FINANCIAL CONDUCT AUTHORITY

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FIRST SUPERVISORY NOTICE

To:	**Curtis Faraday Limited**
Reference Number:	**662089**
Address:	**Trafalgar House, 110 Manchester Road, Altrincham Trafford WA14 1NU**
Date:	**30 June 2026**

1 ACTION

1.1 For the reasons given in this First Supervisory Notice, and pursuant to section 55L(3)(a) of the Financial Services and Markets Act 2000 ("**the Act**"), the Financial Conduct Authority ("**the Authority**") has decided to impose the following requirements ("**the Requirements**") on Curtis Faraday Limited ("**the Firm**") with immediate effect.

<u>Restriction on business activities</u>

1) The Firm must not, without the prior written consent of the Authority, accept any new customers and/or referrals where this may result in the Firm carrying out or otherwise being involved in any debt related, IVA-related, insolvency-related or article 72H RAO-related customer activity.

<u>Records retention</u>

2) The Firm must secure and preserve all records and/or information (physical or electronic) relating to its business, including payment, electronic money and digital services in their original form, or in a copy, provided it is identical to the source material. These must be retained in a form and at a location within the United Kingdom, to be notified to the Authority in writing by 5pm on 7 July 2026, such that they can be provided to the Authority, or a person named by the Authority, promptly on its request.

Notification requirements

3) By 5pm on 7 July 2026, the Firm must publish in a prominent place on every website in its name (or that it operates) in a form to be agreed in advance with the Authority, a notice setting out the terms and effects of the Requirements.

4) The Firm must advise all existing customers who have not yet received an outcome from the Firm to contact an alternative debt advice body to seek further advice and must signpost those customers to the Money Helper website, https://www.moneyhelper.org.uk/en/money-troubles/dealing-with-debt/debt-advice-locator.

5) The Firm must, by close of business on 13 July 2026, notify in writing all customers referred to a debt solution provider in the last 12 months (from the date of this notice) of the imposition and effect of these Requirements and signpost those customers to Debt Advice Locator | Syndication | MoneyHelper.

6) Once the notifications referred to above have been made, the Firm must provide the Authority, within 24 hours:

    (i) copies of the template notifications sent to all recipients referred to in sub-paragraphs (5),

    (ii) a list of all parties to whom notifications have been sent pursuant to sub-paragraphs (5), and

    (iii) confirmation that, to the best of its knowledge, the Firm has sent the notification pursuant to sub-paragraph (5) to all relevant parties.

1.2 These Requirements shall take immediate effect and remain in force unless and until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

2 REASONS FOR ACTION

Summary

2.1 The Authority has concluded, on the basis of the facts and matters described below, that there is an ongoing and immediate risk of consumer harm arising from the Firm's activities. In particular, evidence obtained through supervisory engagement, including file reviews and call recordings, indicates that the Firm has engaged in practices that may distort customers' financial information during the advice process, undermine the reliability of the records provided to the Authority and weaken confidence that debt advice customers are being treated fairly and transparently.

2.2 Furthermore, the Firm is unable to demonstrate on a consistent basis that it is able and willing to meet the standards expected of a regulated entity.

2.3 The Authority therefor considers that, in respect of the Firm, it is necessary to exercise its power under section 55L(3)(a) of the Act to impose the Requirements on the Firm because:

    1. it is failing, or likely to fail, to satisfy the Effective Supervision Threshold Condition pursuant to paragraph 2C of the Schedule 6 to the Act,

    2. it is failing, or likely to fail, to satisfy the Appropriate Resources Threshold

Condition pursuant to paragraph 2D of Schedule 6 to the Act,

3. it is failing, or likely to fail, to satisfy the Suitability Threshold Condition pursuant to paragraph 2E of Schedule 6 to the Act,

4. it is failing, or likely to fail, to satisfy the Business Model Threshold Condition pursuant to paragraph 2F of Schedule 6 to the Act, and

5. it is desirable in order to advance one or more of the Authority's operational objectives, which includes securing an appropriate degree of protection for consumers pursuant to section 1C of the Act.

2.4 The Authority has identified serious concerns relating to the Firm, specifically,

1. the Firm has repeatedly provided incomplete, inconsistent or inaccurate responses to requests for information from the Authority over an extended period of time, including information requirements issued under section 165 of the Act,

2. the Firm has failed to evidence compliant customer journeys or demonstrate that it maintains adequate records,

3. The Authority has serious concerns about the Firm's governance, systems and controls,

4. The Authority has serious concerns that the Firm operates a business model that creates a risk of product bias and conflicts of interest, including through coaching customers during fact finding, advice interactions and through close links between Director B and connected personal insolvency firms, and a high volume of debt solution outcomes which have a commercial incentive, and

5. The Authority is concerned that the Firm has failed to prevent staff from circumventing controls designed to support regulatory compliance.

2.5 The Authority considers that imposition of the Requirements should take immediate effect because the matters set out in this First Supervisory Notice demonstrate that the Firm is putting consumers at risk of receiving unsuitable advice.

3 DEFINITIONS

3.1 The definitions below are used in this First Supervisory Notice:

"the Act" means the Financial Services and Markets Act 2000;

"the Authority" means the Financial Conduct Authority;

"the Firm" means Curtis Faraday Limited;

"Article 72H RAO" means article 72H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001[1];

[1] Article 72H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 provides an exemption which may allow an insolvency practitioner, in certain circumstances, to carry on debt counselling or debt adjusting without FCA authorisation where the activity is undertaken in reasonable contemplation of an insolvency appointment.

