
FINAL NOTICE

To: Walsall Bridge Insurance Consultants Limited
Of: 1st Floor
45 Bridge Street
Walsall
West Midlands
WS1 1JQ

Dated 31 August 2006

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

1. THE ACTION

1.1. The FSA gave Walsall Bridge Insurance Consultants Limited ("Walsall") a Decision Notice on 31 August 2006 which notified Walsall that pursuant to section 45 of the Financial Services and Markets Act 2000 ("the Act"), the FSA had decided to cancel the permission granted to Walsall pursuant to Part IV of the Act ("Walsall's Part IV permission").

- 1.2. Walsall confirmed in an agreement dated 7 August 2006 that it will not be referring the matter to the Financial Services and Markets Tribunal.
- 1.3. Accordingly, for the reasons set out below and having agreed with Walsall the facts and matters relied on, the FSA has decided to cancel Walsall's Part IV permission.

2. REASONS FOR THE ACTION

2.1. The FSA has concluded, on the basis of the facts and matters described below that Walsall is failing to satisfy the Threshold Conditions set out in Schedule 6 to the Act ("the threshold conditions") in that, in the opinion of the FSA, Walsall is not a fit and proper person:

- (1) By virtue of its insolvency, and lack of approved persons, Walsall has inadequate resources in breach of Threshold Condition 4 (Adequate resources); and
- (2) Walsall has failed to ensure that its business is conducted soundly and prudently and in compliance with proper standards in breach of Threshold Condition 5 (Suitability).

2.2. In breaching Threshold Condition 5, Walsall has failed to comply with the FSA's Principles for Businesses: Principle 1 (Integrity); Principle 2 (Skill care and diligence); Principle 6 (Customers' interests); and Principle 10 (Clients' assets).

2.3. The FSA has concluded that since at least March 2005, Walsall has:

- (1) accepted client premiums but failed to pass them over to the relevant insurers and intermediaries or to arrange the associated insurance policies, leaving clients uninsured;
- (2) provided clients with inaccurate and misleading information about their insurance policies leaving clients inadequately insured;
- (3) provided clients with inaccurate and misleading information about the cost of their insurance which resulted in clients paying Walsall premiums in excess of what was actually due;
- (4) obtained client loans to meet the cost of insurance premiums but failed to apply the loan monies for their intended purpose; and
- (5) used client premiums to run Walsall's business.

2.4. These failings are viewed by the FSA as particularly serious given the following factors:

- (1) Walsall failed to inform the FSA about Walsall's financial difficulties when it knew, or ought to have known, that it did not have adequate resources to meet the threshold conditions;

- (2) Walsall failed to arrange insurance policies and to pass over premiums to the insurers and intermediaries which resulted in at least 19 clients being left without insurance with one client incurring losses which were uninsured;
- (3) In addition, Walsall charged at least 6 clients significantly inflated insurance premiums for insurance which it then failed to pass over to the insurers leaving the clients without cover;
- (4) Premiums owed by Walsall to insurers exceed £140,000;
- (5) Geoffrey Thomas Robbins ("Mr Robbins"), Walsall's sole principal and director, admitted that he had obtained loans totalling approximately £188,000 based on false and misleading information;
- (6) Mr Robbins admitted that he knew from at least March 2005 that Walsall had financial difficulties and that he knowingly withdrew and used client money to pay the expenses of running the business and to keep Walsall trading.

3. RELEVANT STATUTORY PROVISIONS AND REGULATORY RULES

- 3.1. The FSA's statutory objectives, set out in Section 2(2) of the Act are: market confidence, public awareness, the protection of consumers and the reduction of financial crime.
- 3.2. Section 41 of the Act and Schedule 6, paragraph 5, to the Act set out the threshold conditions that authorised persons are required to satisfy. The relevant threshold conditions are Threshold Condition 4 (Adequate resources) and Threshold Condition 5 (Suitability).
- 3.3. The FSA is authorised pursuant to section 45 of the Act to cancel an authorised person's Part IV permission where it appears to the FSA that such a person is failing to satisfy the threshold conditions.
- 3.4. Section 138 of the Act provides that the FSA may make such rules applying to authorised persons as appear to it to be necessary or expedient for the purpose of protecting the interests of consumers.
- 3.5. Under the FSA's rule-making powers, the FSA has published the Principles for Businesses ("the Principles") which apply either in whole or in part to all authorised persons. The relevant Principles are as follows:
 - (1) Principle 1 – Integrity
a firm must conduct its business with integrity.
 - (2) Principle 2 – Skill, care and diligence
a firm must conduct its business with due skill, care and diligence. .
 - (3) Principle 6 – Customers' interests

a firm must pay due regard to the interests of its customers and treat them fairly.

