
FINAL NOTICE

To: **Richard Michael Wolf**
21 Tall Trees
Leeds
West Yorkshire
LS17 7WA

Dated: **11 October 2007**

TAKE NOTICE: The Financial Services Authority (“the FSA”) of 25 The North Colonnade, Canary Wharf, London E14 5HS gives you, Richard Michael Wolf, final notice about the withdrawal of your individual approval and an order prohibiting you from performing any function in relation to any regulated activity carried on by any authorised or exempt person.

1. ACTION

- 1.1 The FSA gave you a Decision Notice on 22 August 2007 (“the Decision Notice”) which notified you that, for the reasons given below, and pursuant to Sections 56 and 63 of the Financial Services and Markets Act, the FSA had decided to withdraw your individual approval and to prohibit you from performing any function in relation to any regulated activities.
- 1.2 You have not referred the matter to the Financial Services and Markets Tribunal within 28 days of the date on which the Decision Notice was given to you.

- 1.3 Accordingly, for the reasons set out below, the FSA hereby withdraws your individual approval and makes an order pursuant to Section 56 of the Act prohibiting you from performing any function in relation to any regulated activity carried on by any authorised or exempt person. The withdrawal of approval and Prohibition Order take effect from 11 October 2007.

2. REASONS FOR THE ACTION

- 2.1 On the basis of the facts and matters and conclusions described in the Warning Notice issued to you on 27 June 2007 (“the Warning Notice”) and in the Decision Notice, the FSA has concluded that you are not fit and proper to perform any function in relation to any regulated activity carried on by any authorised person and you should be prohibited from doing so.

- 2.2 You are not a fit and proper person because:

- (1) you failed to act with honesty and integrity by misleading clients into believing that they had insurance cover in place, when you had not forwarded their premiums so that their policies were not placed on risk;
- (2) you failed to act with the competence and capability required of an approved person by failing to have adequate systems and controls in place to ensure that premiums received were passed on to insurers;
- (3) your conduct fell well below the minimum regulatory standards in the manner in which you carried out your controlled functions and managed the business of Rotheville (Insurance Brokers) Limited for which you were responsible; and
- (4) you failed to deal with the FSA in an open and co-operative way and failed to disclose appropriately information of which you were aware, and of which the FSA would reasonably expect notice.

- 2.3 A copy of the relevant extract of the Warning Notice is attached to and forms part of this Notice.

3. IMPORTANT

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

Publicity

- 3.2 Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Final Notice relates. Under those provisions, the FSA must publish such information about the matter to which this Final 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.

- 3.3 The FSA intends to publish such information about the matter to which this Final

Notice relates as it considers appropriate.

FSA contact

- 3.4 For more information concerning this matter generally, you should contact Chris Walmsley (direct line: 020 7066 5894/fax: 020 7066 5895) of the Enforcement Division of the FSA.

Jonathan Phelan
Head of Department
FSA Enforcement Division

EXTRACT FROM WARNING NOTICE DATED 27 JUNE 2007

2. REASONS FOR THE PROPOSED ACTION

- 2.1 The FSA has concluded, on the basis of the facts and matters described below, that you are not fit and proper to carry out any functions in relation to any regulated activities carried on by authorised persons and you should be prohibited from doing so.
- 2.2 In the opinion of the FSA you are not fit and proper because:
- (1) you failed to act with honesty and integrity by misleading clients to believe they had insurance cover in place when you had not forwarded their premiums so that their policies were placed on risk;
 - (2) you failed to act with the competence and capability required of an approved person by failing to have adequate systems and controls in place to ensure that premiums received were passed on to insurers;
 - (3) you demonstrated a serious lack of compliance with regulatory standards in the manner in which you carried out your controlled functions and managed the business of Rotheville (Insurance Brokers) Limited ("Rotheville") for which you were responsible; and
 - (4) you failed to deal with the FSA in an open and cooperative way and failed to disclose appropriately information of which you were aware, and of which the FSA would reasonably expect notice.