"CASS" means the Client Assets Sourcebook, which is part of the Authority's Handbook;

"Company A" means the unregulated entity in which Director B is the sole director and person with significant control;

"Company B" means the unregulated entity in which Director B is the sole director and person with significant control;

"Company C" means the unregulated entity in which Director B is a director;

"Company D" means the company that the Firm acted as an introducer for and referred customers to;

"Company E" means the company involved in asset/case transfer activities liked to Company C

"DMP" means debt management plans

"Director A" means a director of the Firm, who is also the SMF3 and SMF16;

"Director B" means a director of the Firm;

"Director C" means a director of the Firm;

"FSN" means First Supervisory Notice;

"Handbook" means the Authority's online handbook of rules and guidance (as in force from time to time);

"IVA" means Individual Voluntary Arrangement;

"Part 4A permission" means permission to conduct regulated activities, granted by the Authority under Part 4A of the Act;

"Requirements" means the terms imposed on the Firm by this First Supervisory Notice as outlined in section 1 above;

"SMF" means Senior Management Functions a category of roles under the SMCR. This includes SMF3 Executive Director and SMF 16 Compliance Oversight;

"SUP" means the Supervision Manual, which is part of the Handbook;

"Threshold Conditions" means the minimum requirements that firms need to meet in order to be authorised and to continue carrying on regulated activities as set out in Schedule 6 to the Act;

"Tribunal" means the Upper Tribunal (Tax and Chancery Chamber);

"VREQ" means the application for the imposition of voluntary requirements made under section 55L (5)(a) of the Act

4 FACTS AND MATTERS

Background

4.1 The Firm was incorporated on 24 April 2008, was authorised by the Authority on 24

August 2017 and operates as a debt advice firm. The Firm currently trades under three trading names. It has permissions to carry on regulated activities of debt counselling and debt adjusting.

4.2 The Firm can hold and control client money.

4.3 The Firm has two current Directors, referred to in this Notice as Director A, Director B. Director C was appointed on 8 June 2026 and resigned on 16 June 2026. Director A owns 75% or more of the Firm's shares and is the Director with significant control.

4.4 The Firm's micro accounts as at 30 April 2025 show capital and reserves of £38,914. In its regulatory return for the period 1 May 2024 to 13 June 2025, the Firm reported income of £98,088 and retained losses of £113,915.

Failings and risks identified

2023

4.5 On 12 October 2023, the Authority opened a proactive supervisory case after reviewing the Firm's financial statements, which indicated that the Firm had incurred significant losses over several years. This raised concerns about the Firm's financial resilience and its ability to meet its regulatory obligations.

4.6 On 7 November 2023, the Authority requested information from the Firm to assess its financial position. This included management accounts, wind-down plans, information about IVA fees displayed on the Firm's website, client account reconciliations and its CASS 11 resolution pack.

2024

4.7 The Firm did not respond within the required deadline. After three further attempts to obtain the information voluntarily, the Authority issued a requirement under section 165 of the Act on 7 February 2024 seeking the same information.

4.8 The Firm responded on 11 March 2024. The response was incomplete and provided limited supporting evidence. In particular, the Firm did not clearly explain whether it had ceased business, did not provide a complete list of active DMPs or evidence of recent plan reviews, and did not clearly confirm whether a client audit had been conducted.

4.9 The Authority attempted to contact the Firm in April 2024 and June 2024 to clarify the information provided. The Firm did not respond.

4.10 On 14 August 2024, the Authority requested further information about the Firm's potential sale, DMPs, new business since September 2023 and client money audit arrangements.

4.11 The Firm again failed to respond. On 22 October 2024, the Authority re-issued the request under section 165 of the Act to the Firm's registered address. The Authority then received a "return to send" notification stating that the address held on file had been incorrect for 2.5 years.

<u>The Firm's outstanding fees and regulatory returns – Engagement 2025</u>

4.12 In addition to the Firm's repeated failure to provide relevant information to the Authority withing a reasonable period of time of being requested to do so, the Authority also identified that the Firm had outstanding late reporting fees for the period June to December 2024 and failed to submit relevant returns for the period between May and October 2024 and September 2023 to August 2024. On 13 February 2025, The Authority issued a letter before action setting out concerns that the Firm was failing to cooperate and appeared to be failing the Effective Supervision and Suitability Threshold Conditions. The Firm did not respond.

4.13 The Authority then commenced cancellation action. On 1 August 2025, it issued a Warning Notice proposing cancellation. The Firm did not respond by the deadline of 19 August 2025. On 29 August 2025 the Authority issued a Decision Notice.

4.14 On 26 September 2025, the Firm referred the Decision Notice to the Upper Tribunal. The Firm disputed the basis for the action and said, among other things, that it had paid the outstanding fees, submitted returns, and had not responded because of spam filtering and postal issues.

4.15 The proceedings were stayed until 17 April 2026. On that date, the Authority discontinued the cancellation action after the Firm submitted the outstanding returns and paid the overdue fees. The Authority made clear that wider supervisory concerns remained and that further action could be taken if appropriate.

Further engagement with the Firm re Business Plan - 2025

4.16 On 21 October 2025, the Authority issued a further section 165 request. It sought information about the Firm's current business plan, revenues, financial position, customers, referral volumes, DMP customers and related plan details.

4.17 On 4 November 2025, the Firm provided a business plan, financial forecasts, management accounts and information about onward customer referrals.

