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## FINAL NOTICE

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**To:** Mr Qadeem Mohammed

**Of:** 23 Aubrey Road  
Small Heath  
Birmingham  
B10 9DQ

**Date of Birth:** 26 September 1979

**Individual FSA reference:** QXM00003

**Dated:** 14 October 2011

**TAKE NOTICE:** The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you Qadeem Mohammed final notice that it has taken the following action:

**1. ACTION**

- 1.1 The FSA gave Qadeem Mohammed a Decision Notice on 20 January 2010 which notified Qadeem Mohammed that the FSA had decided, having taken account of his written representations dated 30 September and 11 November 2009 and his oral representations made on 28 October 2009, to take the following action:

- (1) impose on him, as an approved person performing the controlled function of being a director of an authorised firm, namely 2 Minds Mortgages Limited (“2 Minds”), a financial penalty of £15,000 in respect of a failure to comply with Statement of Principle 6 of the FSA’s Statements of Principle for Approved Persons (“APER”) pursuant to section 66 of the Financial Services and Markets Act 2000 (“the Act”);
  - (2) withdraw the approval given to him to perform the controlled functions of CF1 Director, CF8 Apportionment and Oversight, CF11 Money Laundering Reporting, CF28 Systems and controls and Responsibility for Insurance Mediation, pursuant to section 63 of the Act; and
  - (3) make an order pursuant to section 56 of the Act prohibiting him from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm because he had fallen below minimum regulatory standards in terms of competence and capability.
- 1.2 Qadeem Mohammed referred the matter of the level of financial penalty to the Upper Tribunal (Tax and Chancery Chamber) (the “Tribunal”) on the ground that paying a penalty of £15,000 would cause him and his family serious financial hardship. The Tribunal, in a written decision dated 22 September 2011 (the “Decision”), determined that the appropriate financial penalty for Qadeem Mohammed’s breach of APER Statement of Principle 6 should be £25,000, and that the prohibition order should be based on Qadeem Mohammed’s lack of honesty and integrity as well as his lack of competence and capability.
- 1.3 The decision can be found on the Tribunal’s web site.
- 1.4 Accordingly, with effect from 14 October 2011, the FSA imposes a financial penalty of £25,000 on Qadeem Mohammed and makes the prohibition order directed by the Tribunal. Qadeem Mohammed’s individual approval had already been withdrawn by virtue of the uncontested cancellation of 2 Minds’ permission to carry on regulated activities.

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

- 2.1 On the basis of the facts and matters described below the FSA concluded that Qadeem Mohammed failed to comply with APER Statement of Principle 6, and that he lacked honesty and integrity and the competence and capability to perform controlled functions.
- 2.2 Qadeem Mohammed applied for approval to perform significant influence functions at 2 Minds because he was asked to do so by the adviser at 2 Minds, his brother Sarfraz Mohammed. In practice, Sarfraz Mohammed made all business decisions at 2 Minds.
- 2.3 Qadeem told the FSA that his own role was limited to checking mortgage application forms for minor omissions. Furthermore, he had no understanding of the roles and responsibilities of a person who is approved to perform significant influence functions

at an authorised firm. By failing to perform the controlled functions which he applied for, he increased the risk that 2 Minds could be used to facilitate financial crime.

- 2.4 Qadeem Mohammed was a director of 2 Minds.
- 2.5 He was approved to perform the controlled functions of CF1 Director, CF8 Apportionment and Oversight, CF11 Money Laundering Reporting, CF28 Systems and Controls, and Responsibility for Insurance Mediation, in relation to regulated activities carried on by 2 Minds.
- 2.6 In essence, he had no understanding of the business or regulated activities of 2 Minds, he did not know the names of the shareholders of 2 Minds, he claimed that he had not heard of another of its directors, Rukhsana Shaheen (who, as was later established, is his sister), and he could not comment on the activities of 2 Minds' appointed representative Edwards Estates Limited ("Edwards Estates").
- 2.7 He had no understanding of the roles and responsibilities of a person approved to perform significant influence functions. His only role had been to act at the direction of Sarfraz Mohammed and to check the accuracy of facts on mortgage application forms. In practice he did not perform any of the functions for which he was approved at 2 Minds. He delegated all his responsibilities to Sarfraz Mohammed and neglected to take any steps either to inform himself of the firm for which he held FSA approval or involve himself in its regulated activities. He therefore failed to act with due skill, care and diligence in relating to managing the business of 2 Minds, in breach of APER Statement of Principle 6.

