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**FINAL NOTICE**

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To: **Rotheville (Insurance Brokers) Limited**  
**c/o the Official Receiver's Office**  
**The Insolvency Service**  
**3<sup>rd</sup> Floor**  
**1 City Walk**  
**Leeds**  
**LS11 9DA**

Dated: **11 October 2007**

**TAKE NOTICE: The Financial Services Authority ("the FSA") of 25 The North Colonnade, Canary Wharf, London E14 5HS gives Rotheville (Insurance Brokers) Limited ("Rotheville") final notice about a decision to cancel the permission granted to Rotheville to carry on regulated activities.**

**1. ACTION**

- 1.1 The FSA gave Rotheville a Decision Notice dated 22 August 2007 ("the Decision Notice") which notified Rotheville that, for the reasons listed below, and pursuant to section 45 of the Financial Services and Markets Act 2000 ("the Act"), the FSA had decided to cancel the permission granted to Rotheville pursuant to Part IV of the Act ("Rotheville's Part IV permission").
- 1.2 You have not referred the matter to the Financial Services and Markets Tribunal within 28 days of the date on which the Decision Notice was given to you. Accordingly, the FSA has today cancelled Rotheville's Part IV permission.

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

- 2.1 On the basis of the facts and matters and conclusions described in the Warning Notice issued to Rotheville on 27 June 2007 and in the Decision Notice, the FSA has concluded that Rotheville is failing to satisfy the Threshold Conditions set out in Schedule 6 of the Act (“the Threshold Conditions”).
- 2.2 In the opinion of the FSA:
- (1) Rotheville does not, and will not, have adequate resources given that the FSA by a Final Notice dated 11 October 2007 has withdrawn the individual approval granted to Mr Wolf and has made a Prohibition Order against him. **(Threshold Condition 4 – Adequate Resources); and**
  - (2) Rotheville is not fit and proper having regard to all the circumstances including its connection with Mr Wolf, the nature of the regulated activities that it carries on and its failure to ensure that its affairs are conducted soundly and prudently. **(Threshold Condition 5 – Suitability).**
- 2.3 A copy of the relevant extract of the Warning Notice is attached to and forms part of this Notice.

## **3. IMPORTANT**

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

### **Publicity**

- 3.2 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 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.
- 3.3 The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

### **FSA Contact**

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

**Jonathan Phelan**  
**Head of Department**  
**FSA Enforcement Division**

## EXTRACT FROM WARNING NOTICE DATED 27 JUNE 2007

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

2.1 The FSA has concluded, on the basis of the facts and matters set out in paragraph 4 below, that Rotheville is failing to satisfy the Threshold Conditions set out in Schedule 6 of the Act ("the Threshold Conditions").

2.2 In the opinion of the FSA:

- (1) Rotheville does not, and will not, have adequate resources given that the FSA intends to withdraw the approvals of Mr Wolf and make a prohibition order against him. **(Threshold Condition 4 – Adequate Resources).**
- (2) Rotheville is not fit and proper having regard to all the circumstances including its connection with Mr Wolf, the nature of the regulated activities that it carries on and its failure to ensure that its affairs are conducted soundly and prudently. **(Threshold Condition 5 – Suitability).**

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

4.1 Rotheville was authorised with effect from 20 January 2005 under Part IV of the Act with the following permissions in relation to the investment type: "non-investment insurance contracts":

- a) Advising on investments (except pension transfers and pension opt-outs);
- b) Arranging (bringing about) deals in investments;
- c) Assisting in the administration and performance of a contract of insurance;
- d) Dealing in investments as agent;
- e) Making arrangements with a view to transactions in investments; and
- f) Agreeing to carry on a regulated activity.

4.2 It also has permission to hold and control client money only in respect of non-investment insurance contracts.

4.3 Mr Wolf is the only approved person in Rotheville. Mr Wolf is the sole controlling mind of Rotheville. Mr Wolf's acts and omissions are therefore directly attributable to Rotheville.

