
FINAL NOTICE

**Vehicle Lease Solutions Limited
Suite 104
Peel House
30 The Downs
Altrincham
Cheshire
WA14 2PX**

17 November 2017

ACTION

1. By way of an application dated 28 December 2016 Vehicle Lease Solutions Limited ("VLS") applied under section 55H of the Act to vary its Part 4A permission by adding to its authorisation 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 the Authority gave notice that it proposed to refuse the Application and that VLS was entitled to make representations to the Authority about that proposed action.

5. As no representations were received by the Authority from VLS 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 applied, 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 the Authority gave VLS notice that it had decided to take the action described above.
7. VLS had 28 days from the date the Decision Notice was given to refer the matter to the Tribunal. No referral was made to the 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 VLS Final Notice of its refusal.
9. The Authority has decided to refuse the Application and to give this Final Notice as VLS has failed to provide the information required by the Authority and, in the absence of the information sought, the Authority cannot ensure that VLS will satisfy, and continue to satisfy, the threshold conditions set out in Schedule 6 of the Act.
10. VLS has failed to respond to six 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 a 18 week period. The latter three requests included a statement to the effect that VLS must contact the Authority or the Authority would recommend to the RTC that it receives a Warning Notice.
11. The Authority has therefore 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 VLS 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 VLS would fail to do so if the Application were to be granted.
13. The failure to provide the information raises concerns as to whether VLS:
 - i. can be effectively supervised by the Authority as required by threshold condition 2C;
 - ii. has appropriate human resources, given VLS'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.

"the Decision Notice" means the decision notice dated 27 September 2017 given to VLS by the Authority.

"the PRA" means the Prudential Regulatory Authority.

"the RDC" means the Authority's Regulatory Decisions Committee.

"the RTC" means the Authority's Regulatory Transactions Committee.

"SUP" means the Supervision section of the Authority's handbook.

"SYSC" means the Senior Management Arrangements, Systems and Controls section of the Authority's handbook.

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

"the Warning Notice" means the warning notice dated 24 August 2017 given to VLS by the Authority.

FACTS AND MATTERS

15. The Application was received by the Authority on 28 December 2016.

16. Further information was requested from VLS, under section 55U(5) of the Act.

17. Details of all the relevant communications between the Authority and VLS are set out below.

18. On 14 March 2017, the Authority wrote to VLS by email using the contact details provided with the Application and requested that VLS provide the following information in support of the Application by 28 March 2017:

- i. VLS's business plan;
- ii. VLS's compliance monitoring plan;
- iii. VLS's organisation structure chart;
- iv. VLS's opening balance sheet;
- v. VLS's forecast closing balance sheet;
- vi. VLS's monthly cash flow forecast;

- vii. VLS's monthly profit and loss forecast;
 - viii. VLS's latest end of year accounts;
 - ix. an explanation of the factors VLS considers when deciding if a product is suitable for its customer;
 - x. confirmation of the names of lenders VLS uses;
 - xi. confirmation of the amount of commission VLS receives from each lender;
 - xii. a description of how VLS avoids commission bias when making a recommendation to a customer;
 - xiii. confirmation that VLS is aware of the rules for credit brokers introduced by the Authority in January 2015;
 - xiv. consent for an approved person application by one of its candidates for approval to perform the CF8 (Compliance and Oversight) controlled function to be changed to the CF1 (Director) controlled function;
 - xv. confirmation that VLS would be submitting an application for approval for each of its directors to perform the CF1 (Director) controlled function; and
 - xvi. confirmation as to the reason why VLS had submitted the Application to be a full permission credit broker and to provide a description of the business activities to be carried out by VLS relating to that activity.
19. On 18 April 2017 and 15 May 2017 the Authority wrote to VLS by email using the contact details provided within the Application, noting that it had not received a response to its previous correspondence of 14 March 2017 and requesting details of when it could expect a response.
20. On 24 May 2016 the Authority wrote to VLS by email and letter using the contact details provided within the Application, noting the lack of a response to its previous correspondence of 14 March and 18 April 2017, 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 a failure to reply would result in a recommendation to the RTC that it issue VLS with a Warning Notice proposing to refuse the Application. No response was received to this letter by the stated deadline of 8 June 2017 (i.e. within 15 days).
21. On 10 June 2017 the Authority wrote to VLS by email and letter using the contact details provided within the Application, noting the lack of a response to its previous correspondence of 14 March, 18 April and 24 May 2017, 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 a failure to reply would result in a recommendation to the RTC that it issue VLS with a Warning Notice proposing to refuse the Application. No response was received to this letter by the stated deadline of 23 June 2017 (i.e. within 13 days).

22. On 4 July 2017 the Authority wrote to VLS by email and letter using the contact details provided within the Application, noting the lack of a response to its previous correspondence of 14 March, 18 April, 24 May and 9 June 2017, reiterating that a failure to provide the outstanding information would result in the Application being determined based upon the information received to date. This letter again noted that a failure to reply would result in a recommendation to the RTC that it issue VLS a Warning Notice proposing to refuse the Application. No response was received to this correspondence by the stated deadline of 18 July 2017 (i.e. within 14 days).

IMPACT ON THRESHOLD CONDITIONS

23. The regulatory provisions relevant to this Final Notice are referred to in Annex A.
24. VLS has failed to respond to six 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 a 18 week period. The latter three requests included a statement to the effect that VLS must contact the Authority or face a Warning Notice.
25. The Authority has therefore 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 VLS satisfies, and will continue to satisfy, the threshold conditions.
26. 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 VLS would fail to do so if the Application were to be granted.
27. The failure to provide the information raises concerns as to whether VLS:
- i. can be effectively supervised by the Authority as required by threshold condition 2C;
 - ii. has appropriate human resources, given VLS'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.

IMPORTANT NOTICES

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

Publication

29. 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.

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

Authority contacts

31. 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.

Vena Raffle

on behalf of the Regulatory Transactions Committee

ANNEX A – REGULATORY PROVISIONS RELEVANT TO THIS FINAL NOTICE

Relevant Statutory Provisions

1. Section 55H(1) and (2) of the Act provides for an authorised person who has a Part 4A permission but is not a PRA-authorised person to vary their permission by adding a regulated activity, other than a PRA-regulated activity, to those to which the permission relates.
2. Section 55H(7) of the Act provides that the FCA's power to vary a Part 4A permission under this section extends to including in the permission as varied any provision that could be included if a fresh permission were being given by it in response to an application under section 55A.
3. 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.
4. 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

5. 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 Handbook, including the part titled Threshold Conditions ("COND"). The main considerations in relation to the action specified are set out below.
6. 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.
7. 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.

8. 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.

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: Appropriate 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(2A) provides that, 'non-financial resources' of the firm include human resources it has available.
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 the threshold conditions set out in threshold condition 2D.

Threshold condition 2E: Suitability

13. 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.
14. 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.
15. 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.