FINAL NOTICE

To: **Royal & Sun Alliance Life and Pensions Limited and Royal & Sun Alliance Linked Insurances Limited**

Of: **New Hall Place**
Old Hall Street
Liverpool
L69 3HS

Date: **25 March 2003**

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 you a decision notice on 19 March 2003 which notified you that pursuant to Section 206 of the Financial Services and Markets Act 2000 ("the Act") the FSA had decided to impose a financial penalty of £950,000 on Royal & Sun Alliance Life and Pensions Limited and Royal & Sun Alliance Linked Insurances Limited ("RSA"). [1]

1.2. You have agreed not to refer the matter to the Financial Services and Markets Tribunal. Accordingly, for the reasons set out below, the FSA imposes a financial penalty on you in the amount of £950,000 ("the Penalty").

2. REASONS FOR THE PENALTY

2.1. For the reasons set out below, the FSA is imposing, pursuant to Section 206 of the Act, the Penalty on RSA in respect of breaches of Rules 7.1.2(1) and 7.2.1 of the Rules of the Personal Investment Authority ("the PIA Rules"), paragraph L8(1) of Schedule L2 of the Adopted LAUTRO Rules ("the LAUTRO Rules") and Principle 2

[1] References to RSA are to either or both companies as the context requires.

of the Statements of Principle of the Securities and Investments Board ("the SIB Principles").

3. RELEVANT STATUTORY PROVISIONS AND REGULATORY RULES

3.1. Section 206 of FSMA provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate"

3.2. The Financial Services and Markets Act 2000 (Transitional Provisions and Savings) (Civil Remedies, Discipline, Criminal Offences etc) (No2) Order 2001 provides, at Article 8(2), that the power conferred by Section 206 of FSMA can be exercised by the FSA in respect of failures by a firm to comply with any of the provisions specified in Rule 1.3.1(6) of the Rules of the Personal Investment Authority ("PIA") as if the firm had contravened a requirement imposed by FSMA.

3.3. PIA Rule 1.3.1(6) provided that a PIA Member which failed to comply with PIA Rule 1.3.1(2) or any of the Principles was liable to disciplinary action.

3.4. PIA Rule 1.3.1(2) provided that a PIA Member had to obey the Rules of PIA, which included the LAUTRO Rules and SIB Principles.

3.5. The SIB Principles are universal statements of the standards expected by firms that were issued by the SIB and applied to PIA Members.

3.6. PIA Rule 1.3.9 provided:

"A Member must accept responsibility, to the same extent as if the Member had expressly authorised it, for anything said, written, done or omitted

(1) by any of its investment staff or other employees in the carrying on of the Member's relevant business.

(2) by any of its appointed representatives or their investment staff or other employees in carrying on the investment business for which the Member has accepted responsibility in writing, or by any person held out by the Member as being its appointed representative."

3.7. PIA Rule 7.1.2(1) provided:

"A Member must establish procedures…… with a view to ensuring that its investment staff and other employees and its appointed representatives and their employees carry out their functions in such a way that the Member complies at all times with the Rules and Principles".

3.8. PIA Rule 7.2.1(1) provided:

"A Member must monitor adequately the conduct of its investment staff and other employees and of its appointed representatives and their relevant employees, with a

view to ensuring compliance with the procedures which it has established in accordance with Rule 7.1.2 and its own compliance with the Principles and Rules…"

3.9. Paragraph L8(1) of Schedule L2 of the Code of the LAUTRO Rules provided:

"A Company representative shall, in advising an investor as to the suitability for that investor of any investment contract, have regard, in particular, to the investor's financial position generally, to any rights he may have under an occupational pension scheme or the State earnings-related pension scheme, (if such rights are relevant in the particular case) and to all other relevant circumstances and he shall use his best endeavours to ensure

(a) that he recommends only that contract or those contracts which are suited to that investor; and

(b) that there is no other contract available from the Member, or, if the Member belongs to a marketing group, from any member of that group, which would secure the investor's objectives more advantageously."

3.10. Principle 2 of the SIB Principles ("Principle 2") provided:

"A firm must act with due care, skill and diligence."

3.11. RSA would therefore have been liable to disciplinary action under PIA Rule 1.3.1(6). Accordingly, the FSA may impose a financial penalty on RSA pursuant to Section 206 of FSMA.

