
FINAL NOTICE

**Seclo Limited
Eagle House
Cranleigh Close
South Croydon
CR2 9LH**

25 January 2017

ACTION

1. By an application dated 30 November 2015 Seclo Limited ("Seclo") applied under section 55A of the Financial Services and Markets Act 2000 for Part 4A permission to carry on the regulated activity of credit broking.
2. The Application is incomplete.
3. For the reasons listed below, the Authority has refused the Application.

SUMMARY OF REASONS

4. By its Warning Notice dated 28 October 2016 the Authority gave notice that it proposed to refuse the Application and that Seclo was entitled to make representations to the Authority about that proposed action.
5. As no representations have been received by the Authority from Seclo within the time allowed by the Warning Notice, the default procedures in paragraph 2.3.2 of the Authority's Decision Procedure and Penalties Manual apply, permitting the Authority to treat the matters referred to in its Warning Notice as undisputed and, accordingly, to give a Decision Notice.
6. By its Decision Notice dated 29 November 2016, the Authority gave Seclo notice that it had decided to take the action described above.

7. Seclo had 28 days from the date the Decision Notice was given to refer the matter to the Upper Tribunal (formerly known as the Financial Services and Markets Tribunal). No referral was made to the Upper Tribunal within this period of time or to date.
8. Under section 390(1) of the Act, the Authority, having decided to refuse the Application and there having been no reference of that decision to the Tribunal, must give Seclo Final Notice of its refusal.
9. The Authority decided to refuse the Application and to give this Final Notice as Seclo has failed to provide the information required by the Authority and, in the absence of the information sought, the Authority cannot ensure that Seclo will satisfy, and continue to satisfy, the threshold conditions set out in Schedule 6 of the Act.
10. Seclo has failed to respond to three separate requests for the provision of information considered, by the Authority, to be necessary to allow the Application to be determined. These requests were made over an 11 week period; each request included a statement to the effect that Seclo must contact the Authority or face a Warning Notice.
11. The Authority determined the Application based upon the information received to date, in circumstances where its requests for information have not been met. Having reviewed that information, the Authority cannot ensure that Seclo satisfies, and will continue to satisfy, the threshold conditions.
12. Authorised firms (and those seeking authorisation) are expected to engage with the Authority in an open and cooperative way. The failure to provide the requested information raises concerns that Seclo would fail to do so if the Application were to be granted.
13. The failure to provide the information raises concerns as to whether Seclo:
 - i. can be effectively supervised by the Authority as required by threshold condition 2C;
 - ii. has appropriate human resources, given Seclo's failure to provide the Authority with the requested information as required by threshold condition 2D; and
 - iii. will conduct its business with integrity and in compliance with proper standards as required by threshold condition 2E.

DEFINITIONS

14. 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 one 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.

“Authorisations” means the Authorisations Division at the Authority.

“the Decision Notice” means the decision notice dated 29 November 2016 given to Seclo by the Authority.

“the RTC” means the Authority’s Regulatory Transactions Committee.

“the Tribunal” means the Upper Tribunal (Tax & Chancery Chamber).

“the Warning Notice” means the warning notice dated 28 October 2016 given to Seclo by the Authority.

FACTS AND MATTERS

15. The Application was received on 30 November 2015.
16. Further information was requested from Seclo under section 55U(5) of the Act.
17. Details of all the relevant communications between the Authority and Seclo are set out below.
18. On 13 July 2016 Seclo was asked to provide the following information in support of the Application by 22 July 2016:
 - i. to review and where necessary amend their website to ensure that it is compliant with CONC 3.2, 3.3 and 3.7;
 - ii. to review and where necessary amend their website to ensure that the firm’s status as a credit broker is sufficiently prominent;
 - iii. to confirm the identities of the controllers of Seclo and to submit any outstanding controller forms;
 - iv. to confirm the current number of staff at the firm;
 - v. to confirm whether the expected customer income figure was correct;
 - vi. to specify the sources of consumer information set out on the firm’s website and to clarify how the accuracy of that information could be verified;
 - vii. to confirm whether the firm had sought legal advice regarding its business model and website and if so to set out the source of that advice;
 - viii. to set out the firm’s expected income from regulated activities;
 - ix. to provide a copy of the complaints policy;
 - x. to provide a copy of the vulnerable customer policy;
 - xi. to produce copies of financial forecasts; balance sheets and monthly cash flow information for the firm;
 - xii. to specify the broker to whom Seclo would be referring customers and to clarify whether the broker was authorised by the Authority. Further, to clarify how Seclo had formed a relationship with the preferred broker; and
 - xiii. to explain the path of consumer data once it was entered onto the online form on Seclo’s website.

