
FINAL NOTICE

To: **Mr Anthony Abiona trading as Renbe Associates**
Of: **93 Colindale Avenue, London, NW9 5HB**
FRN: **303922**
Dated: **11 March 2009**

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London, E14 5HS (the “FSA”) has taken the following action:

1. THE PENALTY

- 1.1. The FSA gave you, Mr Anthony Abiona trading as Renbe Associates (“Renbe”), a Decision Notice on 10 March 2009 which notified you that the FSA had decided:
- (1) pursuant to section 56 of the Financial Services and Markets Act 2000 (“the Act”), to make a prohibition order to prevent you from carrying out any function in relation to any regulated activity (“the Prohibition Order”); and
 - (2) pursuant to section 45 of the Act, to cancel the permission granted to you pursuant to Part IV of the Act (your “Part IV permission”).
- 1.2. You confirmed on 4 March 2009 that you 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 the facts and matters relied on with you, the FSA hereby:
- (1) makes an order pursuant to section 56 of the Act prohibiting you from performing any function in relation to any regulated activity carried out by an authorised person, exempt person or exempt professional firm. The Prohibition Order takes effect on 11 March 2009; and
 - (2) cancels the Part IV permission granted to you.

2. REASONS FOR THE PROPOSED ACTION

- 2.1. The FSA has concluded, on the basis of the facts and matters described below, that you are not fit and proper to carry out any functions in relation to regulated activities carried on by authorised and exempt persons and you should be prohibited from doing so
- 2.2. In the opinion of the FSA you are not fit and proper because you have failed to act with honesty and integrity. In particular, you have:
 - (1) submitted mortgage applications containing false or misleading information to lenders on your own behalf as follows:
 - (a) in two cases, you over-stated your income on the application forms; and
 - (b) in a third case, you claimed that the application was for a mortgage for a residential property when, in fact, in 12 months following the purchase of the property you had never lived there.
 - (2) submitted three mortgage applications on behalf of others which contained false or misleading information relating to their employment details. You either:
 - (a) knew that the information provided by the customers to the lenders was false or misleading; or
 - (b) misled the FSA by stating that you had performed certain checks to verify the customers' statements on their application forms when in fact you had not.
 - (3) misled the FSA by stating that a property in Corby was your second home, and that a council tax exemption had been applied on this basis. Information received from the council indicates that no such discount applied.
- 2.3. In the opinion of the FSA you are also not fit and proper because you have failed to act with competence and capability. In particular, you have failed to take reasonable care to organise and control Renbe's affairs responsibly and effectively with adequate risk management systems, through failing to take reasonable steps to ensure that Renbe complied with the relevant requirements and standards of the regulatory system regarding arranging and effecting regulated mortgage contracts. These include failings regarding the protection of confidential customer information, ensuring file reviews were adequately carried out and recorded, and ensuring information on mortgage application forms was not misleading.
- 2.4. As a result of the nature and seriousness of these breaches, the FSA concludes that you have failed to meet minimum regulatory standards in terms of honesty and integrity and competence and capability and are not fit and proper to perform any functions in relation to regulated activities carried on by authorised persons, exempt persons and exempt professional persons. The FSA has made a Prohibition Order

against you since you are the principal responsible for ensuring Renbe meets regulatory standards.

2.5. Further, the FSA has concluded that Renbe fails to satisfy the Threshold Conditions set out in Part 1 of Schedule 6 to the Act (the “Threshold Conditions”). In the opinion of the FSA:

- (1) Renbe has inadequate resources in relation to the regulated activities that it has permission to carry on. Specifically, Renbe has inadequate human resources in that there is no suitable person currently within Renbe with sufficient capability to carry on regulated mortgage activities to the standard required by the FSA (Threshold Condition 4); and
- (2) Renbe no longer satisfies the FSA that it is fit and proper to conduct regulated activities having regard to all the circumstances including its connection with you, the nature of the regulated activities that it seeks to carry on and the need to ensure that its affairs are conducted soundly and prudently (Threshold Condition 5). Specifically, Renbe does not have a competent and prudent management in place.

2.6. The FSA therefore considers it necessary to cancel Renbe’s Part IV permission.

2.7. This action and the Prohibition Order support the FSA’s statutory objectives of maintaining market confidence, protecting consumers and reducing financial crime.