4.4 In June 2005, an intermediary/wholesale broker, Broker A, contacted the FSA to advise that Rotheville had failed to pass on to it premiums received from clients for 22 insurance policies totalling £5,870. Subsequently, the money for 12 of the

policies was paid leaving an outstanding balance of £2,890.

- 4.5 In December 2005, a second intermediary/wholesale broker, Broker B, submitted a report to the FSA regarding an investigation it had carried out into the activities of Rotheville in selling a let property insurance policy called "Policy C", which Broker B wholesales under a binding authority from Insurance Company Z. The report covered business done from 2003 to 2005, i.e. pre and post authorisation.
- 4.6 The report contained evidence to suggest that, in at least 8 cases, Rotheville had taken premiums from customers without passing these to Broker B to ensure the policies were on risk. The cases identified showed policies that had lapsed, some as early as 2003, where the customers had continued paying premiums to Rotheville as they believed their policies were still on risk.
- 4.7 The FSA's findings are that:
- (1) Information provided by insurers established that Rotheville was indebted to various insurers in the sum of £42,351.94 in respect of insurance arranged for clients. It has not paid this, and as at 26 January 2006, the total sum standing to the credit of its two client accounts was £2,254.07.
  - (2) Mr Wolf has never explained the discrepancy set out at (1) above, despite being required by the FSA to do so. Initially he stated that the information would be provided when he had spoken to his accountant. However in September 2006, his solicitor told the FSA that Mr Wolf, "*could not respond to it – he is not able to account for the whereabouts of the money*".
  - (3) Evidence was obtained from 5 clients proving that a total sum of £21,999.16 had been paid to Rotheville in respect of premiums but this money had not been passed on to insurers. One client was repaid £8,537.10 by Rotheville when it came to light no insurance had been arranged. The remaining 4 clients did not receive any repayment of the balance of £13,462.06.
  - (4) Although all clients who paid premiums which were not passed on to insurers were found to be covered, in the case of Insurance Company Z this was only because they agreed to honour policies where proof of payment to Rotheville could be established, and not because there was a valid risk transfer agreement in place which covered Rotheville.
  - (5) Evidence was obtained from one particular client, Mr X, which established that:
    - (a) he had several insurance policies brokered through Rotheville, which included multiple car insurance policies with Insurance Company Y. On making claims under these policies it was discovered that insurance premiums had not been passed to Insurance Company Y. However, Insurance Company Y honoured the claims even though the premiums had not been received. Insurance Company Y had no record of a third car insurance policy for Mr X;

- (b) he resolved these matters with Insurance Company Y by paying directly to them the premiums for all three policies totalling £2,500, although he maintains that he had previously paid these to Rotheville;
  - (c) he had approached Mr Wolf several times for the policy documentation for his car insurance policies but Mr Wolf had failed to provide these documents. Mr X stated that when he told Mr Wolf he required the policy documentation in order to tax his vehicles, Mr Wolf asked for the MOT certificates from him and taxed the vehicles himself.
- (6) Mr Wolf made admissions in a compelled interview which demonstrated failings in Rotheville's systems and controls. In particular he admitted that:
- (a) he did not carry out any reconciliations of premiums received from clients against premiums payable to insurers;
  - (b) he did not have any financial controls in place to ensure that premiums received were passed on to insurers on a timely basis;
  - (c) he was unable to establish that clients who had paid premiums were on risk;
  - (d) he did not maintain a client list to enable a check to be made on the underwriting position of any client; and
  - (e) he did not maintain a system to ensure that Rotheville was aware when a clients' policy was due for renewal.

4.8 Rotheville failed to submit its RMAR for the period ending 31 March 2006. This should have been submitted online by 17 May 2006.

4.9 Evidence has been obtained which confirms that the landlord of Rotheville's premises peaceably took possession of the offices on the grounds of non-payment of rent. The amount owed is approximately £3,000. When the bailiffs entered the premises they found the offices appeared to have been effectively abandoned. A number of confidential client files (both old and current) had been left, together with some personal effects.