4.18 The Firm did not provide the requested customer numbers, referral volumes or a complete list of current DMP customers.

4.19 The Firm stated that Director B owned Company A and Company B and held a 25% interest in Company C, an insolvency firm focused on personal insolvency solutions, including IVAs.

4.20 The Authority was concerned that the Firm had not provided complete customer and referral information, particularly given Director B's interests in connected insolvency firms. After repeated attempts to obtain the missing information, the Authority held a call with the Firm on 21 November 2025.

4.21 During that call, the Firm said Director B had approached it in early 2025 about running a debt management business alongside his existing insolvency business. The Firm said customers would receive advice from the Firm before being directed to an appropriate solution.

4.22 Director A said she managed the Firm day to day, with Director B supporting in the background. Director A also said that a Change in Control application to the Authority had been discussed but had not progressed. As a result, the Authority remained unclear about whether Director B's role, financial interest or involvement in the Firm gave rise to regulatory concerns whether Director B exercised material influence over the Firm without his role, responsibilities and financial interest being clearly disclosed to, or assessed, by the Authority.

4.23 The Firm also said staff costs had increased because it had onboarded seven new staff, some of whom had previously worked at Company C. The Authority could not reconcile this explanation with the low level of activity otherwise reported by the

Firm, raising concerns that the Firm may have not provided a full and accurate account of its business, and that is governance, oversight and record keeping arrangements may be inadequate. The Authority also considered it significant that, alongside the lack of clarity over Director B's role, and his involvement in the Firm, that some of the new staff were from his prior from, Company C, which further indicated that he may have a more material influence in the operation of the Firm than he had indicated.

4.24 Director A said that its referral revenue, of approximately £175,000, mainly arose from IVA referrals and that the Firm intended to continue with that model until it could provide IVAs in-house. The Firm did not disclose that an insolvency practitioner had already been appointed; the Authority later confirmed this with the Insolvency Practitioners Association. The Authority considers the appointment of an insolvency practitioner to be significant as it indicated that the Firm was moving towards provide in-house IVA related services at a more advanced rate that Director A had suggested. This reinforced the Authority's concerns that the Firm was not providing a complete and accurate account of its current and intended business model, and whether any associated activity was being, or would be, carried on with appropriate permissions, governance, oversight and systems and controls.

4.25 On 5 December 2025, the Authority again requested complete DMP information. It also asked the Firm to explain the apparent inconsistency between 92 onward referrals and £311,894.44 in referral fees. The Firm provided unclear and inconsistent explanations.

4.26 The Authority told the Firm that its business model appeared to raise concerns under the rules restricting debt advice firms from receiving commission or referral fees from debt solution providers. The Authority also highlighted the risk of conflict between the Firm's commercial interests and customers' interests. Director A said she had not realised the Firm might be breaching the Authority's rules and intended to amend the business model.

4.27 The Authority also told the Firm that it would review customer files because of the risk of customer harm.

4.28 On 12 December 2025, the Authority sent the Firm a feedback letter setting out concerns about its business model, referral arrangements and compliance with the debt packager remuneration rules. The Authority invited the Firm to apply for a VREQ because the Firm appeared to be failing, or likely to fail, the Business Model, Effective Supervision and Appropriate Resources Threshold Conditions.

4.29 On 19 December 2025, the Firm responded that it would not apply for a VREQ.

4.30 On 19 December 2025, the Authority issued a section 165 information request for a complete customer list for the previous six months, breakdown of shareholder dividends paid in the last twelve months, advertising strategy promotions, payroll and staff list, referral partner contracts and fee arrangements and board composition and changes for the last 12 months.

2026

4.31 On 7 January 2026, the Authority told the Firm that its response had not addressed key concerns, including the ongoing risk of consumer harm. The Authority again invited the Firm to apply a VREQ and requested the outstanding information. On 8 January 2026, the Firm again declined to apply for a VREQ and said it should be given an opportunity to demonstrate improvements.

4.32 On 16 January 2026, the Firm provided a customer list and information about payroll, staffing and advertising. The advertising material showed a focus on IVAs and indicated that staff had largely been recruited around the time Director B joined the Firm. The Authority considered that this information was not clearly consistent with the Firm's previous account of when it began onboarding customers.

4.33 On 23 January 2026, the Firm requested more time to respond to the VREQ because further work was required on parts of its management accounts.

4.34 On 27 January 2026, the Firm maintained that it met the Threshold Conditions and that a VREQ was not justified or proportionate. The Firm stated that the prohibition on debt packager remuneration did not apply to it, because the revenue it received from in-house solutions was significant enough that it should be regarded as a debt solution provider, which made it exempt from the Authority's rules.[2]

4.35 The Firm informed the Authority that the increase in referral income between August and November 2025 was temporary and transitional, and that a greater proportion of revenue would come from in-house solutions over time. It acknowledged historic weaknesses in the quality, consistency and timeliness of information provided and accepted that improvement was needed in SMF3 and SMF16 capability and referred to planned governance changes, including the recruitment of a new SMF16 and future applications requiring the Authority's approval.

4.36 On 13 February 2026, the Authority issued a further section 165 request. It sought business and client bank statements, customer files, an interview with Director A.

4.37 The Authority also requested information about the Firm's engagement with Company D, as the introducer agreement appeared to require the Firm to notify Company D of regulatory concerns. The Authority requested this information in order to understand whether Company D had a material role in the Firm's referral arrangements or business model, and if so, whether Company D had been made aware of the Authority's concerns, and whether that relationship created additional governance, disclosure or consumer-risk related issues.