3. RELEVANT STATUTORY AND REGULATORY PROVISIONS

Statutory Provisions

3.1. The FSA’s regulatory objectives, which are set out in section 2(2) of the Act, include the maintenance of market confidence, the protection of consumers and the reduction of financial crime.

Prohibition

3.2. The FSA has the power, by virtue of section 56 of the Act, to make an order prohibiting you from performing a specified function, any function falling within a specified description or any function, if it appears to the FSA that you are not a fit and proper person to perform functions in relation to a regulated activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description or all regulated activities.

FSA's policy for exercising its power to make a prohibition order

- 3.3. The FSA's approach to exercising its powers to make prohibition orders is set out at Chapter 9 of the Enforcement Guide ("EG"). Although the references in this notice are to EG, the FSA has also had regard to the appropriate provisions of the FSA's Enforcement Manual ("ENF") which applied during the majority of the relevant period during which your misconduct occurred.
- 3.4. The relevant sections of EG are set out in Annex A.

Fit and Proper Test for Approved Persons

- 3.5. The part of the FSA Handbook entitled "FIT" sets out the Fit and Proper test for assessing the continuing fitness and propriety of approved persons and for assessing candidates for becoming approved persons. FIT also applies to firms and applicants for Part IV permissions and therefore is relevant in assessing your fitness and propriety given that you are responsible for ensuring the Firm meets its regulatory requirements as an authorised firm. In accordance with EG 9.17 and EG 9.9, FIT is a relevant consideration for the FSA in deciding whether to make a prohibition order against an unapproved person.
- 3.6. The relevant sections of FIT are set out in Annex A.

Cancellation

- 3.7. Section 41 and Schedule 6 of the Act set out the Threshold Conditions which are conditions that the FSA must ensure a firm will satisfy, and continue to satisfy, in relation to regulated activities for which it has permission.
- 3.8. The FSA is permitted by section 45(2) of the Act to cancel a Part IV permission where it appears that there is, or is likely to be, a failure to satisfy the Threshold Conditions.
- 3.9. Paragraph 4 of Schedule 6 to the Act sets out Threshold Condition 4 which provides that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on or carries on.
- 3.10. Paragraph 5 of Schedule 6 to the Act sets out Threshold Condition 5 which provides that the person concerned must satisfy the FSA that he is a fit and proper person having regard to all the circumstances including: (a) his connection with any person; (b) the nature of any regulated activity that he carries on or seeks to carry on; and (c) the need to ensure that his affairs are conducted soundly and prudently.

Relevant handbook provisions

- 3.11. In exercising its power to cancel a Part IV permission, the FSA must have regard to relevant provisions in the FSA Handbook. The main provisions relevant to the action specified above are set out in Annex A.

Other relevant regulatory provisions

- 3.12. In exercising its power to cancel a Part IV permission, the FSA must also have regard to relevant regulatory provisions and guidance, particularly in EG. The relevant extract of EG is included in Annex A.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. You are a sole trader trading as Renbe, a mortgage and general insurance broker, and advise on regulated mortgage contracts. Renbe became authorised by the FSA under Part IV of the Act on 31 October 2004 and has permission to carry on the following regulated activities:
- (1) advising on investments (except on Pension Transfer/Opt Outs);
 - (2) advising on regulated mortgage contracts;
 - (3) agreeing to carry on a regulated activity;
 - (4) arranging deals in investments;
 - (5) arranging regulated mortgage contracts;
 - (6) dealing in investments as agent; and
 - (7) making arrangements with a view to regulated mortgage contracts and transactions in investments.
- 4.2. Renbe also advises on non-regulated activities including property investments and accountancy. While other employees work at Renbe, you are the only adviser for mortgages and general insurance.
- 4.3. Most of Renbe's mortgage business is through referrals, by dropping business cards in shops and through repeat business. Solicitors and accountants also refer work to Renbe. Most of the business Renbe deals with is for IT clients.
- 4.4. The FSA were made aware of concerns regarding Renbe's business and consequently arranged a visit in May 2008.
- 4.5. During the visit, the FSA requested to review a number of client files. Several of the files that the FSA received at Renbe's premises were missing key documents, including fact finds and application forms. Some of these missing documents were not provided to the FSA until after the visit had been concluded.
- 4.6. As a result of these initial file reviews, Renbe was referred to the FSA's Enforcement division on 31 July 2008.
- 4.7. Unless otherwise stated the facts and matters set out in paragraphs 4.8 to 4.31 below, relate to the period from 31 October 2004 to 31 July 2008.

