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## **FINAL NOTICE**

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**RSI Bank Plc  
120 Baker Street  
London  
W1U 6TU**

**15 February 2018**

### **ACTION**

1. By an application dated 30 November 2015, RSI Bank applied under section 55A of the Act for a Part 4A permission to carry on the regulated activities of entering into a regulated credit agreement as lender and agreeing to carry on a specified activity. The Application was subsequently updated to include the regulated activity of exercising or having the right to exercise the lender's rights and duties under a regulated credit agreement.
2. The Application was incomplete on receipt. The Application was completed by the provision of further information on 20 October 2016.
3. For the reasons outlined below, the Authority has refused the Application.

### **SUMMARY OF REASONS**

4. The Authority is not satisfied that, if granted a Part 4A permission, RSI Bank will satisfy, and continue to satisfy, the threshold conditions set out in Schedule 6 of the Act.
5. In particular, the Authority considers that RSI Bank does not maintain any physical presence in the UK and, accordingly, that it does not satisfy the requirement of threshold condition 2B that its head office be located in the UK.
6. RSI Bank appears to have submitted inaccurate information to the Authority concerning its principal place of business and the residential address of its director and/or has failed to update information previously provided. RSI Bank

has been unable to respond to straightforward enquiries as to its business operations and requests for documents in a timely manner and, when submitted, this information provided has been incomplete and of poor quality. RSI Bank appears to have no physical presence in the UK. Accordingly, the Authority is concerned that it would not be able to obtain (on an ongoing basis) sufficient information about RSI Bank's activities. As a result, the Authority considers that it does not satisfy the requirement of threshold condition 2C, that it be capable of being effectively supervised by the Authority.

7. The Authority considers that RSI Bank has not demonstrated that it has sufficient resources, and is ready, willing and organised to comply with its regulatory requirements. Accordingly, the Authority considers that it does not satisfy the requirement of threshold condition 2D, that its resources are appropriate in relation to the regulated activities that it seeks to carry on.

## **DEFINITIONS**

8. The definitions below are used in this Final Notice.

"the Act" means the Financial Services and Markets Act 2000;

"the Application" means the application referred to in paragraph 1 above;

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"CONC" means the "Consumer Credit sourcebook", part of the Handbook;

"COND" means the section of the Handbook entitled "Threshold Conditions";

"the Handbook" means the Authority's Handbook of rules and guidance;

"the Principles" means the Principles for Businesses, as set out in the Handbook;

"the Regulations" means the Money Laundering Regulations 2007;

"RSI Bank" means RSI Bank Plc;

"the Tribunal" means the Upper Tribunal (Tax & Chancery Chamber).

## **FACTS AND MATTERS**

9. RSI Bank is a UK company, incorporated on 16 March 2009. It does not have, has never had, and is not seeking, permission to take deposits. As such, it does not fulfil the definition in the Handbook of a "bank".
10. On 11 October 2013, RSI Bank registered with the Authority for the purposes of the Regulations. It provided an address for the firm's principal place of business at 1, Turnpike Lane, London, N8 0EP. Checks by the Authority have confirmed that RSI Bank does not operate from this address and has not done so since October 2014 at the latest. Despite it being a requirement of the Regulations to notify the Authority of any change to the information provided at registration, no notification of a change of address has been provided.
11. The Application gave RSI Bank's principal place of business, registered office and head office as 120 Baker Street, London, W1U 6TU. Checks by the Authority have

revealed that RSI Bank does not operate from this address. Instead, it is occupied by a correspondence agent which provides mail forwarding services to RSI Bank.