4. REASONS FOR THE ACTION

4.1. The FSA is imposing a financial penalty on RSA in respect of breaches of the above referred to PIA Rules, LAUTRO Rules and SIB Principles arising from its sale of RSA's Homeplan mortgage endowment policies. In particular:

(a) in the period 1 July 1998 to 30 June 1999, the results of a sample mailing indicate that in some cases, RSA's advisers failed to use their best endeavours to make only suitable recommendations to mortgage endowment customers;

(b) in the period 1 January 1997 to 26 July 1999 ("the material time"), RSA's procedures did not, in a number of cases, ensure that its advisers' best endeavours would result in them only recommending RSA's Homeplan policies where such contracts were suitable for customers;

(c) during the material time, in certain cases, RSA's monitoring was inadequate in relation to the suitability of recommendations made by certain of its advisers; and

(d) in consequence, during the material time, RSA failed in the above respects to exercise due care.

4.2. In so doing, RSA demonstrated failings which demand a significant financial penalty. These failings are viewed by the FSA as particularly serious in light of the following factors:

(a) they related to the sale of mortgage endowment policies used as vehicles to repay a mortgage - a mortgage is for most people the most significant financial transaction of their lives, and where it is mis-sold, it can have the most serious consequences;

(b) there was a serious flaw in the processes in that the three risk categories used in RSA's fact find documentation at the material time did not require the attitude to risk of wholly risk-averse customers to be explicitly recorded. Therefore the process of checking fact find documents could not have enabled fact find checkers easily to identify wholly risk-averse customers from that documentation alone. The FSA places very great emphasis on the importance of adequate systems to ensure compliance with regulatory rules and standards;

(c) there were also failings by RSA to monitor its own processes adequately ; and

(d) the size and nature of RSA meant that these failures exposed a large number of consumers to the possibility of loss.

Mitigating Factors

4.3. In deciding the level of penalty to be imposed, the FSA has recognised that these failings have been mitigated by RSA. In particular, RSA:

(a) proactively identified the issue in relation to short-term contracts through its own internal procedures;

(b) through a redress procedure, has ensured that no customer has suffered loss in relation to the issue of short-term contracts;

(c) has devoted substantial resources over a considerable period of time to the review of its mortgage endowment business;

(d) has readily agreed to deal with qualifying cases identified through the sample past business review through a process that will lead to an offer of redress being made; and

(e) in addition to industry-wide reprojections, RSA has previously warned a significant number of its policyholders of the risk of policies not providing sufficient funds at maturity to discharge any mortgage in connection with which it was taken out.

Background

4.4. Royal & Sun Alliance Life & Pensions Limited and Royal & Sun Alliance Linked Insurances Limited are part of the Royal & Sun Alliance Group which includes a substantial UK Life operation. Their registered offices are located at New Hall Place,

Old Hall Street, Liverpool L3 9UE. RSA decided as of 8 August 2002 to no longer offer life and pensions products to new customers.

4.5. Royal & Sun Alliance Life & Pensions Limited was formerly called Royal Life Insurance Limited. Royal & Sun Alliance Linked Insurances Limited was formerly called Royal Heritage Life Assurances Limited. Both were regulated by the PIA until 30 November 2001. After 1 December 2001 they have been regulated by the FSA.

Discovery of Current Issues

Attitude to Risk

Supervision and Enforcement Visits

4.6. The Supervision Department of PIA ("Supervision") visited RSA in January and February 1999. A report was produced in May 1999 following this visit ("the Supervision Report"). The Supervision Report stated that "*in a number of cases it was unclear how the information recorded in the fact find (e.g. attitudes to risk) could be reconciled to the recommendations made*". The corrective action stipulated that RSA was required to review its procedures for matching customers' attitude to risk to recommendations to ensure consistency. RSA consequently introduced a new risk system that adopted 5 categories of risk, including specific reference to mortgage risk.

4.7. In June 1999 Supervision carried out a themed visit to RSA specifically reviewing the sales practices in respect of mortgage endowment policies sold by RSA. As part of this review, Supervision reviewed and raised concerns regarding certain transactions carried out by RSA between July 1997 and April 1999. As a result, RSA's sale of mortgage endowment policies was referred to PIA's Enforcement Department ("Enforcement") in mid-2000 for further investigation.

4.8. During its investigation, Enforcement reviewed a sample of RSA's customer files as well as RSA's procedures, processes and systems specifically in relation to mortgage endowment policies. This work was followed up by an Enforcement Visit to RSA's offices in Liverpool in December 2000.