4.38 On 23 February 2026, the Authority told the Firm that one requested customer file had been omitted and raised concerns about the accuracy of the Firm's proposed communication to Company D. The Firm provided the missing file later that day.

4.39 During an interview with Director A, she said she had begun discussions with Director B in February 2025, before he joined the Firm. She said Director B brought insolvency and customer acquisition experience and several former Company C Insolvency Limited employees. She also said that she intended to leave the Firm and that a new SMF16 was being onboarded.

4.40 The Authority told Director A that documents and call recordings appeared to be missing from the six customer files. The updated management accounts also showed significant payments from Company E. Director A said those payments related to Director B selling a back book of IVAs and reinvesting the proceeds into the Firm as a director's loan.

4.41 On 27 February 2026, the Authority requested further information, including

[2] The FCA's prohibition on debt packager remuneration, at CONC 8.3.9, applies to firms which are not debt solution providers. A firm is treated as not itself providing debt solutions where it provides debt solutions on a single or occasional basis, and/or receives only an "insignificant" amount of its total annual revenue from providing debt solutions.

communications between the Firm, introducers and the six customers selected for review; documents relating to advice not to make SMF changes after Director B became a minority shareholder; documentation for Director B's director loans; and the Firm's assessment of its prudential position.

4.42 Following further correspondence about notifying Company D, Director B told the Authority that the Firm had ended its relationship with Company D and did not consider notification necessary. On 2 March 2026, the Authority asked for confirmation that the agreement had been terminated and for copies of relevant correspondence.

4.43 On 5 March 2026, the Firm said that its prudential resources update would be delayed because the relevant consulting firm was unavailable.

4.44 On 6 March 2026, the Authority told the Firm that it was concerned the Firm did not have readily available evidence that it met the prudential resource requirements and asked for that evidence as soon as possible.

4.45 On 16 March 2026, the Firm provided evidence that its agreement with Company D had been terminated on 3 March 2026, the day after the Authority had requested evidence. The Firm said the decision had already been implemented but was only recorded in writing after the Authority's request, and that a small number of cases were still being sent at the time. This raised concerns about the timing of the termination and whether the Firm had been transparent with the Authority when it stated that the relationship had been terminated.

4.46 On 20 March 2026, the Authority sent two letters. The first followed up the section 165 request issued on 13 February 2026, identified missing information and non-compliance, particularly in relation to customer files, and required a response by 27 March 2026 or a detailed explanation of why the Firm remained unable to comply.

4.47 The second letter was a new section 165 request, also due by 27 March 2026. It sought evidence of the Firm's compliance with the prudential resource requirements, formal documentation for the director's loan or an expected completion date, and invited Director B to a meeting on 1 April 2026.

4.48 The Firm responded to both letters on 27 March 2026. The Firm provided evidence of its prudential resource position, stating it was supported by a director's loan of £170,000. Formal documentation remained outstanding, and the amount differed from the £345,186 previously declared. In relation to missing customer file material, the Firm said its WhatsApp account had been suspended between 17 and 24 September 2025 after being reported as spam by loan related enquiries. It did not identify precisely what was missing or explain what analysis it had undertaken.

4.49 Because the customer files were incomplete, the Authority could conduct only partial assessments. The material provided referred to earlier telephone or WhatsApp conversations that had not been produced. In some cases, recorded calls appeared to confirm earlier unrecorded discussions. The Authority identified concerns suggesting potential bias towards commercially beneficial solutions, changes to income and expenditure assessments that did not appear to be customer-led, and coaching towards predetermined disposable income figures and away from other debt solutions.

4.50 On 1 April 2026, the Authority met Director B to discuss the Firm's previous responses and his role. The Authority raised significant concerns about governance, systems and controls, financial controls, limited formal documentation, inconsistencies in the customer onboarding account and the absence of an SMF3 application despite the Firm's reliance on Director B. The Authority made clear that customer harm remained the priority and that slow-moving remediation was not acceptable for an authorised firm.

4.51 The Authority queried the Firm's explanation that it had not begun onboarding customers until September 2025, as this did not align with other information the Authority had reviewed.

4.52 Director B said customers were onboarded and advised by Company C Limited before transitioning to the Firm in September 2025. This suggested that the Firm's trading name had been used to onboard customers to Company C, a separate firm not authorised by the Authority.

4.53 The Authority also highlighted payments between the Firm and Company C, including £14,000 received on 11 July 2025 under the description "Company C Cases". The Authority also queried payments from Company E, which Director B said related to the sale of IVA cases from Company C.

4.54 The Authority noted a discrepancy between a previously reported directors' loan balance of £345,186 and a later figure of approximately £170,000. Director B said he intended to write off the balance and did not expect repayment. The Authority considered that the absence of formal loan agreements, documented approvals and clear records for funds moving in and out of the Firm indicated poor governance.

4.55 The Authority was also concerned that, even in the absence of formal majority share ownership and any relevant assessment of suitability by the Authority, Director B may be able to exercise material influence over the Firm through financial arrangements, including director's loans, funding support and the potential waiver of debt. The absence of formal loan agreements, documented approvals and clear records of funds moving in and out of the Firm makes it difficult for the Authority to assess the extent of Director B's influence and whether the Firm's governance arrangements were sufficient to identify, manage and disclose that influence.