Misleading information submitted to lenders on behalf of others and misleading the FSA

Case 1

- 4.8. During a review of a sample of Renbe's files, the FSA found two applications for two separate customers with very similar employment and income details. For example, both customers were self-employed at companies with virtually the same name. The applications were made in March 2007 and May 2007. You stated during interview that you were not aware of the close similarities between the applications for these two customers, despite them only having been made two months apart.
- 4.9. You also stated that you had performed comprehensive checks on www.yell.com and Companies House to ensure the employment details of each applicant were correct. However, the FSA was unable to verify the information provided by each applicant on www.yell.com and Companies House. The FSA did find a company on Companies House that had a similar name and whose directors had the same surname as one of the customers. These details, however, did not match exactly or sufficiently enough to corroborate the information included in the applications.

Case 2

- 4.10. During a review of a sample of Renbe's files, the FSA found two mortgage applications for a self-employed customer which had been refused by a lender. The applications were for two separate properties, property A and property B, and both applications were made within weeks of each other in June 2007.
- 4.11. The two applications contained inconsistencies in the name of the customer's company. You stated during interview that:
- (1) the inconsistencies were due to the fact the company had incorporated in the weeks between the two applications; and
 - (2) you had looked on Companies House to confirm who the sole director was and when the company was registered.
- 4.12. The FSA was unable to verify the information you stated that you had found on Companies House. Companies House showed that a company of the same name had incorporated in 2004, not 2007. In addition, the checks showed that the directors of this company had the same surname as your customer, but the first names did not match exactly or sufficiently enough to corroborate the information included in the applications.

Conclusion

- 4.13. It appears that, in at least three mortgage applications that Renbe submitted to lenders on behalf of others, the customers provided false or misleading information relating to their employment details, and as a result you either:

- (1) carried out sufficient Know Your Customer (“KYC”) checks to verify the customers’ statements on their application forms but knowingly submitted false or misleading information anyway, and then misled the FSA about your actions; or
- (2) failed to carry out sufficient KYC checks on information provided by the customers to lenders, and then misled the FSA by stating that you had performed the checks when you had not.

This demonstrates you lack the necessary honesty and integrity required by you as the sole proprietor of an authorised firm since you intentionally misled the FSA and possibly lenders as well.

Misleading information submitted to lenders on your personal mortgage applications and misleading the FSA

Mortgage application for a property in Corby

- 4.14. You informed us that your home address was in Stevenage and that you had lived there for approximately five years.
- 4.15. The FSA reviewed a residential mortgage application submitted by you to a lender for a property in Corby. The conditions of the mortgage are that it should be your sole residence and should not be let out. The mortgage offer was made, and the purchase of the property completed, in June 2007.
- 4.16. You stated during interview that you stayed at the property in Corby during the week as you were using it as a base to market other properties in the area. You also stated during interview that it was classed as a second home for council tax purposes and that you received a second home discount.
- 4.17. Information received by the FSA shows that:
 - (1) the property appears to have been let out since April 2008;
 - (2) no council tax has ever been paid for the property; and
 - (3) no second home discount has ever been applied for the property.
- 4.18. Corby Borough Council also confirm that you informed them the property was empty from July 2007 to April 2008. The property could not, therefore, have been used as your second home.
- 4.19. Deliberately obtaining a residential mortgage with the intention of letting the property out may have resulted in you receiving preferential mortgage interest rates not usually applicable to buy-to-let properties.

Inconsistent income information on mortgage applications

- 4.20. In two residential mortgage applications, one for your property in Stevenage and one for the property in Corby discussed above, you state that Renbe made profits of

£105,822, £112,610 and £115,934 for the years ending December 2005 to December 2007 respectively. The two applications also contain confirmation from your accountants of these profit figures in the form of a certificate and/or accounts. As a result of these applications, you received one mortgage for £330,000 (approximately 3 times profits stated) and one mortgage for £161,900 (approximately 1 times profit stated).