4.10 The FSA has not received any notification of this from Rotheville, and no arrangements had been made for the safe keeping of confidential client files.

## **5. ANALYSIS OF BREACHES OF THE THRESHOLD CONDITIONS AND PRINCIPLES**

5.1 Rotheville has not satisfied the FSA that it has met, and will continue to meet, either Threshold Condition 4 or Threshold Condition 5.

### **Threshold Condition 4**

5.2 It is proposed that Mr Wolf's approvals are withdrawn (on the basis that he is not fit and proper) and as a consequence there will be no one at Rotheville approved to

carry out controlled functions. In these circumstances Rotheville will fail to satisfy Threshold Condition 4 because it will not have adequate human resources.

### **Threshold Condition 5**

- 5.3 The FSA has concluded that Rotheville has not demonstrated that its affairs have been and will be conducted soundly and prudently and in compliance with Threshold Condition 5. The FSA arrives at this conclusion for the reasons set out in paragraphs 5.4 to 5.18 below:

#### ***Breach of Threshold Condition 5 and Principle 1***

- 5.4 Rotheville (through Mr Wolf) deliberately misled at least one of its clients, Mr X, to believe that motor vehicle insurance was in place when no such insurance had been arranged by Rotheville:

- (1) Mr X had paid premiums to Rotheville in respect of motor insurance policies. These premiums were not passed on by Mr Wolf to the insurer.
- (2) On several occasions, Mr X requested copies of his certificates of insurance from Rotheville in order that he could obtain vehicle excise licences for his vehicles.
- (3) Given that Mr Wolf had not passed the premiums onto the insurer, Rotheville was unable to provide Mr X with his insurance certificates. Mr Wolf must have been aware of this.
- (4) At no stage did Mr Wolf inform Mr X of the failure to pass on premium and obtain cover. Instead, Mr Wolf requested Mr X to provide him with the MOT certificates for the vehicles and taxed the vehicles himself. The FSA question how Mr Wolf was able to do this in the absence of valid insurance cover notes.
- (5) By obtaining vehicle excise licences on Mr X's behalf, Mr Wolf attempted to deceive Mr X into believing that he was on risk when he was not and thereby concealing the fact that Rotheville had failed to pass on Mr X' premiums and obtain cover.

- 5.5 By virtue of the matters set out at paragraph 5.4 above, the FSA considers that Rotheville is in breach of Threshold Condition 5 because it has not conducted its business with integrity and in compliance with proper standards.

- 5.6 In addition, it is the FSA's view that these breaches amount to a breach of Principle 1 given that Mr Wolf is the operating mind of the firm and his actions and conduct are therefore attributable to Rotheville.

#### ***Breach of Threshold Condition 5 and Principle 3***

- 5.7 Rotheville failed to:
- (1) ensure that client payments were processed in a timely manner and that clients who had paid premiums were insured;

- (2) carry out reconciliations of premiums received from clients against premiums payable to insurers;
- (3) have in place any financial controls to ensure that premiums were transferred to insurers on a timely basis;
- (4) have in place any systems and controls to establish that clients who had paid premiums were placed on risk;
- (5) maintain a client list to enable a check to be made on the underwriting position of any client;
- (6) ensure that it maintained at all times sufficient funds in its client accounts to pay monies owed to insurers; and
- (7) maintain a system to ensure that Rotheville was aware when a clients' policy was due for renewal.

5.8 By virtue of the matters set out at paragraph 5.7 above, the FSA considers that Rotheville is in breach of Threshold Condition 5 in that it:

- (1) has failed to conduct its business in compliance with proper standards;
- (2) does not have a competent and prudent management; and
- (3) and has not demonstrated that it conducts or will conduct its affairs with the exercise of due skill, care and diligence.