4.56 Director B acknowledged governance issues at the Firm. The Authority explained that this supported the need for a requirement preventing the Firm from taking on new business while it remediated those issues without exposing consumers to potential harm. The Authority also challenged the Firm's decision to pursue significant growth and advertising spend while governance, systems and controls remained underdeveloped.

4.57 Overall, the Firm's responses did not provide sufficient assurance. They were high-level, unsupported in material respects and did not clearly identify what information was complete, outstanding or unavailable, including in relation to customer journeys, intercompany payments and financial arrangements.

4.58 The Authority remained concerned that the Firm had not provided sufficient responses or adequate evidence. On 7 April 2026, it issued a further section 165 request seeking additional information.

4.59 The Authority reviewed the additional customer files and identified evidence that the Firm has engaged in coaching customers during fact-find and advice processes. In particular, call recordings show instances where customers were instructed to agree to statements without challenge, including in relation to their financial position and affordability.

4.60 Firm staff had sought to make calls outside the normal call recording systems, apparently to reverse-engineer income and expenditure assessments before repeating the pre-agreed assessment on a recorded line. In one transcript, a staff member said the assessment should be customer-led but acknowledged it had been "done back to front". The same staff member later coached the customer by saying, "when I read it back to you, don't challenge or change anything, just agree to it because it'll show that you've got a hundred pounds available".

4.61 The Authority considers that this behaviour appears designed to present customers as meeting eligibility criteria for IVAs, which commercially benefited the Firm, rather than to facilitate a fair and objective assessment of their circumstances. It also raises concerns about the authenticity and completeness of recorded calls and supporting evidence provided by the Firm.

4.62 The Authority considers that this may not be an isolated incident but reflective of a broader pattern of behaviour.

4.63 On 30 April 2026, the Authority sent a supervisory update letter and third invitation to apply for a VREQ, with a response deadline of 6 May 2026. The Authority said that its assessment of the Firm had developed, its concerns remained unresolved, the Firm was again invited to apply for a VREQ, and the Authority was considering whether own-initiative requirements were appropriate.

4.64 On 1 May, the Firm declined the VREQ invitation and provided updates on planned governance changes. It stated that there had been material changes in its governance and that Director C had accepted the role of SMF3 and SMF16 and would also become a 20% shareholder. It stated that Director C was an experienced director and compliance officer with experience in oversight of FCA-regulated activities. The Authority has not received any SMF applications and noted from its review of Companies House records that Director C resigned on 16 June 2026 (after being appointed on 8 June 2026).

4.65 The Firm also said Director B's SMF3 application was in progress, although it had previously said this would be completed by the end of Q1 and the Authority had not received it.

4.66 The Firm said it had begun reviewing the cases selected by the Authority to identify whether harm or detriment had occurred. It also said it was piloting a new quality assurance framework under which all new debt advice cases would undergo full quality assurance and management information would be maintained for all outcomes. The Firm stated that, under its 2026/2027 business model, it would retain most debt solutions in-house, including debt management plans, IVAs, Debt Arrangement Schemes, Debt Payment Programmes and Protected Trust Deeds, while continuing to refer Debt Relief Orders to Money Wellness. It said its prudential position would strengthen over 2026 as its portfolio of retained debt solutions grew.

4.67 Whilst the Firm indicated an intention to retain a greater proportion of its debt solutions in-house, the underlying commercial incentives to onboard customers into particular debt solutions remain. The Firm's revenue model is dependent on specific outcomes, whether through referral fees or the generation of ongoing revenue. The Authority considers that the Firm has not demonstrated that it can effectively manage the inherent conflict between its commercial interests and its obligation to meet the Authority's regulatory requirements.

5 CONCLUSION

5.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

Analysis of failings and risks

5.2 The Authority considers that the statutory test for imposing requirements under section 55L of the Act is met. The Firm appears to be failing, or is likely to fail, to satisfy the Threshold Conditions and the Requirements are desirable to secure an appropriate degree of protection for consumers.

5.3 The Authority considers that the identified customer coaching, together with the Firm's business model, gives rise to an ongoing and immediate risk that customers may be directed towards unsuitable debt solutions. In the absence of effective controls or evidenced remediation, the Authority is not satisfied that this risk can be adequately mitigated without the imposition of requirements.

5.4 The Threshold Conditions are the minimum that firms need to meet to be authorised and to continue carrying on regulated activities. Section 55L of the Act permits the Authority to impose requirements on a firm's Part 4A permission because the firm:

1) is failing, or is likely to fail, to satisfy the Effective Supervision Threshold Condition pursuant to paragraph 2C of Schedule 6 of the Act;

2) is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Condition pursuant to paragraph 2D of Schedule 6 to the Act;

3) is failing, or is likely to fail, to satisfy the Suitability Threshold Condition pursuant to paragraph 2E of Schedule 6 of the Act; and

4) is failing, or is likely to fail, to satisfy the Business Model Threshold Condition pursuant to paragraph 2F of Schedule 6 of the Act.

5.5 The Authority's concerns arise from four related matters:

1) the Firm's repeated failure to provide complete and accurate information;

2) its inability to evidence compliant customer journeys and maintain adequate records;

3) weaknesses in governance, systems and controls; and

4) apparent active coaching of customers to provide responses designed to meet eligibility criteria for IVAs.

5.6 The Authority considers that this conduct gives rise to a material risk of consumer harm. In particular, where customers are coached in their responses, there is a risk that affordability assessments are distorted and that customers are directed towards debt solutions, including IVAs, which may not be suitable for their individual circumstances. Further, such conduct undermines customers' ability to make informed decisions and limits the Authority's ability to rely on the Firm's records as an accurate reflection of the advice process.