### **Representations made to the FSA**

- 2.8 Representations were made to the FSA on behalf of Qadeem Mohammed as to the nature of the firm and the background of the business. It was stated that the FSA should not rely too heavily on the evidence and assumptions drawn from Qadeem Mohammed's interview with the FSA. It was represented that Qadeem Mohammed was an unsophisticated person and had difficulty in understanding and properly responding to the FSA's questions. Therefore, any inconsistencies between his earlier position and his representations should be disregarded.
- 2.9 In part as a result of the above, Qadeem Mohammed had not accurately presented his role in the business. The FSA was told that it was untrue to suggest that he did not want any involvement in the business and had no understanding of what was required of him to perform his controlled functions. On the contrary he had asked to be involved in the family business and had applied to perform significant influence functions as he intended and did, involve himself in the running of the business. Nevertheless, it was conceded that Qadeem Mohammed took little, if any part in making business decisions.
- 2.10 That aside, representations were made as to the role Qadeem Mohammed took in the business, including his involvement in checking mortgage application forms and dealing with client complaints. The FSA was told that he had an understanding of the regulated activities of the firm and his responsibilities as an approved person. He had also taken active steps to keep himself updated by receiving regular email updates from the FSA and attending an FSA road show.

- 2.11 The FSA was told that Qadeem Mohammed also did not consider it inappropriate that he relied on the knowledge, expertise and skills of Sarfraz Mohammed in dealing with the day to day operations of the Firm. Qadeem Mohammed regarded his brother as having significant relevant experience and the skills and competence to run the business.
- 2.12 As a result, Qadeem Mohammed did not believe that he had caused an increased likelihood of 2 Minds being used for financial crime.
- 2.13 Qadeem Mohammed confirmed that he was aware that his sister, Nazia Bi, was a director of the Firm and that Edwards Estates was a company related to the Firm, although he did not fully understand their legal and regulatory position as an appointed representative.
- 2.14 In relation to some of the specific allegations made by the FSA, Qadeem Mohammed said that he had no knowledge of the two alleged fraudulent mortgage applications. In these circumstances he argued that there could not be any basis for impugning his honesty and integrity. In the absence of any motive, he argued the FSA should not make such allegations against him. Also, he stated that he did not know of Sarfraz Mohammed's criminal record or his dealings with the FSA in that he had been refused approval.
- 2.15 In the light of the above, Qadeem Mohammed confirmed he was not challenging the FSA's proposed withdrawal of approval and prohibition. He acknowledged that he should have done more to familiarise himself with his regulatory obligations and for that reason was prepared to make that concession.
- 2.16 With regard to the proposed financial penalty, Qadeem Mohammed argued that the fact of his lack of involvement in the two fraudulent transactions indicated a low risk to the market. It also supported his rejection of the FSA's assertions that he lacked honesty and integrity. Qadeem Mohammed also made extensive representations on his financial circumstances, stating that he did not have the resources to pay the penalty and that his other personal and financial commitments were such that none should be imposed by the FSA.

#### **The FSA's decision on Mr Mohammed's conduct**

- 2.17 The FSA was not satisfied that Qadeem Mohammed is a fit and proper person as his behaviour fell below the standard required to perform his controlled functions as an approved person.
- 2.18 He abrogated his responsibilities as an approved person by delegating them to Sarfraz Mohammed. Whatever regulated activities he performed while employed by 2 Minds were not performed to any level of skill, care or diligence and the FSA did not accept that he acted as a director of 2 Minds. Regardless of whether or not he in fact abrogated all or any of his responsibilities did not matter. In this case the impact on 2 Minds and the market was the same. His conduct fell far below that expected of a director.
- 2.19 The effect of his behaviour and in particular individuals taking on roles beyond their capability is that it increased the likelihood of 2 Minds being used as a vehicle for

financial crime. Taking on the responsibility to perform a controlled function means that the person approved should understand their obligations and perform them to an appropriate level.

- 2.20 The FSA also found that he did not satisfactorily answer the FSA's questions with regard to his knowledge as to the running of the business. The conflict in his evidence could not be explained entirely by his proclaimed lack of sophistication and understanding of such matters.

### **The Tribunal's decision on the level of financial hardship**

- 2.21 The only matter referred to the Tribunal was the appropriate level of the financial penalty to be imposed. In its decision the Tribunal set out in some detail why it doubted the evidence provided by Qadeem Mohammed about his employment status, property ownership, bank accounts and personal liabilities. The Tribunal said it believed, on the basis of "the limited and vague evidence available" to it, that Qadeem Mohammed was "a man of small means and large family responsibilities", and it therefore concluded that a financial penalty of £25,000 would severely penalise him. However, the Tribunal was not satisfied that it had received enough verifiable evidence from Qadeem Mohammed to justify reducing the level of penalty on the grounds of financial hardship.

## **3. IMPORTANT**

- 3.1 This Final Notice is given in accordance with section 390 of the Act.

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

- 3.2 The financial penalty of £25,000 must be paid in full by Qadeem Mohammed to the FSA by no later than 28 October 2011, 14 days from the date of the Final Notice.

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

- 3.3 If all or any of the financial penalty is outstanding on 29 October 2011, the FSA may recover the outstanding amount as a debt owed by Qadeem Mohammed and due to the FSA.

### **Publicity**

- 3.4 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. 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.
- 3.5 The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

**FSA contacts**

- 3.6 For more information concerning this matter generally, you should contact Chris Walmsley of the Enforcement Division of the FSA (direct line: 020 7066 5894/fax 020 7066 5895).

Tom Spender  
Head of Department  
Enforcement and Financial Crime Division