4.9. In February 2001, PIA sent a letter to RSA entitled: "Factual Findings of an Investigation into the Sale of Mortgage Endowment Contracts".

Sample Past Business Review

4.10. As a result of the deficiencies identified by PIA in RSA's procedures for identifying and categorising customers' attitude to risk, PIA requested in July 2001 that RSA undertake a sample review of 350 cases to determine whether risk-averse customers had been sold mortgage endowment policies. The sample review covered the period from July 1998 to June 1999 ("the sample review period").

4.11. The sample review consisted of a questionnaire issued to 350 randomly selected 'cautious' customers of RSA Homeplan policies. As set out in the Statement of Case, there were 3 categories of investment risk at this time, namely 'cautious', 'balanced' and 'speculative'. 'Cautious' customers were selected for the sample review as they

were likely to be the category with the highest numbers of customers who were potentially risk-averse.

4.12. An independent firm of accountants, PricewaterhouseCoopers ("PwC"), reviewed the analysis and results of the sample review. In the conclusion of an interim report, PwC stated that there was an absence of adequate available evidence to suggest that the responses to the questionnaires could be disregarded.

4.13. The sample review produced responses from 55 respondents (16% of customers mailed, 29% of respondents) who said they were not prepared to accept the risks associated with a potential shortfall at maturity when the policies had been sold to them. RSA telephoned 47 of these respondents to gain further understanding and clarification of their responses to the questionnaires.

4.14. PwC produced a final report after an independent review of the work done by RSA. The conclusion of this final report was that 38 customers (11% of customers mailed, 20% of respondents) were sold mortgage endowment policies which may have been inconsistent with their attitude to risk.

4.15. RSA readily agreed to provide redress where appropriate to those 38 customers identified by the sample review.

Short-Term Contracts

4.16. Homeplan and Homestyle policies were usually recommended for a term of 25 years but could also be sold for a term shorter than 25 years. Short-term contracts at RSA were usually contracts for a period of less than 25 years for Homestyle policies and 15 years for Homeplan policies.

4.17. In December 1996 and January 1997, ahead of the market, RSA issued guidance to its advisers stating that Homeplan policies were not suitable for terms of less than 15 years and Homestyle for less than 25 years, unless the customer was insistent. The fact that the customer had been insistent and had bought the policy against the advice of the adviser had to be documented on the customer file. Notwithstanding this, some advisers did not appear to take into account (or even, in some cases, to know about) the guidance that had been issued and continued to sell short-term contracts.

4.18. The first indication to RSA of a problem regarding a small number of short-term contracts was in February 1998 but it was not identified by RSA as material until later internal monitoring findings. An internal investigation led, in June 1999, to the obtaining of a printout of which showed that 1,583 short-term contracts had been sold since January 1997.

4.19. RSA conducted a review of 204 such cases. RSA found that only 2 cases were in all respects compliant with its guidelines, a failure rate of 99%, leading to the conclusion that RSA's guidance had not been followed by many of the salesforce.

4.20. As a result of this review, RSA proactively examined and dealt with each case within the review population.

4.21. As of 6 February 2003, of the 2,081 policies finally identified as having been sold, 2,049 had been reviewed by RSA. Of the 1,779 customers offered redress (85% of the total), 1,279 had accepted RSA's offer of redress.

5. CONTRAVENTIONS OF RELEVANT STATUTORY REQUIREMENTS

5.1. The penalty is to be imposed pursuant to Section 206 of FSMA in respect of breaches by RSA of the PIA Rules, including the LAUTRO Rules, and SIB Principle 2. These breaches are set out in detail below.

(A) Failure to Make Suitable Recommendations

5.2. Pursuant to Paragraph L8(1) of Schedule L2 of the LAUTRO Rules, RSA's advisers were obliged to use their best endeavours to recommend to customers only those contracts that were suited to that customer. Identifying a customer's attitude to risk is an essential element of assessing whether a mortgage endowment policy is suitable for a customer – it is critical that a customer understands and is prepared to take the risk that mortgage endowment policies involve a risk that the policy will not, on maturity, provide sufficient funds to repay the mortgage, and that he may have to increase his premiums during the life of the policy, or make up the shortfall from other sources, by extending his mortgage, or even selling his property in order to make up the difference. If they are not prepared to accept this risk then the product is unsuitable.