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4. FACTS AND MATTERS RELIED ON

- 4.1 In June 2005, an intermediary/wholesale broker, Broker A, contacted the FSA to advise that Rotheville, operated solely by you, had failed to pass on to it premiums received from clients for 22 insurance policies totalling £5,870. Subsequently, the money for 12 of the policies was paid leaving an outstanding balance of £2,890.
- 4.2 In December 2005, a second intermediary/wholesale broker, Broker B, submitted a report to the FSA regarding an investigation it had carried out into the activities of Rotheville in selling a let property insurance policy called "Policy C", which Broker B wholesales under a binding authority from Insurance Company Z. The report covered business done from 2003 to 2005, i.e. pre and post authorisation.
- 4.3 The report contained evidence to suggest that, in at least 8 cases, Rotheville had taken premiums from customers without passing these to Broker B to ensure the policies were on risk. The cases identified showed policies that had lapsed, some as early as 2003, where the customers had continued paying premiums to Rotheville as they believed their policies were still on risk.
- 4.4 The FSA's findings are that:

- (1) Information provided by insurers established that Rotheville was indebted to various insurers in the sum of £42,351.94 in respect of insurance arranged for clients. It has not paid this, and as at 26 January 2006, the total sum standing to the credit of its two client accounts was £2,254.07.
- (2) You did not reply to a compelled information request sent to you on 18 August 2006 requiring an explanation for the discrepancy between the £42,351.94 owed to insurers and the £2,254.07 held in Rotheville's client accounts, and evidence of the whereabouts of the £42,351.94 owed. Initially you stated that the information would be provided when you had spoken to your accountant. However, in September 2006, your solicitor told the FSA that you *"could not respond to it- he is not able to account for the whereabouts of the money"*.
- (3) Evidence was obtained from 5 clients proving that a total sum of £21,999.16 had been paid to Rotheville in respect of premiums but this money had not been passed on to insurers. One client was repaid £8,537.10 by you when it came to light no insurance had been arranged. The remaining 4 clients did not receive any repayment of the balance of £13,462.06.
- (4) Although all clients who paid premiums which were not passed on to insurers were found to be covered, in the case of one large insurance company this was only because they agreed to honour policies where proof of payment to Rotheville could be established, and not because there was a valid risk transfer agreement in place which covered Rotheville.
- (5) Evidence was obtained from one particular client, Mr X, which established that:
 - a) he had several insurance policies brokered through Rotheville, which included multiple car insurance policies with Insurance Company Y. On making claims under these policies it was discovered that insurance premiums had not been passed to Insurance Company Y. However, Insurance Company Y honoured the claims even though the premiums had not been received. Insurance Company Y had no record of a third car insurance policy for Mr X.
 - b) he resolved these matters with Insurance Company Y by paying directly to them the premiums for all three policies totalling £2,500 although he maintains that he had previously paid these to Rotheville.
 - c) he had approached you several times for the policy documentation for his car insurance policies but you failed to provide these documents. Mr X stated that when he told you he required the policy documentation in order to tax his vehicles, you asked for the MOT certificates from him and taxed the vehicles yourself. (Mr X believes you may have used cover notes to obtain the tax discs).
- (6) You made admissions in a compelled interview with the FSA which demonstrated failings in Rotheville's systems and controls. In particular you admitted that:

- (a) you did not carry out any reconciliations of premiums received from clients against premiums payable to insurers;
 - (b) you did not have any financial controls in place to ensure that premiums received were passed on to insurers on a timely basis;
 - (c) you were unable to establish that clients who had paid premiums were on risk;
 - (d) you did not maintain a client list to enable a check to be made on the underwriting position of any client; and
 - (e) you did not maintain a system to ensure that the firm was aware when a clients' policy was due for renewal.
- (7) You have failed, in the opinion of the FSA without reasonable excuse, to:
- (a) supply documents in compliance with a compelled request dated 19 December 2005. The investigators were only able to obtain these documents by attending with the police who executed a search warrant at the firm's premises; and
 - (b) respond to a compelled information request.
- (8) In addition to the failings referred to in paragraph 4.4(7) above, you failed to deal with the FSA in an open and cooperative way. In particular, you failed to attend a compelled interview with the FSA on 4 separate occasions in December 2005/January 2006. FSA investigators only succeeded in interviewing you when they accompanied the police who were executing search warrants at your home and office premises
- (9) Evidence has been obtained which confirms that the landlord of Rotheville's premises peaceably took possession of the offices on the grounds of non-payment of rent. The amount owed is approximately £3,000. When the bailiffs entered the premises they found the office appeared to have been effectively abandoned. A number of confidential client files (both old and current) had been left, together with some personal effects. The FSA has not received any notification of this from you, and no arrangements have been made for the safe keeping of confidential client files.

5. CONCLUSIONS

5.1 The FSA has concluded you are not fit and proper in accordance with the regulatory requirements and with regard to the relevant guidance. In reaching this conclusion, the FSA had regard to your conduct in:

- (1) deliberately misleading at least one of your clients, Mr X, to believe that motor vehicle insurance was in place when no such insurance had been arranged by you;

- (2) requesting Mr X to provide you with his MOT certificates for the vehicles and then taxing the vehicles yourself. The FSA question how you were able to do this in the absence of valid insurance cover notes;
- (3) failing to ensure adequate control of client funds by failing to process your clients' payments in a timely manner;
- (4) failing to inform customers of material information in circumstances where you were either aware, or should have been aware, of information and the fact that you should provide it. You should have been aware of which clients had paid premiums and whether or not insurance had been arranged for those clients;
- (5) failing to supply documents in accordance with a compelled request;
- (6) failing to attend a compelled interview; and
- (7) failing to inform the FSA that he had left his office premises and had made no arrangements for the protection of confidential customer files.

5.2 Such conduct is clearly inconsistent with the requirements and standards of the regulatory system, and you are personally culpable in that the standard of your conduct was below that which would be reasonable in all the circumstances.

5.3 Your conduct shows a lack of honesty and integrity and a lack of competence and capability, and you have failed to demonstrate that you are ready, willing and able to comply with the regulatory standards, legal and professional obligations and ethical standards. The FSA considers that you have not complied with the standards set out in FIT 2.1 and FIT 2.2 and have acted in breach of Statements of Principles for approved persons, more specifically Statement of Principle 1 by failing to act with integrity in carrying out your controlled functions, Statement of Principle 2 by failing to act with due skill, care and diligence and Statement of Principle 4 by failing to deal with the FSA in an open and cooperative way and disclose appropriately information of which the FSA would reasonably expect notice.

6. SCOPE OF PROHIBITION ORDER

6.1 It is the FSA's view that a prohibition order should be made. The following are considered to be particularly aggravating features of the case, specifically:

- (1) the significant discrepancy, amounting to approximately £40,000, between the amounts owed to insurers and the amount in the firm's client accounts, and your inability to explain this discrepancy;
- (2) the significant amount of client money which remains unaccounted for amounting to, at least, approximately £15,000. In the absence of any explanation from you, the FSA draws the inference that this money has been misappropriated;
- (3) the detriment suffered by the firm's clients, in particular the clients insured through Broker B (where there was no risk transfer from Insurance Company

Z passing down to Rotheville) were only covered by insurance because Insurance Company Z agreed to accept cover where proof of payment of premiums to Rotheville could be established; and

(4) your failure to co-operate with the FSA throughout the investigations.

6.2 Your conduct demonstrates a serious lack of honesty and integrity, as a result of which the FSA has concluded, having regard to its regulatory objectives which include the protection of consumers and the reduction of financial crime, that the interests of consumers would be adversely affected if you were permitted to perform any function in relation to any regulated activity carried on by an authorised person.