5.7 The Authority considers that the Firm is failing, or likely to fail, to meet the Effective Supervision Threshold Condition because:

1) The Firm has repeatedly failed to provide complete, accurate and timely information, including in response to requirements imposed under section 165 of the Act. It has also acknowledged that some information previously provided was inaccurate. This has impeded the Authority's ability to assess the Firm's activities, governance, systems and controls, financial position

and customer outcomes.

2) The Firm responded late or incompletely to information requests issued on 7 February 2024, 22 October 2024, 21 October 2025, 19 December 2025, 13 February 2026, 20 March 2026 and 7 April 2026.

3) The Authority invited the Firm to apply for a VREQ on 12 December 2025, 7 January 2026 and 30 April 2026. The Firm declined each invitation. As a result, risks to consumers remain unmitigated.

4) The Firm has not evidenced complete, end-to-end customer journeys. It has not produced complete records for requested customer files, including full call recordings, messages and advice documents. It has also not clearly explained the gaps in those records or how they will be remediated.

5) The Authority is also concerned that customers who engaged through the Firm's trading style, between April and August 2025 were serviced by Company C, an unregulated firm connected to Director B. This was not disclosed clearly at the outset and emerged only after repeated supervisory challenge.

6) The Firm's responses to file review requests between February and April 2026 remained incomplete. The Firm identified missing recordings, omitted requested material, confirmed that some documents and advice letters were unavailable, and later said that some WhatsApp messages could not be retrieved. It has not provided a clear reconciliation of the missing material, evidence that it identified these issues through its own controls, or a structured remediation plan.

7) In light of those incomplete and inconsistent responses, the Authority cannot be satisfied that the Firm's record-keeping systems operate effectively or that customers have consistently received appropriate advice, disclosure and communications.

8) The Authority further considers that the identified coaching undermines the reliability of the Firm's books and records, including call recordings relied upon to evidence compliance. Where customer responses are influenced or directed, such records cannot be relied upon as an accurate representation of the advice process.

5.8 The Authority considers that the Firm is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Condition because:

1) The Firm has not demonstrated that it has effective systems and controls to ensure reliable record-keeping, oversight and compliance. It has relied on proposed improvements, including a quality assurance framework and management information changes, but has provided limited evidence that remediation has been implemented and is effective.

2) These deficiencies increase the risk of consumer harm and the potential need for remediation or redress. They are evidenced by shifting explanations for missing information, inconsistent prudential figures and limited evidence of effective remediation.

3) The Firm's governance arrangements remain transitional and depend on proposed future SMF appointments rather than evidenced current oversight. The Authority remains concerned that proposed governance

changes have not been progressed with sufficient urgency and that weaknesses in oversight and prudential documentation remain unresolved.

5.9 The Authority considers that the Firm is failing, or is likely to fail, to satisfy the Suitability Threshold Condition. The Firm's pattern of incomplete, inconsistent and inaccurate disclosures, together with evidence suggesting circumvention of controls, raises concerns about whether it conducts its business with integrity and can be supervised effectively.

5.10 The Authority's concerns arise from the Firm's pattern of incomplete, inconsistent and inaccurate information, and from its failure to maintain and provide reliable records of customer interactions and business activities. The evidence also suggests that staff may have circumvented controls designed to ensure regulatory compliance. These matters call into question the integrity of the Firm's conduct and the reliability of information provided to the Authority.

5.11 The Authority is also concerned that the Firm has not been forthcoming in identifying or explaining deficiencies in its records and has required repeated challenge before gaps were identified. This raises concerns about whether the Firm has been open and co-operative with the Authority.

5.12 The Authority is concerned that the Firm's business model may incentivise behaviour that is not aligned with the provision of compliant debt advice. Evidence of customer coaching, including instructing customers to agree to affordability statements, indicates that customer interactions may be shaped to achieve particular outcomes, namely progression into IVAs or other debt solutions from which the Firm derives commercial benefit.

5.13 The Authority considers that this conduct is consistent with a business model that prioritises commercial outcomes over the provision of impartial advice and creates a material risk that customers are directed towards unsuitable debt solutions.

5.14 These matters further undermine confidence in the Firm's governance, controls and transparency with the Authority. They also increase the risk that consumer harm may be occurring and remain undetected.

5.15 The Authority considers that the Firm is failing, or is likely to fail, to satisfy the Business Model Threshold Condition. The available evidence indicates a risk that customer outcomes are influenced by the Firm's commercial interests rather than customers' needs. The Firm has not demonstrated that its referral pathways, remuneration arrangements and customer journeys are transparent, appropriately governed and consistent with customers' interests.

5.16 This concern is reinforced by inconsistencies in the customer journey, including the use of the trading name, the role of Company C and the absence of a clear explanation of who advised customers and on what basis.

5.17 Although the Firm disputes that it is a debt packager, it has not evidenced ongoing compliance with the relevant rules. The Authority remains concerned that conflicts between the Firm's commercial incentives and customers' interests create an undue risk of non-compliant debt advice.

5.18 The Authority is also concerned that customers may have been misled where the Firm's trading style was used to onboard them to Company C. The Firm has not proposed any adequate harm assessment or remediation for affected customers.