5.3. During the period covered by the sample past business review, RSA was in breach of paragraph L8(1) of Schedule L2 of the LAUTRO Rules in that in certain cases advisers failed to use their best endeavours to recommend RSA's Homeplan policies only where such policies were suitable for customers' risk profiles.

5.4. By virtue of PIA Rule 1.3.9, RSA is responsible for the conduct of its advisers, and therefore such a failure by some advisers to make suitable recommendations, is a failure by RSA.

Fact and Matters

5.5. As set out above, a sample past business review of 'cautious' customers of RSA Homeplan policies was undertaken. The independent firm of accountants' conclusion was that a significant proportion of customers reviewed who purchased a Homeplan policy were sold a policy which may have been inconsistent with their attitude to risk. The view of the FSA is that these customers were risk-averse at the time of the sale and were therefore sold a product that was not suitable for their needs.

(B) Lack of Procedures for Ensuring Suitable Recommendations

5.6. Pursuant to PIA Rule 7.1.2(1) RSA was required to establish procedures to ensure that its investment staff and other employees and its appointed representatives and their employees carried out their functions in such a way that RSA complied at all times with the PIA Rules and Principles.

5.7. Pursuant to Paragraph L8(1) of Schedule L2 of the LAUTRO Rules, RSA's advisers were obliged to use their best endeavours to recommend to customers only those contracts suited to that customer.

5.8. At all times, RSA's advisers were required to follow RSA's procedures. The best endeavours of an adviser were therefore determined amongst other things by the procedures established by RSA.

5.9. During the material time, RSA was in breach of PIA Rule 7.1.2(1) in that it failed to establish procedures to ensure that in all cases its advisers' best endeavours would result in them only recommending RSA's Homeplan policies where such policies were suitable for customers.

Attitude to Risk – Fact finding

5.10. During the material time, the information required by the RSA fact find documents in relation to a customer's attitude to risk was inadequate. In particular, the risk categories were defined in relation to capital and not the objectives of a mortgage repayment vehicle, and although advisers were trained to identify the wholly risk-averse customer, the three risk categories contained in the fact find documents did not permit the separate recording of such a customer as, by RSA's own admission, the 'cautious' category contained both risk-averse and low-risk customers.

Attitude to Risk – Guidance

5.11. RSA's Best Advice Guidance Notes ("BAG Notes") did not state how these notes were intended to complement the fact find documents and the fact finding process. Furthermore:

(a) the BAG Notes did not instruct advisers to record details of their discussions about the four categories of mortgage risk either on the fact find documents or elsewhere;

(b) there was no provision included in the fact find documents requiring the adviser to state that he had taken into account the 4 categories of mortgage risk contained in the BAG Notes;

(c) the mortgage risk categories in the BAG Notes can be contrasted with the definitions in the fact find documents that related to a more general risk of preservation of capital and investment.

Training

5.12. Training was not given in sufficient detail such as to necessarily identify all customers for whom an endowment would be unsuitable and also to the relevance and interaction of the BAG Notes with the risk categories contained in the fact-find documents.

PFR (Fact Find) Checking

5.13. The three risk categories used by RSA at the material time did not allow for the recording of a wholly risk-averse customer. Therefore, the process of checking fact

find documents could not have enabled fact find checkers easily to identify wholly risk-averse customers from that documentation alone.

(C) Failure to monitor adequately the Suitability of Recommendations

5.14. Pursuant to PIA Rule 7.2.1, RSA was obliged to monitor the conduct of its investment staff and other employees and of its appointed representatives and their relevant employees, with a view to ensuring compliance with the procedures which it had established in accordance with PIA Rule 7.1.2, as well as its own compliance with the Principles and Rules.

Facts and Matters - Monitoring: Short-term contracts – Compliance

5.15. RSA failed to take timely action regarding mis-selling in relation to the sale of short-term contracts. This was the case notwithstanding that the first indication of a possible problem occurred in February 1998 and that there were further indications between July 1998 and June 1999.

5.16. RSA's initiative to fully review its sales of short-term contracts began in June 1999, after the full extent of the problem had become apparent. This, however, was almost 18 months after the first indication of a possible problem.

Monitoring – Short-term contracts – Fact Find Quality Control Unit ("FFQC")

5.17. FFQC failed to properly check the sales of short-term contracts. Enforcement examined various samples of short-term contracts. The first sample contained nine files that related to policies sold for less than the recommended period. Of the three files from this sample that had been checked by FFQC, two did not contain evidence that the customer had insisted on being sold a policy that was less than the recommended period.

