

Email: foi@fca.org.uk

5 December 2018

(By email)

Our Ref: FOI5999

Dear

Freedom of Information: Right to know request

Thank you for your redefined request under the Freedom of Information Act 2000 ("the Act"), dated 18 September 2018, for the information detailed in Annex A below.

Firstly, please accept our sincere apologies for the delay in responding to your request.

Your request has now been considered, and our response is as follows:

- 1. How was the FCA notified of the activity of Freddy David?**
- 2. How was the FCA made aware of dubious activity carried out by HBFS?**

As referred to in your request (see Annex A below), Mr David was the subject of a prosecution by the City of London Police and pleaded guilty to the charges brought on 30 July 2018. As such our answers at questions 1 and 2 are concerned with the conduct Mr David has now pleaded guilty to, in particular, charges of fraud by abuse of position and obtaining a money transfer by deception. Details of the scam as reported in the press include that Mr David ran a Ponzi scheme; sold his victims false investments; and created a fake investment product in an imaginary 'Bank of Scotland' account. The money he took from his victims was not invested at all, but instead was used for his own ends.

We were first notified of activity, which we now consider to be related to the misconduct described above, by a consumer in September 2013.

- 3. How does the FCA usually become aware of fraudulent activity of financial advisers?**

There are several channels through which the FCA would become aware of fraudulent activity. These may include:

- Online reporting forms received by our Intelligence or Unauthorised Business departments through the FCA website
- Whistleblowing reports and other intelligence reports
- Information received through our contact centre, from both consumers and firms
- Interviews, correspondence and engagement with authorised firms
- Information from other agencies

4. During 2016, how many financial advisers were found to be not complying with FCA regulations?

Regarding questions 4-6 we have interpreted them as referring to any final notices issued by us in respect of individuals who are financial advisers, financial advice firms and any individuals employed by those firms for any breaches of our regulations, including a failure to meet our threshold conditions or fit and proper criteria.

Twelve

5. During 2017, how many financial advisers were found to be not complying with FCA regulations?

Eleven

6. So far during 2018, how many financial advisers have been found to be not complying with FCA regulations?

Seven

If you are unhappy with the decision made in relation to your request, you have the right to request an internal review. If you wish to exercise this right you should contact us within 40 working days of the date of this response.

If you are not content with the outcome of the internal review, you also have a right of appeal to the Information Commissioner at Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone: 01625 545 700. Website: www.ico.org.uk

Yours sincerely

Information Disclosure Team



Annex A

Here is a freedom of information request regarding a fraud case uncovered by the Financial Conduct Authority and the City of London Police.

The case found Freddy David, of Hartfield Avenue, Elstree, Borehamwood, guilty of obtaining a money transfer by deception and fraud by abuse of position at Southwark Crown Court.

An investigation by the the City of London Police fraud team found that between 2005 and 2017, 49-year-old David had been running a Ponzi scheme through wealth management company HBFS Financial Services Limited (HBFS), of which he was managing director.

David was found to have defrauded 55 victims of more than £14.5m.

The case was referred to the City of London Police, by the FCA. Following the referral, the City of London Police worked closely with the FCA to investigate the affairs of HBFS.

I would like to find out the following:

- 1. How was the FCA notified of the activity of Freddy David?*
- 2. How was the FCA made aware of dubious activity carried out by HBFS?*
- 3. How does the FCA usually become aware of fraudulent activity of financial advisers?*
- 4. During 2016, how many financial advisers were found to be not complying with FCA regulations?*
- 5. During 2017, how many financial advisers were found to be not complying with FCA regulations?*
- 6. So far during 2018, how many financial advisers have been found to be not complying with FCA regulations?*