12. In making an application for Mr Kok Wai Wong, a director of RSI Bank, to be approved to perform controlled functions, RSI Bank provided an address for Mr Wong in London and stated that he had been resident there since 2009. This is inconsistent with information provided to Companies House for the purpose of the Companies Register which was updated in 2011 with an address in Malaysia. A letter sent in August 2017 to the London address given for Mr Wong was returned undelivered.
13. RSI Bank's only other director, who was appointed in August 2016, appears to reside at the same address as Mr Wong in Malaysia. No application for this director to be approved to perform controlled functions was made until the Authority requested it in October 2016.
14. Within the Application, RSI Bank declared that various documents, including the regulatory business plan, opening and forecast balance sheets, compliance monitoring plan and arrears procedures, were fully ready and available for inspection on request by the Authority. Since the Application was submitted, at least seven substantive requests have been made of RSI Bank to provide information relating to its business activities. On each occasion, requests have been unanswered and required follow-up requests or responses have been delayed.
15. A request on 1 June 2016 for basic information about RSI Bank's operations, including the compliance monitoring plan and balance sheets, was referred to a third party consultant to provide a response. An incomplete response was eventually received from the third party consultant on 28 June 2016. The information and documents provided were brief, undeveloped and the financial projections appeared inconsistent with information provided in the Application.
16. A further request for various documents about RSI Bank's operations, including the regulatory business plan and arrears procedures, was made on 1 August 2016. A complete response was not made until 21 September 2016. The material provided was simplistic, undeveloped and contained little information about how the firm is structured to comply with the requirements of SYSC and CONC.
17. Letters sent by the Authority to the firm's addresses in March 2017 were returned undelivered. Emailed requests by the Authority to arrange a visit to RSI Bank's offices in April and May 2017 were not answered.
18. Having conducted the address checks referred to above at paragraphs 11 and 12, on 1 August 2017, the Authority requested urgent information about the location of the firm's operations, the residential address of Mr Wong and the reasons for failing to respond to previous correspondence. This request was referred to a different third party consultant.
19. On 16 August 2017, the consultant responded, stating that the Authority's requests could not be answered because "*there are a number of matters still not clear and parties involved outside the UK*", that "*key parties hitherto involved or intended to be involved are resident outside the jurisdiction*" and requesting that the Application be considered suspended.
20. On 22 August 2017, the Authority informed RSI Bank that the Application could not be suspended and requested that it consider withdrawing the Application.

21. No substantive response to this request has been received and the Application has not been withdrawn.
22. On 1 December 2017, a Warning Notice was sent to RSI Bank, warning it of the Authority's proposal to refuse the Application and informing it of its right to make representations to the Authority by 26 December 2017. RSI Bank did not acknowledge receipt of the Warning Notice, nor make any representations.
23. As a result, on 9 January 2018, pursuant to the default procedures in paragraph 2.3.2 of the Authority's Decision Procedure and Penalties Manual, the Authority gave RSI Bank a Decision Notice, notifying it of the Authority's decision to refuse the application.
24. RSI Bank had 28 days from the date of the Decision Notice to refer the matter to the Tribunal. No reference was made to the Tribunal.
25. Under section 390(1) of the Act, if the Authority has given a person a Decision Notice and the matter was not referred to the Tribunal, the Authority must give the person a Final Notice.

### **IMPACT ON THE THRESHOLD CONDITIONS**

26. The regulatory provisions relevant to this Final Notice are referred to in Annex A.
27. In light of the facts and matters set out above and for the reasons set out below, the Authority considers that it cannot ensure that, if the Application were granted, RSI Bank would satisfy, and continue to satisfy, threshold conditions 2B (location of head office), 2C (effective supervision) and 2D (appropriate resources).
28. It appears to the Authority that RSI Bank maintains no effective physical presence in the UK. It does not operate from the address provided in the Application, both directors appear to be based in Malaysia and, despite requests to do so, no evidence has been provided that the firm has a UK-based head office.
29. Accordingly, the Authority considers that RSI Bank has not demonstrated that it satisfies, and will continue to satisfy, threshold condition 2B.
30. It appears to the Authority that RSI Bank has not demonstrated that it is ready, willing and able to comply with Principle 11 on an ongoing basis and is not capable of being effectively supervised by the Authority. In particular:
  - (1) RSI Bank appears to have provided inaccurate information to the Authority as to its principal place of business when submitting the Application and/or failed to update information previously provided when registering for the purposes of the Regulations;
  - (2) RSI Bank appears to have submitted inaccurate information to the Authority concerning the residential address of its director and, despite requests to do so, has failed to update this information;
  - (3) RSI Bank appears to have no physical UK presence;
  - (4) RSI Bank has demonstrated that it is unable to respond to straightforward enquiries as to its business operations in a timely and appropriate manner;