Monitoring - Mortgage Endowments

5.18. The three risk categories used in RSA's fact find documentation at the material time did not require the attitude to risk of a wholly risk-averse customer to be explicitly recorded. Therefore, the process of checking fact find documents could not have enabled fact find checkers easily to identify wholly risk-averse customers from that documentation alone.

(D) Breach of SIB Principle 2

5.19. By reference to the Rule breaches set out in paragraphs 4.2 to 4.19, RSA is in breach of SIB Principle 2 in that it failed to use due skill, care and diligence to ensure that its advisers only made recommendations that were suitable for customers.

6. RELEVANT GUIDANCE ON SANCTION

6.1. The FSA's policy on the imposition of financial penalties is set out in Chapter 13 of the Enforcement Manual which forms part of the FSA Handbook ("ENF"). The principal purpose of the imposition of a financial penalty is to promote high standards of regulatory conduct by deterring firms who have breached regulatory requirements

from committing further contraventions, helping to deter other firms from committing contraventions and demonstrating generally to firms the benefit of compliant behaviour.

6.2. Article 8(4) of the pre-N2 Misconduct Order provides that, where the FSA proposes to impose a financial penalty it must have regard to :

"any statement made by the self-regulating organisation ... which was in force when the conduct in question took place with respect to the policy with respect to the policy on the taking of disciplinary action and the imposition of, and amount of penalties (whether issued as guidance, contained in the rules of the organisation or otherwise)".

6.3. Relevant PIA Guidance is contained in Annex D of "PIA's Approach to Discipline – Statement of Policy" that was issued in December 1995. In all material respects this required consideration of the same factors as identified in Chapter 13 of the Enforcement Manual. It has been taken into account by the FSA in determining the appropriate sanction in this case.

6.4. PIA's Statement of Policy makes it clear however that criteria for determining the level of sanction are not to be applied rigidly, as stated in paragraph 2 of Annex D:

"Each case is different and needs to be treated on its own merits. It is not possible to apply a mechanistic approach to the determination of the circumstances in which disciplinary action should be taken or of the sanctions to be applied. The criteria ... should not be treated as exhaustive. Nor should it be assumed that regard would necessarily be had to a particular criterion in any given circumstances".

6.5. Similarly, it is stated in Chapter 13 of the FSA Enforcement Manual at clause 13.3.4 that the criteria listed in the manual are not exhaustive and all relevant circumstances of the case will be taken into consideration.

6.6. In determining whether a financial penalty is appropriate and its level, the FSA is required to consider all the relevant circumstances of the case. The FSA considers the following factors to be particularly relevant in this case.

<u>ENF13:The seriousness of the misconduct or contravention</u>
<u>PIA Guidance: The seriousness of the breaches. The scale of any investor losses and/or the extent to which investors were exposed to the risk of such losses</u>

Attitude to Risk

6.7. The level of financial penalty must be proportionate to the nature and seriousness of the contravention. The breaches identified in this case arose from serious flaws in RSA's internal procedures and occurred over a lengthy period of time. Furthermore, the failure in RSA's procedures for assessing meaningfully a customer's attitude to risk has caused actual or potential disadvantage to significant numbers of customers.

6.8. The results of RSA's sample past business review indicate that a significant proportion of customers sold a Homeplan policy between 1 July 1998 and 30 June

1999 may have been risk-averse at the time of the sale. The view of the FSA is that these customers were risk-averse at the time of the sale and were therefore sold a product that was not suitable for their needs. On the basis of the results of this review, RSA has readily agreed that it is appropriate to deal with the 38 cases referred to in paragraph 3.14 through a process that will lead where appropriate to offers of redress being made.

6.9. The failings are viewed by the FSA as particularly serious in light of the following factors:

(a) they related to the sale of mortgage endowment policies used as vehicles to repay a mortgage – a mortgage is for most people the most significant financial transaction of their lives, and where it is mis-sold, it can have the most serious consequences;

(b) there was a serious flaw in the sales processes in that the three risk categories used in RSA's fact find documentation at the material time did not require the attitude to risk of wholly risk-averse customers to be explicitly recorded. Therefore the process of checking fact find documents could not have enabled fact find checkers easily to identify wholly risk-averse customers from that documentation alone. The FSA places very great emphasis on the importance of adequate sales systems to ensure compliance with regulatory rules and standards; and

(c) the size and nature of RSA meant that these failures exposed a large number of consumers to the possibility of loss.