- 4.21. Tax returns show that Renbe made profits of £11,755, £19,313 and £13,666 for the tax years ending April 2005, April 2006 and April 2007 respectively. These figures do not tally with the figures you provided in support of the two applications above.
- 4.22. During interview, you stated that the large discrepancies between the stated profits were because:
 - (1) the lower figures which were submitted on your tax returns were based on all of Renbe's business activities, namely mortgages, property investments and accountancy services; and
 - (2) the higher figures which were submitted to the lenders were based on Renbe's business activities relating to property investments and accountancy services, but not mortgages because this third of the business was loss-making.
- 4.23. You admitted during interview that, by only providing the lenders with profit figures for two out of three of Renbe's business activities, you were not giving the lenders the full picture of your income and that this was "*wrong to a certain degree*".
- 4.24. Assuming the information provided on your tax returns was a true reflection of Renbe's profits because it related to all of Renbe's business activities:
 - (1) a mortgage of £161,900 would have been approximately 8 times an income of £20,000; and
 - (2) a mortgage of £330,000 would have been approximately 16 times an income of £20,000.

It is unlikely you would have received mortgages of these amounts based on that level of income.

Conclusion

4.25. It appears that you have:

- (1) submitted misleading information to lenders with regards to the intended use of one of your properties in order to obtain a preferential mortgage rate;
- (2) supplied misleading information to the FSA during interview about the intended use of a property; and
- (3) provided misleading information relating to your income to two mortgage lenders. In fact, you admitted during interview that you did not provide a full picture of your financial circumstances to the lenders. As a result, the lenders may have lent more than they would have done had they known your true financial circumstances.

4.26. You failed to comply with relevant regulatory requirements required of you in that you submitted misleading information on your own mortgage applications and failed to deal with the regulator in an open, honest and co-operative way. This demonstrates you lack the necessary honesty and integrity required by you as the sole proprietor of an authorised firm.

Inadequate systems and controls

4.27. No independent monitoring of your work, including the advice that you give, takes place.

4.28. You check a sample of your client files to ascertain whether the recommendations made were suitable. You also check your employee's files. However, you do not document these checks, nor do you record which files have been reviewed.

4.29. You stated during interview that all hard-copy client files are kept under lock and key and all electronic information is only accessible by you. Therefore any employees that want to check the files have to go through you to obtain the information. However, when asked about a document you claimed you had never seen before during the same interview, you then stated that an employee could have put it in the client file without your knowing about it.

Conclusion

4.30. You failed to demonstrate that Renbe:

- (1) implemented appropriate arrangements for the supervision and ongoing monitoring of its business; and
- (2) maintained and protected personal and confidential customer information and ensured it was not accessible to persons other than you, the adviser.

4.31. You were responsible for ensuring Renbe had the adequate procedures in place to ensure that it complied with relevant regulatory standards concerning systems and

controls, and the protection of customer information. You failed to take reasonable steps to do this which demonstrates a lack of competence and capability.

5. ANALYSIS OF MISCONDUCT AND PROPOSED SANCTIONS

5.1. The FSA has considered whether you are a fit and proper person to continue to perform some or any functions in relation to regulated activities. In doing so, the FSA has considered its findings in Section 4 above with regard to the statutory objectives, the regulatory requirements and relevant guidance referred to in Section 3 above. The FSA has found that you:

- (1) failed to act with honesty and integrity, by misleading lenders and the FSA about information submitted on mortgage applications through Renbe on behalf of others and about information submitted on mortgage applications through Renbe for yourself; and
- (2) failed to act with competence and capability, by failing to have adequate systems and controls in place that are required for an authorised firm.

5.2. As a result, the FSA considers that you lack both honesty and integrity and competence and capability and that therefore you are not fit and proper to carry on functions in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional person.

5.3. The FSA has concluded that the nature of these matters, the period of time during which they occurred and the gravity of them directly impugn your competence and capability and honesty and integrity. The FSA considers that you pose a serious risk to lenders and consumers and to the FSA's regulatory statutory objectives of maintaining confidence in the financial system, protecting consumers and the reduction of financial crime.

5.4. The FSA therefore considers it necessary to prohibit you, pursuant to section 56 of the Act.

5.5. Further, the FSA has concluded that Renbe is failing, and is unable, to satisfy Threshold Condition 4 (Adequate resources) and Threshold Condition 5 (Suitability) as a result of the findings above. The FSA therefore considers it necessary to cancel your Part IV permission.

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 you in accordance with section 390 of the Act.

Publicity

- 7.2. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.
- 7.3. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

- 7.4. For more information concerning this matter generally, you should contact Claudine Hilton of the FSA (direct line: 020 7066 0922/fax: 020 7066 0923).