(4) Principle 10 – Client's assets

a firm must arrange adequate protection for clients' assets when it is responsible for them.

Client assets manual (CASS)

- 3.6. **CASS 5.5** sets out the rules and guidance applicable to the segregation and the operation of client money accounts and provides that unless otherwise permitted, client money is kept separate from the firm's own money (CASS 5.5.2G).
- 3.7. **CASS Rule 5.5.3** requires a firm to hold client money separate from the firm's money and CASS Rule 5.5.5(1) requires that a firm must segregate client money by paying it as soon as practicable into a client bank account. Guidance on a firm's obligations to periodically calculate and reconcile the money in its client bank account is given at CASS 5.5.62.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. Walsall has been trading as a small insurance intermediary since 5 January 1984.
- 4.2. Walsall was authorised by the FSA on 14 January 2005 with permission to hold and control client money and to conduct the following insurance mediation activities:
- (1) Advising (ex Pensions Transfers / Opt outs);
 - (2) Agreeing to carry on a regulated activity;
 - (3) Arranging (bringing about) deals in investments;
 - (4) Assisting in the administration;
 - (5) Dealing in investments as agent; and
 - (6) Making arrangements.
- 4.3. Mr Robbins is the person responsible for insurance mediation at Walsall and is approved to perform the following significant influence controlled functions:
- CF1 (Director); and
 - CF8 (Apportionment and Oversight)
- 4.4. Walsall was permitted to hold and control client money but only in respect of non-investment insurance contracts and operated a statutory client trust account ("the Client Account").

- 4.5. On 24 March 2006, Walsall's Part IV permission was voluntarily varied to remove all regulated activities and requirements were imposed in relation to the use of the Client Account and Walsall's assets.

Chronology of events

- 4.6. In November 2005, the FSA received information that Walsall had obtained loans subsequent to June 2004 totalling approximately £188,000 for the purpose of funding commercial insurance premiums.
- 4.7. Mr Robbins subsequently admitted that there were no insurance policies in place and that the loans had been obtained fraudulently and were proposed as a means to assist Walsall's cash flow.
- 4.8. On 28 February 2006, the FSA received information that Walsall owed one insurer approximately £19,500 by way of outstanding insurance premiums which had remained unpaid for some months.
- 4.9. Following a supervisory visit to Walsall on 3 March 2006, the FSA was informed that Walsall was insolvent and that Mr Robbins had decided to cease trading with immediate effect.
- 4.10. The FSA commenced an investigation into the matters referred to above given concerns that Walsall may have accepted insurance premiums from clients but failed either to pass these sums over to the relevant intermediaries or underwriters or to arrange the associated insurance policies and as such, may have breached the FSA's Rules concerning the requirements relating to holding client money and client assets and the Principles.

FSA investigation

- 4.11. The FSA investigation has established that:
- (1) Walsall's latest bank statement for the Client Account showed a credit balance of approximately £360 as at 3 March 2006;
 - (2) Walsall owed unpaid premiums to insurers and intermediaries of approximately £145,925;
 - (3) Walsall was unable to identify or supply a list of clients without insurance cover;
 - (4) Walsall had no organisation or effective method in place to demonstrate proper records management;
 - (5) At least 19 clients had been taken off risk due to Walsall's failure to pass on premiums to the insurers;
 - (6) At least 6 clients had been charged significantly inflated premiums by Walsall and at least 2 clients were provided with inaccurate and misleading information about their insurance policies in terms of cover in place and cost;

- (7) Walsall had failed to arrange any insurance for at least 2 clients which resulted in one client incurring uninsured losses of approximately £5,000;
- (8) In interview, Mr Robbins admitted that there was a shortfall in the Client Account and that the Client Account had been used since approximately March 2005 to run Walsall's business.

5. RELEVANT GUIDANCE ON SANCTION

- 5.1. In deciding to take the action described above the FSA must have regard to guidance published in the Enforcement section of the FSA Handbook ("ENF"). The relevant considerations in relation to the action specified above are set out below.

ENF 5.5 – The FSA's policy on exercising its power to cancel a Part IV permission

- 5.2. ENF 5.5.2, ENF 3.3.2 provides examples of the circumstances in which the FSA will consider cancelling a Part IV permission, including where it appears to the FSA that the authorised person is failing, or is likely to fail, to satisfy the threshold conditions in relation to one or more, or all, of the regulated activities for which the authorised person has Part IV permission.

Guidance concerning the relevant Threshold Conditions

Threshold Condition 4: Adequate resources

- 5.3. The FSA must have regard to the guidance set out in the threshold conditions section of the FSA's Handbook ("COND").
- 5.4. COND 2.4.1(1) states that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on, or carries on.