5.19 The Authority is further concerned that the Firm's need to generate revenue may have conflicted with its obligation to provide advice in customers' best interests. That concern is strengthened by evidence of product bias, customer coaching and the prioritisation of referral or in-house solution revenue.

5.20 Taken together, the Authority considers that the Firm's practices, including the coaching of customers during the advice process, and the high volume of debt solution outcomes which have a commercial incentive, call into question whether the Firm is capable of providing advice that is compliant with regulatory requirements or delivering appropriate outcomes for consumers. The Authority therefore considers that the Firm is failing, or is likely to fail, to satisfy the Threshold Conditions.

The Authority's operational objective of consumer protection

5.21 The Authority's operational objective of consumer protection requires the Authority to ensure an appropriate degree of protection for consumers (section 1C(1) of the Act). The Authority has identified concerns about the Firm's treatment of customers and its failure to provide key information and records about its business model, customers and referral arrangements. This creates an unacceptable risk to customers, particularly given the likely vulnerability of many of the Firm's customers.

5.22 On the basis of the facts and matters set out, it appears to the Authority that it is also desirable to exercise the power under section 55J(1)(c)(i) of the Act in order to advance the consumer protection objective.

5.23 The Authority has concluded, in light of the matters set out above, that it is necessary to exercise its own-initiative power under section 55L(3)(a) of the Act by imposing the Requirements to stop the Firm conducting regulated activities in order to protect the interests of consumers.

5.24 The Authority considers that the Requirements are a proportionate and appropriate means to address the current and immediate risks and are desirable in order to advance the Authority's operational objective of consumer protection.

Timing and duration of the Requirements

5.25 It is necessary to impose the Requirements to take immediate effect given the seriousness of the risks and the need to protect consumers.

5.26 The Authority considers that the Requirements should remain in force until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

6 PROCEDURAL MATTERS

Decision-maker

6.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.5.7 and DEPP 2.5.7B.

6.2 This First Supervisory Notice is given under section 55Y(4) and in accordance with section 55Y(5) of the Act.

6.3 The following statutory rights are important.

Representations

6.4 The Firm has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). The Firm may also request to make oral representations, but the Authority will only consider this in exceptional circumstances according to DEPP 2.3.1AG. The deadline for providing written representations and notifying the Authority that the Firm wishes to make oral representations is **16 July 2026** or such later date as may be permitted by the Authority. Any notification or representations should be sent to the Executive Decision-Making Secretariat (EDMcaseinbox@fca.org.uk).

The Tribunal

6.5 The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. The Tax and Chancery Chamber is part of the Tribunal which, amongst other things, hears references arising from decisions of the Authority. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the Firm has until **30 July 2026** to refer the matter to the Tribunal.

6.6 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of the Firm and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: uttc@hmcts.gsi.gov.uk).

6.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website: http://www.justice.gov.uk/forms/hmcts/tax-and-chancery-upper-tribunal

6.8 The Firm should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to the Executive Decision-Making Secretariat (EDMcaseinbox@fca.org.uk).

Confidentiality and publicity

6.9 The Firm should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).

6.10 The Firm should note that section 391(5) of the Act requires the Authority, when the First Supervisory Notice takes effect, to publish such information about the matter to which the notice relates as it considers appropriate.

Authority contacts

6.11 Any questions regarding this matter generally or the executive procedures decision-making process should be directed to the Executive Decision-Making Secretariat (EDMcaseinbox@fca.org.uk).

Decision made under executive procedures

Head of Department, Supervision, Policy and Competition

Annex

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1B of the Act include securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

2. Section 55L of the Act allows the Authority to impose a new requirement on an authorised person if it appears to the Authority that the authorised person is failing, or likely to fail to satisfy the Threshold Conditions (section 55L(2)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55L(2)(c)).

3. Section 55N of the Act allows a requirement to be imposed under section 55L of the Act so as to require the person concerned to take specified action (section 55N(1)(a)), or to refrain from taking specified action (section 55N(1)(b)).

4. Section 55P of the Act allows a requirement to be imposed under section 55L of the Act prohibiting the disposal of, or other dealing with, any of an authorised person's assets (whether in the UK or elsewhere), or restricting such disposals or dealings.

5. Section 55Y(3) of the Act allows a requirement to take effect immediately (or on a specified date) if the Authority, having regard to the ground on which it is exercising its own-initiative power, reasonably considers that it is necessary for the requirement to take effect immediately (or on that date).

6. Section 391 of the Act provides that:

   "[…]

   (5) When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.
   (6) But the Authority may not publish information under this section if in its opinion, publication of the information would, be unfair to the person with respect to whom the action was taken or proposed to be taken [or] prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
   (7) Information is to be published under this section in such manner as the Authority considers appropriate."

RELEVANT REGULATORY PROVISIONS

<u>The Supervision Manual</u>

7. The Authority's approach in relation to its own-initiative powers is set out in Chapter 6B of the Supervision Manual ("SUP"), certain provisions of which are summarised below.

8. SUP 6B.1.1 reflects the provisions of section 55L of the Act by stating that the Authority may use its own-initiative power to impose requirements on an authorised person where, amongst other factors, the person is failing or is likely to fail to satisfy the threshold conditions for which the Authority is responsible (SUP 6B.1.1(1)), or it is desirable to exercise the power in order to advance one or more of its operational objectives (SUP 6B.1.1(3)).

9. SUP 6B.2.1 states that when the Authority considers how it should deal with a concern about a firm, it will have regard to its statutory objectives and the range of regulatory tools that are available to it. It will also have regard to the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve (SUP 6B.2.1(2)).