Signed:

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Jonathan Phelan

Project Sponsor
FSA Enforcement Division

1. ANNEX A

- 1.1. In deciding to take the action described above the FSA has had regard to guidance published in the FSA Handbook.

EG

Prohibition Orders

- 1.2. EG 9.1 states that the FSA's power to make prohibition orders under section 56 of the Act helps it work towards achieving its regulatory objectives. The FSA may exercise this power where it considers that, to achieve any of those objectives, it is appropriate either to prevent an individual from performing any functions in relation to regulated activities or to restrict the functions which he/she may perform.
- 1.3. EG 9.4 sets out the general scope of the FSA's powers in this respect. The FSA has the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual's lack of fitness and propriety is relevant. EG 9.5 provides that the scope of a prohibition order will vary according to the range of functions that the individual performs in relation to regulated activities, the reasons why he is not fit and proper and the severity of the risk posed by him to the consumers or the market generally.
- 1.4. EG 9.17 to 9.18 provide guidance on the FSA's exercise of its power to make a prohibition order against an individual who is not an approved person. The FSA will consider the severity of the risk posed by the individual and may prohibit the individual where it considers this is appropriate to achieve one or more of its regulatory objectives. When considering whether to exercise its power to make a prohibition order against such an individual, the FSA will consider all the relevant circumstances of the case, which may include but are not limited to the factors set out in EG 9.9.
- 1.5. EG 9.9 provides that when deciding whether to make a prohibition order the FSA will consider all the relevant circumstances of the case, which may include (but are not limited to):
- (1) the matters set out in section 61(2) of the Act;
 - (2) whether the individual is fit and proper to perform functions in relation to regulated activities. The criteria for assessing fitness and propriety are set out in FIT 2.1 (Honesty, integrity and reputation), FIT 2.2 (Competence and capability) and FIT 2.3 (Financial soundness);
 - (3) whether, and to what extent, the person has been knowingly concerned in a contravention by the relevant firm of a requirement imposed on the firm by or under the Act (including the Principles and other rules).
 - (4) the relevance and materiality of any matters indicating unfitness;

- (5) the length of time since the occurrence of any matters indicating unfitness;
 - (6) the particular function the person is (or was) performing, the nature and activities of the firm concerned and the markets in which it operates; and
 - (7) the severity of the risk which the individual poses to consumers and to confidence in the financial system.
- 1.6. EG 9.10 provides that the FSA may have regard to the cumulative effect of a number of factors.
- 1.7. EG 9.12 provides a number of examples of types of behaviour which have previously resulted in the FSA deciding to issue a prohibition order or withdraw the approval of an approved person. The examples include:
- (1) providing false or misleading information to the FSA, including information relating to identity, ability to work in the United Kingdom, and business arrangements;
 - (2) severe acts of dishonesty, for example those which may have resulted in financial crime;
 - (3) serious lack of competence; and
 - (4) serious breaches of the Statements of Principle and Code of Practice for Approved Persons, such as providing misleading information to clients, consumers or third parties.

Cancellation

- 1.8. EG 8.13(1) provides that the FSA will consider cancelling a firm's Part IV permission using its own-initiative powers contained in section 45 of the Act where the FSA has very serious concerns about a firm, or the way its business is or has been conducted.
- 1.9. EG 8.14 provides that the grounds on which the FSA may exercise its power to cancel an authorised person's permission under section 45 of the Act are set out in section 45(1). These include where it appears to the FSA that the firm is failing, or is likely to fail, to satisfy the Threshold Conditions.

FIT

- 1.10. FIT 1.3 provides that the FSA will have regard to a number of factors when assessing a person's fitness and propriety. Among the most important considerations will be the person's honesty, integrity and reputation and their competence and capability.
- 1.11. In determining a person's honesty, integrity and reputation, FIT 2.1 states that the FSA will have regard to matters including, but not limited to, those set out in FIT 2.1.3G. This guidance includes:
- (1) whether the person has contravened any of the requirements and standards of the regulatory system (FIT 2.1.3G(5));

- (2) whether, in the past, the person has been candid and truthful in all his dealings with any regulatory body and whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards (FIT 2.1.3G(13)).
- 1.12. In determining a person's competence and capability FIT 2.2 states that the FSA will have regard to matters including, but not limited to, those set out in FIT 2.2.1 G. This guidance includes:
 - (1) whether the person satisfies the relevant FSA training and competence requirements in relation to the controlled function the person performs or is intended to perform (FIT 2.2.1G(1));
 - (2) whether the person has demonstrated by experience and training that the person is able, or will be able if approved, to perform the controlled function (FIT 2.2.1G(2)).

