September 2005

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you final notice of the following order:

THE ORDER

For the reasons listed below and pursuant to section 56 of the Financial Services & Markets Act 2000 ("the Act") the FSA now makes an order against you, Idris Nagaty, to prohibit you from carrying out any controlled function involving the exercise of significant influence over any person in relation to any regulated activity carried on by any other authorised person.

The FSA will, on application by you at any time after 31 August 2007, revoke this order under section 56(7) of the Act.

REASONS FOR THE ORDER

Introduction

1. The FSA has concluded that your conduct, which is described below, when employed at Young Ridgway & Associates Limited ("the Firm") (now in Liquidation) fell below the standards required of an approved person exercising significant influence over others. Specifically, your conduct fell short of the standards set by the FSA's Statement of Principles for approved persons.

Facts And Matters Relied On

2. The Firm provided financial advice to a customer base of over 10,000 individuals through a team of just over thirty financial advisers based in a variety of locations across the UK. Its registered office and trading address was at 10 Borelli Yard, Farnham, Surrey GU9 7NU.
3. The Firm's principal activity was the sale of investment products, mostly to retired individuals. From 1999 onwards the Firm became actively involved in the selling of SCARPs (Structured Capital at Risk Products), equity-based products commonly known as "precipice bonds".
4. On 23 April 2004, at the Firm's request, the FSA cancelled the Firm's Part IV permission to carry on regulated activities on the ground that the Firm's financial resources did not meet the requirements of Threshold Condition 4. On 20 May 2004, the Firm entered into voluntary liquidation. On 8 February 2005, the liquidator estimated that the value of the outstanding claims and/or complaints from customers of the Firm was potentially £1,304,900, should all complaints be found against the Firm.
5. From 1 December 2001 until 20 May 2004 you were approved by the FSA in respect of the following controlled functions: CF1 (director), CF8 (apportionment and oversight), CF10 (compliance oversight) and CF11 (money laundering reporting).

Scope of functions

6. You were a director of the Firm and latterly you were solely responsible for its compliance function and jointly responsible for the management of its business. You had wide ranging responsibilities within the Firm including the approval of all new business, supervision of advisers, preparation of lists of recommended products, recruitment and money laundering reporting. The demands on your time were compounded by the wide geographical spread of the Firm's financial advisers.
7. Your compliance oversight function meant that you were responsible for monitoring the Firm's compliance with the Conduct of Business rules and dealing with complaints from customers.
8. During early 2003, you assumed responsibility for the duties formerly undertaken by the Compliance Manager, thereby increasing your workload so that you became responsible for those additional compliance functions.
9. It was inappropriate for you to have sought to discharge all the various responsibilities referred to above and it should have been obvious to you that in the circumstances you could not properly discharge your controlled functions. You should have taken steps to remedy this situation but failed to do so.

Compliance Oversight of Sales

10. The Firm's customer base consisted largely of retired individuals, most of whom had a "low" or "low to medium" risk profile and for whom equity-linked products might not

necessarily have been appropriate. From approximately 1999 there was a clear pattern of SCARPs being sold to the Firm's customers as the result of both direct offer mail shots and advised sales.

11. Given the circumstances set out in paragraphs 6 to 9 above, and having regard to the characteristics of these products, you did not subject advised sales of SCARPs to sufficient compliance scrutiny.
12. In particular, you conducted compliance visits to the Firm's sales advisers at hotels, rather than visiting them at their offices. This limited the compliance checking that you were able to carry out, especially as you generally relied on advisers themselves to select files for your review.

Supervision of Staff

13. As the Firm's compliance officer, you failed adequately to investigate the extent and nature of the "own-account" activities of one of one of the Firm's advisers. These activities included the promotion and sale to the Firm's customers of "investments" in which he had a personal interest. You received complaints over time concerning the adviser's private activities and took steps intended to ensure that he complied fully; however, these were insufficient to ensure that he met the requirements of the regulatory system and of procedures prescribed by the Firm itself.

Complaints Handling

14. You were responsible for complaints handling at the Firm, and responded personally to most of the complaints received from customers. The quality of the Firm's complaints handling procedures was poor and its records were inaccurate and confusing. In 2003, 65 complaints were received by the Firm, at least 47 of which related to SCARPs.
15. The Firm's internal manual did not accurately reflect the FSA's rules on complaints handling procedures, with the result that some complaints were not treated as such. A confusing distinction was made in the Firm's manual between a "complaint" and a "dissatisfied client". You adopted a restrictive interpretation of what constituted a complaint and your response to customers seeking compensation was to treat their correspondence as not constituting a formal complaint. This approach had the effect of transferring the actual burden of dealing with certain complaints against the Firm onto the Financial Ombudsman Service. It also imposed an additional burden on customers seeking redress, who were entitled to have their complaints fairly dealt with by the Firm in the first instance, in accordance with the FSA's DISP rules.

CONCLUSIONS

16. The facts and matters described above have led the FSA to conclude that your conduct fell short of the standards required of an approved person exercising significant influence over others. In particular, your conduct constituted breaches of the following Statements of Principle for Approved Persons:
 - a. In breach of Principle 2 and by reason of the facts and matters referred to in paragraphs 2 to 15 above, you failed to act with due skill, care and diligence in

carrying out your controlled functions, in particular your apportionment and oversight and compliance functions;

- b. In breach of Principle 5 and by reason of the facts and matters set out in paragraphs 6 to 9 above, you failed to take reasonable steps to ensure that the business of the Firm for which you were responsible was organised so that it could be controlled effectively;
 - c. In breach of Principle 6 and by reason of the facts and matters set out in paragraphs 2 to 15 above you failed to exercise due skill, care and diligence in managing the business of the Firm for which you were responsible, and
 - d. In breach of Principle 7 and by reason of the facts and matters set out in paragraphs 2 to 15 above you failed to take reasonable steps to ensure the business of the Firm for which you were responsible complied with the relevant requirements and standards of the regulatory system. In particular you failed to ensure that adequate and appropriate systems and controls were in place, particularly with regard to ensuring the suitability of sales and the Firm's procedures for the handling of complaints.
17. Having regard to the relevant FSA Handbook provisions (FIT 1 and FIT 2), it therefore appears to the FSA that you are not of sufficient competence and capability to be a fit and proper person to perform any controlled function involving the exercise of significant influence over any person in relation to a regulated activity carried on by an authorised person.
18. Having regard to Sections 8.4, 8.5 and 8.6 of Chapter 8 of the FSA's Enforcement Manual, the FSA therefore has decided that to achieve its regulatory objectives it is necessary that it should exercise its power to make a prohibition order in appropriate terms. Those objectives include public awareness, market confidence and consumer protection.

IMPORTANT

This Final Notice is given to you under section 390(2) and in accordance with section 390(7) of the Act.

Publicity

Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Final Notice relates. Under those provisions, the FSA must publish such information about the matter to which this Final 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 Idris Nagaty or prejudicial to the interests of consumers.

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

FSA Contacts

For more information concerning this matter generally, you should contact Roger Marsh at the FSA (direct line: 020 7066 5068 /fax: 020 7066 5069).

Martin Cole
Manager
Enforcement Division