Facts and Matters Relied on

- 5.5. On 6 March 2006, Mr Robbins informed the FSA that Walsall was insolvent. Therefore, the FSA has concluded that Walsall has inadequate resources and does not meet Threshold Condition 4.

Threshold Condition 5: Suitability

- 5.6. COND 2.5.1 reproduces the relevant statutory provision that the person concerned must satisfy the FSA that it is a fit and proper person having regard to all the circumstances, including, among other things, the need to ensure that its affairs are conducted soundly and prudently.
- 5.7. COND 2.5.4(2)(a) requires the FSA, when forming its opinion as to whether an authorised person is conducting its affairs soundly and prudently, to have regard to relevant matters including whether it conducts its business with integrity and in compliance with proper standards.

- 5.8. In making its assessment COND 2.5.4(4) states that the FSA will consider the circumstances of each firm on a case by case basis.
- 5.9. Pursuant to COND 2.5.6(4) in determining whether a firm satisfies Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, the FSA may consider whether the firm has contravened provisions of the Act, the regulatory system or the FSA's Rules (which include the Principles).
- 5.10. In considering whether Walsall meets Threshold Condition 5 the FSA has had regard to the guidance published in the Principles section of the FSA Handbook ("PRIN").
- 5.11. PRIN 1.1.2 provides that the Principles are a general statement of the fundamental obligations of firms under the regulatory system. They derive their authority from the FSA's rule-making powers as set out in the Act and reflect the regulatory objectives.
- 5.12. PRIN 1.1.4 provides that, in substance, the Principles express the main dimensions of the "fit and proper" standard set for firms in Threshold Condition 5 (Suitability) although they do not derive their authority from that standard or exhaust its implications.
- 5.13. PRIN 1.1.7 provides that breaching a Principle makes a firm liable to disciplinary action.

Facts and Matters relied on

Principle 1 (Integrity)

- 5.14. By virtue of Principle 1, Walsall was required to conduct its business with integrity. This includes taking care to ensure that client monies are applied only for the purpose for which they were intended.
- 5.15. Walsall knowingly and dishonestly misused client money and assets for its own benefit and provided clients with inaccurate and misleading information about their insurance policies. Given the circumstances of this case and the detailed reasons set out at paragraph 4.11 above, it is clear that Walsall failed to conduct its business with integrity.

Principle 2 (Skill, care and diligence)

- 5.16. By virtue of Principle 2, Walsall was required to conduct its business with due skill, care and diligence. This includes properly organising its affairs so that it is able to comply with the standards and requirements under the regulatory system.
- 5.17. Walsall operated in a way which had serious systems and controls failings, in that it had no organisation or effective method in place to demonstrate proper records management. Given the circumstances of this case and the detailed reasons set out at paragraph 4.11 above, it is clear that Walsall failed to conduct its business with due skill, care and diligence .

Principle 6 (Customers' interests)

- 5.18. By virtue of Principle 6, Walsall was required to pay due regard to the interest of customers and treat them fairly. By failing either to pass on insurance premiums received from clients to the relevant insurer or to arrange the associated insurance policies, and by providing clients with misleading and inaccurate information about their insurance both in terms of cover and cost, Walsall could not be regarded as having acted in its clients interests or as having treated them fairly.

Principle 10 (Client's assets)

- 5.19. By virtue of Principle 10, Walsall was required to arrange adequate protection for clients' assets when it is responsible for them. This includes taking care to ensure that clients' assets are applied only for the purpose for which they were intended.
- 5.20. By using client premiums to pay, among other things, Walsall's day to day expenses, Walsall could not be regarded as using them for the purpose which they were intended. Additionally, Walsall's conduct was wrong, unlawful, and in breach of the FSA's requirements relating to holding client assets and client money ("CASS").

Conclusion

- 5.21. The facts and matters described above lead the FSA, having regard to its regulatory objectives, to the conclusion that Walsall, in breaching the Principles as stated above, has demonstrated that it is not a fit and proper person because it has failed to conduct its business with integrity and in compliance with proper standards. This failure is material in relation to the regulated activities for which Walsall has permission and Walsall therefore fails to satisfy Threshold Conditions 4 (Adequate resources) and 5 (Suitability). Accordingly, the FSA must take steps to cancel Walsall's Part IV permission.

6. DECISION MAKER

- 6.1. The decision which gave rise to the obligation to give this Final Notice was made by the Executive Decision Makers.

7. IMPORTANT

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

Publicity

- 7.2. 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.

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

FSA contacts

7.4. For more information concerning this matter generally, you should contact Felicity Rowan at the FSA (Tel: 020 7066 1424 / fax: 020 7066 1425).

Jonathan Phelan
Head of Department – Retail 3
Enforcement Division