HANDBOOK

Threshold Condition 4: Adequate resources (Paragraph 4, Schedule 6 to the Act) – COND 2.4

- 1.13. COND 2.4.1D(1) states that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on, or carries on.
- 1.14. COND 2.4.2G(1) provides that Threshold Condition 4 requires the FSA to ensure that a firm has adequate resources in relation to the specific regulated activity or regulated activities which it seeks to carry on, or carries on.
- 1.15. COND 2.4.2G(2) provides that the FSA will interpret the term “adequate” as meaning sufficient in terms of quantity, quality and availability, and “resources” as including all financial resources, non-financial resources and means of managing its resources such as, for example, human resources.
- 1.16. COND 2.4.3G(1) provides that when assessing this Threshold Condition, the FSA may have regard to any person appearing to it to be, or likely to be, in a relevant relationship with the firm, in accordance with section 49 of the Act (Persons connected with an applicant); for example, a firm's controllers, its directors or partners, other persons with close links to the firm, and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the Threshold Conditions and would, therefore, be in a relevant relationship with the firm.

Threshold Condition 5: Suitability (Paragraph 5, Schedule 6 to the Act) – COND 2.5

- 1.17. COND 2.5.1D states that the person concerned must satisfy the FSA that he is a fit and proper person having regard to all the circumstances, including: (a) his connection with any person; (b) the nature of any regulated activity that he carries on or seeks to carry on; and (c) the need to ensure that his affairs are conducted soundly and prudently.
- 1.18. COND 2.5.2G(1) provides that Threshold Condition 5 requires the firm to satisfy the FSA that it is “fit and proper” to have Part IV permission having regard to all the circumstances, including its connection with other persons, the range and nature of its regulated activities and the overall need to be satisfied that its affairs are and will be conducted soundly and prudently.
- 1.19. COND 2.5.3G(1) provides that the emphasis of this Threshold Condition is on the suitability of the firm itself. The suitability of each person who performs a controlled function will be assessed by the FSA under the approved persons regime. In certain circumstances, however, the FSA may consider that the firm is not suitable because of doubts over the individual or collective suitability of persons connected with the firm.
- 1.20. COND 2.5.3G(2) permits the FSA, when assessing this Threshold Condition in relation to a firm, to have regard to any person appearing to it to be, or likely to be, in a relevant relationship with the firm, as permitted by section 49 of the Act (Persons connected with the applicant). The guidance in COND 2.5.3G(2) also refers to COND 2.4.3G, which sets out examples of persons in a relevant relationship with the firm.
- 1.21. COND 2.5.4G(1) & (2) provide that when determining whether the firm will satisfy and continue to satisfy Threshold Condition 5, the FSA will have regard to all relevant matters including whether a firm: (a) conducts, or will conduct, its business with integrity and in compliance with proper standards; or (b) has or will have a competent and prudent management and (c) can demonstrate that it conducts, or will conduct, its affairs with the exercise of due skill, care and diligence.
- 1.22. COND 2.5.6G(1) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm has been open and co-operative in all its dealings with the FSA and any other regulatory body and is ready, willing and organised to comply with the requirements and standards under the regulatory system and other legal, regulatory and professional obligations.
- 1.23. COND 2.5.6G(4) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm is connected with a person who has contravened any provisions of the Act or the regulatory system.
- 1.24. COND 2.5.6G(6) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include

whether the firm has taken reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system that apply to the firm and the regulated activities for which it has, or will have, permission.

- 1.25. COND 2.5.6G(7) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm has put in place procedures which are reasonably designed to ensure that it has made its employees aware of, and compliant with, those requirements and standards under the regulatory system that apply to the firm and the regulated activities for which it has, or will have permission.
- 1.26. COND 2.5.7G(1) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of having competent and prudent management, relevant matters may include whether the governing body of the firm is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities.
- 1.27. COND 2.5.7G(5) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of having competent and prudent management, relevant matters may include whether the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards under the regulatory system.