Short-term Contracts

6.10. As at 6 February 2003, of the 2,081 short-term contracts identified as having been sold, 2,049 had been reviewed by RSA, and 1,779 (85%) had been offered redress. Some £5.6 million has been paid in redress.

6.11. FSA views as serious the failings by RSA to monitor its own processes adequately in relation to short-term contracts, particularly after its own internal guidance had been issued. However, RSA ultimately identified the scale of the issue and proactively put in place a system of review and redress.

<u>ENF13: The extent to which the contravention is deliberate or misconduct was deliberate or reckless</u>
<u>PIA Guidance: Whether the Member intentionally or recklessly failed to meet PIA's requirements</u>

6.12. There is no indication that RSA deliberately or recklessly contravened PIA Rules.

ENF13: The amount of profit accrued or loss avoided
PIA Guidance: The extent to which, as a result of the breaches, the Member gained a benefit or avoided a loss

6.13. Notwithstanding RSA's failings, the FSA considers that procedures are in place that should ensure that all customers who are due redress will be compensated. As a result, there is nothing to suggest the RSA will have benefited financially from the policies which were mis-sold to customers.

ENF13: Conduct following the contravention
PIA Guidance: The Firm's response once the breaches were identified

Attitude to Risk

6.14. The breaches were identified as a result of visits from Supervision and Enforcement, rather than by RSA.

6.15. Since these breaches were identified, RSA has introduced a new risk system that adopted 5 categories of risk, including the lowest category that was referred to as "risk-averse".

6.16. In relation to the sample past business review, it was only after Enforcement had raised concerns in relation to the sale of mortgage endowment policies that RSA agreed to the same. It cannot therefore be said that RSA acknowledged at the earliest opportunity that there were concerns about the sales process or that it took decisive action at that time to address those concerns.

6.17. As stated previously, RSA has readily agreed that it is appropriate to deal with the 38 cases identified through the sample past business review through a process that will lead to an offer of redress being made where appropriate.

Short-term Contracts

6.18. RSA took approximately 18 months to identify that there was a problem in relation to short-term contracts. Once identified, RSA acted proactively.

6.19. However, this conduct does not reduce the serious view FSA takes of the breaches referred to in paragraphs 3.1(a) to (d).

ENF13: Disciplinary record and compliance history
PIA Guidance: The Firm's regulatory history

6.20. RSA has previously been the subject of formal disciplinary action resulting in adverse findings. Royal Life Insurance Limited (now Royal & Sun Alliance Life and Pensions Limited) and Sun Alliance Life Limited were jointly fined £225,000 in October 1998 and ordered to pay costs of £100,000 by the Membership and Disciplinary Tribunal of PIA in respect of a failure adequately to progress certain aspects of the Pensions Review in accordance with PIA Rule 7.2.2.

6.21. RSA was also two of three companies disciplined and fined by the FSA in August 2002 the total sum of £1.35 million in respect of failings arising out of the conduct of its Pensions Review.

ENF13: Action taken by other regulatory authorities and the FSA in relation to similar failings
PIA Guidance: The way in which PIA has dealt with similar cases in the past

6.22. The FSA has previously imposed penalties on firms for failings arising particularly out of mortgage endowment policies. The FSA has made clear publicly the approach that will be adopted to concerns about the sale of mortgage endowment policies in Regulatory Update 72 issued in December 1999.

6.23. RSA's predecessor regulator, PIA, has also taken action against firms for compliance and selling practices failings. Again this included the imposition of a financial penalty.

6.24. In deciding the level of financial penalty proposed in this case, the FSA has taken the actions referred to in paragraphs 5.20 and 5.21 into account.

7. MANNER OF PAYMENT

7.1. The Penalty must be paid to the FSA in full.

8. TIME FOR PAYMENT

8.1. The penalty must be paid to the FSA no later than 8 April 2003, being not less than 14 days beginning with the date on which this notice is given to you.

9. IF THE PENALTY IS NOT PAID

9.1. If all or any of the Penalty is outstanding on 9 April 2003, the FSA may recover the outstanding amount as a debt owed by you and due to the FSA.

10. IMPORTANT

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

Publicity

10.2. 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.

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

FSA Contacts

10.4. For more information concerning this matter generally you should contact Carlos Conceicao / Lauren Kollosche at the FSA (direct line: 020 7676 1490 / fax 020 7676 1491).

Julia Dunn
Group Leader
FSA Enforcement Division