- (5) when provided, process documentation and information about RSI Bank's operations has been incomplete, of poor quality and inconsistent with information provided in the Application; and
  - (6) The Authority is concerned that it would not be able to obtain (on an ongoing basis) sufficient information about RSI Bank's activities such that the Authority would be able to supervise the firm effectively.
31. Accordingly, the Authority considers that RSI Bank has not demonstrated that it satisfies, and will continue to satisfy, threshold condition 2C.
32. It appears to the Authority that RSI Bank has not demonstrated that it is ready, willing and organised to comply with its regulatory requirements, including the high level systems and controls requirements in SYSC, the conduct of business requirements in CONC and dealing with the Authority in an open and cooperative way (Principle 11):
- (1) Both directors reside outside the UK, have been unavailable for the Authority to visit or to conduct telephone calls and responsibility for providing basic information about RSI Bank, including its process documents, has been outsourced, seemingly on an ad hoc basis, to third parties.
  - (2) The documentation provided has been simplistic, undeveloped and contains little information about how the firm is structured to comply with the requirements of SYSC and CONC.
  - (3) In particular, the Authority has concerns that reference to the word "bank" in RSI Bank's name may be likely to mislead its customers as to the status of the firm or the nature of its business. There is no evidence that RSI Bank has considered, or addressed, this issue which risks causing RSI Bank to breach Principles 6 or 7 or rules in CONC.
33. Accordingly, the Authority considers that RSI Bank has not demonstrated that it satisfies, and will continue to satisfy, threshold condition 2D.

## **IMPORTANT NOTICES**

34. This Final Notice is given under section 390(1) of the Act.

### **Publication**

35. 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 Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to RSI Bank or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
36. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

**Authority contacts**

37. For more information concerning this matter generally, contact Kate Pitt, Manager, Lending and Intermediaries at the Authority (direct line: 020 7066 0714/ email: [kate.pitt@fca.org.uk](mailto:kate.pitt@fca.org.uk)).

A handwritten signature in black ink, appearing to read 'Val Smith', written in a cursive style.

**Val Smith**  
**Chair of the Regulatory Transactions Committee**

## **ANNEX A – REGULATORY PROVISIONS RELEVANT TO THIS FINAL NOTICE**

### **Relevant Statutory Provisions**

1. Section 55A(1) of the Act provides for an application for permission to carry on one or more regulated activities to be made to the appropriate regulator. Section 55A(2) defines the “appropriate regulator” for different applications.
2. Section 55B(3) of the Act provides that, in giving or varying permission, imposing or varying a requirement, or giving consent, under any provision of Part 4A of the Act, each regulator must ensure that the person concerned will satisfy, and continue to satisfy, in relation to all of the regulated activities for which the person has or will have permission, the threshold conditions for which that regulator is responsible.
3. The threshold conditions that relate to the Application are set out in Part 1B of schedule 6 of the Act. In brief, the relevant parts of the threshold conditions are as follows:
  - (1) Threshold condition 2B: Location of offices:  
If the firm is a body corporate incorporated in the United Kingdom, its head office and, if it has a registered office, that office, must be in the United Kingdom.
  - (2) Threshold condition 2C: Effective supervision:  
The firm must be capable of being effectively supervised by the Authority having regard to all the circumstances.
  - (3) Threshold condition 2D: Appropriate resources:  
The resources of the firm must be appropriate in relation to the regulated activities that the firm seeks to carry on.
  - (4) Threshold condition 2E: Suitability:  
The firm must be a fit and proper person having regard to all the circumstances.
  - (5) Threshold condition 2F: Business model:  
The firm’s business model must be suitable for a person carrying on the regulated activities that the firm seeks to carry on

### **Relevant provisions of the Handbook**

#### ***Threshold Conditions - COND***

4. In exercising its powers in relation to the granting of a Part 4A permission, the Authority has regard to guidance in COND. Provisions relevant to the consideration of the current application include those set out below.

#### *General guidance*

5. COND 1.3.2G(2) states that, in relation to threshold conditions 2D to 2F, the Authority will consider whether a firm is ready, willing and organised to comply on a continuing basis with the requirements and standards under the regulatory system which will apply to the firm if it is granted Part 4A permission.