10. SUP 6B.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the Authority may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the Authority will seek to agree with a firm those steps the firm must take to address the Authority's concerns. However, where the Authority considers it appropriate to do so, it will exercise its formal powers under section 55L of the Act to impose a requirement to ensure such requirements are met. This may include where, amongst other factors, the Authority has serious concerns about a firm, or about the way its business is being or has been conducted (SUP 6B.2.3(1)) or is concerned that the consequences of a firm not taking the desired steps may be serious (SUP 6B.2.3(2)).

11. SUP 6B.3.1 states that the Authority may impose a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.

12. SUP 6B.3.2 states that the Authority will consider exercising its own-initiative power where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.

13. SUP 6B.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include one or more of four listed characteristics, these include: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; 2) information indicating that a firm's conduct has put it at risk of being used for the purposes of financial crime, or of being otherwise involved in crime; 3) evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations; 4) circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the threshold conditions.

14. SUP 6B.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-exhaustive list of factors the Authority may consider, these include:

(1) The extent of any loss, or risk of loss, or other adverse effect on consumers. The more serious the loss or potential loss or other adverse effect, the more likely it is that the FCA's exercise of own-initiative powers will be appropriate, to protect the consumers' interests.

(3) The nature and extent of any false or inaccurate information provided by the firm. Whether false or inaccurate information warrants the FCA's exercise of its own-initiative powers will depend on matters such as:

(a) the impact of the information on the FCA's view of the firm's compliance with the regulatory requirements to which it is subject, the

firm's suitability to conduct regulated activities, or the likelihood that the firm's business may be being used in connection with financial crime;

(b) whether the information appears to have been provided in an attempt knowingly to mislead the FCA, rather than through inadvertence;

(c) whether the matters to which false or inaccurate information relates indicate there is a risk to customer assets or to the other interests of the firm's actual or potential customers.

(4) The seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct that breach.

… …

(8) The firm's conduct. The FCA will take into account:

(a) whether the firm identified the issue (and if so whether this was by chance or as a result of the firm's normal controls and monitoring);

(b) whether the firm brought the issue promptly to the FCA's attention;

(c) the firm's past history, management ethos and compliance culture;

(d) steps that the firm has taken or is taking to address the issue.

15. SUP 6B.3.4(9) includes the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers. The Authority will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives.

<u>The Threshold Conditions</u>

16. The section of the Handbook entitled "Threshold Conditions" (COND) gives guidance on threshold conditions. COND 1.2.3G provides that the Authority may exercise its own-initiative powers under section 55L and/or section 55J of the Act if, among other things, a firm is failing to satisfy any of the Threshold Conditions or is likely to do so.

17. COND 1.3.2G states that the Authority will consider whether a firm satisfies, and will continue to satisfy, the Threshold Conditions in the context of the size, nature, scale and complexity of the business which the firm carries on or will carry on if the relevant application is granted.

7.COND 2.3.1A (para 2C, Sch. 6) states that the firm:

(1) […] *must be capable of being effectively supervised by the FCA having regard to all the circumstances including – […]*
(c) The way in which the firm's business is organised; […]
(f) If the Firm has close links with another person (CL)-
(i) the nature of the relationship between the Firm and CL;
(ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of the Firm; […]

18. COND 2.3.3G states that in assessing the Threshold Conditions set out in paragraphs 2C and 3B of Schedule 6 to the Act (which includes the Effective Supervision Threshold Condition), factors which the FCA will take into consideration include, among other things, whether:

(1) it is likely that the FCA will receive adequate information from the firm, and those persons with whom the firm has close links, to enable it to determine whether the firm is complying with the requirements and standards under the regulatory system for which the FCA 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 FCA; […]

19. COND 2.4.1A (para 2D, Sch. 6 of the Act) states that:

(1) The resources of [a firm] *must be appropriate in relation to the regulated activities that it carries on or seeks to carry on.*

(2) The matters which are relevant in determining whether the firm has appropriate resources include: […]

(a) *the nature and scale of the business carried on, or to be carried on by* [a firm];

(b) *the risks to the continuity of the services provided by, or to be provided by* [a firm].

(3) Financial resources – […] The matters which are relevant in determining whether the firm has appropriate financial resources include:

(a) the provision [the firm] *makes and, if* [the firm] *is a member of a group, which other members of the group make, in respect of liabilities; and*

(b) the means by which [the firm] *manages and, if* [the firm] *is a member of a group, by which other members of the group manage, the incidence of risk in connection with* [the firm]*'s business*

20. COND 2.5.1A states:

(1) A must be a fit and proper person having regard to all the circumstances, including

(c) the need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;

(d) whether A has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where A has so complied or is so complying, the manner of that compliance;

(e) whether those who manage A's affairs have adequate skills and experience and act with probity;

21. COND 2.5.6G states that the FCA may have regard to include, but are not limited to, whether:

(1) the firm has been open and co-operative in all its dealings with the FCA 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 FCA 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 […]

22. COND 2.7.1 (paragraph 2F to Schedule 6 of the Act) states

(1) A business model must be suitable for a person carrying on regulated activities that A carries on or seeks to carry on.

(2) The matters which are relevant in determining whether A satisfies the condition in sub-paragraph (1) include-

(a) whether the business model is compatible with A's affairs being conducted, and continuing to be conducted, in a sound and prudent manner;

(b) the interests of consumers;

(c) the integrity of the UK financial system.