19. After two weeks Authorisations had still received no substantive response to their request for information.
20. On 22 August 2016 Authorisations wrote to Seclo informing it that a failure to provide the information would result in the Application being determined based upon the information received to date and that this would result in a recommendation to the Authority's RTC that it issue Seclo with a Warning Notice proposing to refuse the Application. No response was received to this letter by the stated deadline of 2 September 2016 (i.e. within 10 working days).
21. On 2 September 2016 Authorisations wrote to Seclo, noting the lack of a response to its previous letters of 13 July and 22 August 2016 and reiterating that a failure to provide the information would result in the Application being determined based upon the information received to date. The letter again noted that a failure to reply might result in a recommendation to the Authority's RTC that it issue Seclo with a Warning Notice proposing to refuse the Application. No response was received to this letter by the stated deadline of 16 September 2016 (i.e. within 10 working days).
22. On 19 September 2016 Authorisations wrote to Seclo, noting the lack of a response to its previous letters of 13 July, 22 August and 2 September 2016 and reiterating that a failure to provide the outstanding information would result in the Application being determined based upon the information received to date. The letter again noted that this would result in a recommendation to the Authority's RTC that it issue Seclo with a Warning Notice proposing to refuse the Application. No response was received to this letter by the stated deadline of 3 October 2016 (i.e. within 10 working days).
23. The Authority received no response to any of the communications set out above.

IMPACT ON THRESHOLD CONDITIONS

24. The regulatory provisions relevant to this Final Notice are referred to in Annex A.
25. Seclo has failed to respond to three separate requests for the provision of the information considered, by the Authority, to be necessary to allow the Application to be determined. These requests were made over an 11 week period; each request included a statement to the effect that Seclo must contact the Authority or face a Warning Notice.
26. The Authority must therefore determine the Application based upon the information received to date, in circumstances where its requests for information have not been met. Having reviewed that information, the Authority cannot ensure that Seclo satisfies, and will continue to satisfy, the threshold conditions.

27. Authorised firms (and those seeking authorisation) are expected to engage with the Authority in an open and cooperative way. The failure to provide the requested information raises concerns that Seclo would fail to do so if the Application were to be granted.
28. The failure to provide the information raises concerns as to whether Seclo:
- i. can be effectively supervised by the Authority as required by threshold condition 2C;
 - ii. has appropriate human resources, given Seclo's failure to provide the Authority with the Information as required by threshold condition 2D; and
 - iii. will conduct its business with integrity and in compliance with proper standards as required by threshold condition 2E.
29. On the basis of the facts and matters described above, in particular the failure to provide the information sought, the Authority has concluded that it cannot ensure that Seclo will satisfy, and continue to satisfy, the threshold conditions in relation to all of the regulated activities for which Seclo would have permission if the application was granted.

IMPORTANT NOTICES

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

Publication

31. 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 you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
32. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

33. For more information concerning this matter generally, contact John Battram, Manager, Lending and Intermediaries Department at the Authority (direct line: 020 7066 1252/ email: john.battram@fca.org.uk).

Hilary Bourne
on behalf 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 are set out in schedule 6 of the Act. In brief, the threshold conditions relate to:
 - (1) Threshold condition 2B: Location of offices
 - (2) Threshold condition 2C: Effective supervision
 - (3) Threshold condition 2D: Appropriate resources
 - (4) Threshold condition 2E: Suitability
 - (5) Threshold condition 2F: Business model

Relevant provisions of the Authority’s Handbook

4. In exercising its powers in relation to the granting of a Part 4A permission, the Authority must have regard to guidance published in the Authority’s Handbook, including the part titled Threshold Conditions (“COND”). The main considerations in relation to the action specified are set out below.
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. COND 1.3.3AG provides that, 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 Authority threshold conditions, the Authority will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere.

8. 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.

Threshold Condition 2C: Effective Supervision

9. COND 2.3.3G states that, in assessing the threshold condition set out in paragraph 2C of Schedule 6 to the Act, factors which the Authority will take into consideration include, among other things, whether it is likely that the Authority will receive adequate information from the firm to determine whether it 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.

Threshold condition 2D: Adequate Resources

10. 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.
11. 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 the threshold conditions set out in threshold condition 2D.

Threshold condition 2E: Suitability

12. COND 2.5.2G(2) states that the Authority will also take into consideration anything that could influence a firm's continuing ability to satisfy the threshold conditions set out in paragraphs 2E and 3D of Schedule 6 to the Act. Examples include the firm's position within a UK or international group, information provided by overseas regulators about the firm, and the firm's plans to seek to vary its Part 4A permission to carry on additional regulated activities once it has been granted that permission.
13. COND 2.5.4G(2)(c) states that examples of the kind of general considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, threshold condition 2E include, but are not limited to, whether the firm can demonstrate that it conducts, or will conduct, its business with integrity and in compliance with proper standards.

14. COND 2.5.6G provides that examples of the kind of particular considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, this threshold condition include, but are not limited to, whether the firm has been open and co-operative in all its dealings with the Authority and any other regulatory body (see Principle 11 (Relations with regulators)) and is ready, willing and organised to comply with the requirements and standards under the regulatory system (such as the detailed requirements of SYSC and, in relation to a firm not carrying on, or seeking to carry on, a PRA-regulated activity only, the Prudential Standards part of the Authority's Handbook) in addition to other legal, regulatory and professional obligations; the relevant requirements and standards will depend on the circumstances of each case, including the regulated activities which the firm has permission, or is seeking permission, to carry on.