6. Under COND 1.3.3AG, in determining the weight to be given to any relevant matter, the Authority will consider its significance in relation to the regulated activities for which the firm has, or will have, permission, in the context of its ability to supervise the firm adequately, having regard to the Authority's statutory objectives. In this context, a series of matters may be significant when taken together, even though each of them in isolation might not give serious cause for concern.
7. COND 1.3.3BG provides that, in determining whether the firm will satisfy, and continue to satisfy, the threshold conditions, the Authority will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere.
8. COND 1.3.3CG provides that, when assessing the threshold conditions, the Authority may have regard to any person appearing to be, or likely to be, in a relevant relationship with the firm, in accordance with section 55R 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 (see COND 2.3), and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the threshold conditions, would be in a relevant relationship with the firm.

*Threshold Condition 2B: Location of offices*

9. As regards the meaning of 'head office', COND 2.2.3G provides that this is not necessarily the firm's place of incorporation or the place where its business is wholly or mainly carried on. Although the Authority will judge each application on a case-by-case basis, the key issue in identifying the head office of a firm is the location of its central management and control, that is, the location of:
  - (1) the directors and other senior management, who make decisions relating to the firm's central direction, and the material management decisions of the firm on a day-to-day basis; and
  - (2) the central administrative functions of the firm (for example, central compliance, internal audit).

*Threshold Condition 2C: Effective supervision*

10. COND 2.3.3G states that, when the Authority is assessing threshold condition 2C, factors which the Authority will take into consideration include, among other things, whether:
  - (1) it is likely that the Authority will receive adequate information from the firm, and those persons with whom the firm has close links, to enable it to determine whether the firm is complying with the requirements and standards under the regulatory system for which the Authority is responsible and to identify and assess the impact on its statutory objectives; this will include consideration of whether the firm is ready, willing and organised to comply with Principle 11 (Relations with regulators) and the rules in SUP on the provision of information to the Authority;
  - (2) the structure and geographical spread of the firm, the group to which it belongs and other persons with whom the firm has close links, might hinder the provision of adequate and reliable flows of information to the Authority; factors which may hinder these flows include the fact there may



be branches or connected companies in territories which supervise companies to a different standard or territories with laws which restrict the free flow of information, although the Authority will consider the totality of information available from all sources; and

- (3) in respect of a firm not carrying on, or seeking to carry on, a PRA-regulated activity, it is possible to assess with confidence the overall financial position of the group at any particular time; factors which may make this difficult include lack of audited consolidated accounts for a group, if companies in the same group as the firm have different financial years and accounting dates and if they do not share common auditors.

*Threshold condition 2D: Appropriate Resources*

11. COND 2.4.2G(2) states that the Authority will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources (though only in the case of firms not carrying on, or seeking to carry on, a PRA-regulated activity), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
12. COND 2.4.2G(3) states that high level systems and control requirements are in SYSC. The Authority will consider whether the firm is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purpose of threshold condition 2D.

***Principles for Businesses***

13. The Principles are a general statement of the fundamental obligations of authorised firms, with which all firms seeking authorisation must be ready and able to comply.
14. In particular:
  - (1) Principle 2 states that a firm must conduct its business with due skill, care and diligence.
  - (2) Principle 3 states that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
  - (3) Principle 6 states that a firm must pay due regard to the interests of its customers and treat them fairly.
  - (4) Principle 7 states that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
  - (5) Principle 11 states that a firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

### ***Senior Management Arrangements, Systems and Controls – SYSC***

15. SYSC provides the organisational and systems and control requirements for all firms. It includes general organisational requirements (SYSC 4), requirements relating to employees (SYSC 5), to compliance and financial crime (SYSC 6), and to outsourcing (SYSC 8).

### ***Consumer Credit sourcebook - CONC***

16. CONC is the specialist sourcebook for credit-related regulated activities and sets out the detailed obligations that are specific to these activities. In particular, CONC 2.2.3 provides that a firm may not carry out a credit-related regulated activity under a name which is likely to mislead customers about the status of the firm or the nature of its business.