5.9 In addition, it is the FSA's view that these breaches amount to a breach of Principle 3 in that Rotheville has failed to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

***Breach of Threshold Condition 5 and Principle 6***

5.10 Rotheville has failed to:

- (1) pay due regard to the interests of its customers. Those customers who paid Rotheville premiums which were not passed on to insurers were at risk that they may not have had valid insurance and would have been unaware of this possibility;
- (2) repay premiums received from clients but not passed on to insurers;
- (3) treat customers fairly. At least one client, Mr X, had to pay insurance premiums twice to ensure cover was in place; and
- (4) ensure the safe keeping of confidential client files by abandoning its offices.

5.11 By virtue of the matters set out at paragraph 5.10 above the FSA considers that Rotheville has:

- (1) failed to conduct its business in compliance with proper standards;
- (2) not demonstrated that it conducts or will conduct its affairs with the exercise of due skill, care and diligence.

5.12 In addition, it is the FSA's view that these breaches amount to a breach of Principle 6 in that Rotheville has failed to pay due regard to the interests of its customers and treat them fairly.

***Breach of Threshold Condition 5 and Principle 10***

5.13 Rotheville has failed to:

- (1) use clients assets for the purpose they were provided. Rotheville's client accounts do not contain sufficient monies to pay the debt owed to insurers, or repay the clients who paid premiums which were not passed to insurers; and
- (2) explain the discrepancy between the amounts owed to insurers and the lesser sum standing to the credit of its client accounts.

5.14 By virtue of the matters set out at paragraph 5.13 above the FSA considers that Rotheville has:

- (1) failed to conduct its business in compliance with proper standards; and
- (2) has not demonstrated that it conducts or will conduct its affairs with the exercise of due skill, care and diligence.

5.15 In addition, it is the FSA's view that these breaches amount to a breach of Principle 10 in that Rotheville has failed to arrange adequate protection for clients' assets when it is responsible for them.

***Breach of Threshold Condition 5 and Principle 11***

5.16 Rotheville has:

- (1) failed to submit the outstanding RMAR, and failed to respond to FSA communications requesting it to submit the RMAR; and
- (2) abandoned its office premises without notifying the FSA in circumstances where confidential client files were not safeguarded.

5.17 By virtue of the matters set out at paragraph 5.16 above, the FSA considers that Rotheville has:

- (1) failed to be open and cooperative in its dealings with the FSA; and
- (2) failed to demonstrate that it is ready, willing and organised to comply with the requirements and standards under the regulatory system.

5.18 In addition, it is the FSA's view that these breaches amount to a breach of Principle 11



in that Rotheville has failed to demonstrate a willingness to deal with the FSA in an open and cooperative way.

## **6. CONCLUSION**

6.1 Rotheville is not fit and proper to have Part IV Permission because:

- (1) of its connection with Mr Wolf; (COND 2.5.1G(1));
- (2) Rotheville has not conducted its business with integrity and in compliance with proper standards (COND 2.5.4G);
- (3) Rotheville has not demonstrated that it has or will have a competent and prudent management (COND2.5.4G);
- (4) Rotheville has not demonstrated that it has conducted or will conduct its affairs with the exercise of due skill, care and diligence (COND 2.5.4G);
- (5) Rotheville has not been open and cooperative in all its dealings with the FSA (COND 2.5.6G(1));
- (6) Rotheville has not demonstrated that it is ready, willing and organised to comply with the requirements and standards under the regulatory system (COND 2.5.6G(1)); and
- (7) Rotheville has not taken reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system applicable to it (COND 2.5.6G(6)).
- (8) Rotheville has contravened the regulatory system by failing to comply with the Principles for Businesses, specifically Principles 1,3,6,10 and 11 (COND 2.5.6G(4)).

6.2 These failures are material in relation to the regulated activities for which Rotheville has permission and Rotheville therefore fails to satisfy Threshold Condition 5 (Suitability). Accordingly, the FSA must take steps to cancel Rotheville's Part IV permission.

6.3 In addition, Rotheville will not have adequate resources given that the FSA intends to withdraw the approvals of Mr Wolf and make a prohibition order against him (COND 2.4).