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FIRST SUPERVISORY NOTICE

To: Currency Matters Limited

Reference Number: 537841

Address: Glenbourne House, 59/63 Burscough Street, Ormskirk,
Lancashire, L39 2EL

Date: 1 September 2025

1 ACTION

1.1 For the reasons given in this First Supervisory Notice, and pursuant to regulation 12(1) of the Payment Services Regulations 2017 ("the PSR"), the Financial Conduct Authority ("the Authority") has decided to vary the authorisation granted to Currency Matters Limited ("the Firm") pursuant to Part 2 of the PSR by imposing the following requirements ("the Requirements") on the Firm with immediate effect.

Restriction on payment services

- 1) The Firm must not, without the prior written consent of the Authority:
 - a. register and/or onboard any new customers;
 - b. accept any additional funds or account credits from any existing customers.

Assets requirement

- 2) The Firm must not, without the prior written consent of the Authority, in any way dispose of, withdraw, transfer, deal with or diminish the value of any funds held in its company or client accounts.
- 3) The assets restriction at paragraph 2 does not apply to:
 - a. transactions which are necessary to give effect to instructions initiated by customers of the Firm;
 - b. monetary payments or the disposal of assets made by the Firm in the ordinary course of business, amounting to no more than £5,000 whether as a single transaction or a combination of related transactions; or
 - c. usual and proper salary payments made by the Firm (and which had been agreed prior to the imposition of the Requirements).
- 4) For the purposes of paragraph 3, the following payments would not be regarded as payments made in the ordinary course of business:
 - a. Payments of unusual or significant amounts to the Firm's controllers, shareholders, directors, officers, employees or any connected persons (whether as a single transaction or a combination of related transactions);
 - b. The making of any capital distribution or payment of any dividend;
 - c. The making of any gift or loan by the Firm to any party;
- 5) Payments made as part of any financial restructuring or reorganisation of its business, or from the sale of any part of the Firm's business (whether share or asset based).
- 6) The Firm must ensure that all relevant funds are appropriately ringfenced in a designated safeguarding account(s). For the avoidance of doubt, if this requires a transfer between accounts, this must be done with the prior written consent of the Authority.

Notification and reporting requirements

- 7) The Firm must by 12pm on 5 September 2025 notify in writing all customers, banking partners, payment services providers or any relevant person of the imposition and effect of these Requirements in a form to be agreed in advance with the Authority. The wording of this communication and the method of delivery must be agreed in advance with the Authority.
- 8) By 12pm on 5 September 2025, the Firm must:
 - a. Ensure that a prominent notice is displayed on the front page of its website, and any website that it controls, in terms, font and size to be agreed with the Authority, outlining the effect of the Requirements and providing a link to the relevant website and entry in the Financial Services Register relating to the Firm where the terms of those Requirements will appear.
 - b. Ensure that, when any client of the Firm enters login details to access an account, a prominent notice is immediately displayed to the client, in terms, font and size to be agreed with the Authority, outlining the effect of the

Requirements and providing a link to the relevant website address of the entry in the Financial Services Register relating to the Firm, where the terms of these Requirements will appear.

- 9) Within 24 hours of the notifications at Requirements 6 and 7 being made, the Firm must provide the Authority with:
 - a. copies of the template notification sent to all recipients; and
 - b. confirmation that, to the best of its knowledge, the Firm has sent notifications pursuant to the Requirements 6 and 7.
- 10) The Firm shall send to the Authority via email by 12 noon every Friday, beginning on 5 September 2025 until such time as it is notified otherwise in writing by the Authority up-to-date bank statements for all the Firm's bank, payments or electronic money accounts.

Secure records

- 11) The Firm must secure all books and records, preserve information and systems, and must retain such records in a form and at a location within the UK, to be notified to the Authority in writing no later than seven days after the coming into force of these Requirements, such that they can be provided to the Authority, or to a person named by the Authority, promptly on its request.
- 12) By 12pm on 8 September 2025 the Firm must provide written confirmation to the Authority that it is in compliance with the Requirements.
- 13) 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 it is necessary to vary the Firm's authorisation by imposing the Requirements because it appears that:
 - a) pursuant to regulation 12(1)(a) of the PSR the Firm no longer meets, or it is unlikely to meet, the conditions for authorisation under regulation 6(4) to (9) of the PSR, the requirement in regulation 22(1) of the PSR to maintain own funds, and the requirement to inform the FCA of a major change in circumstances which is relevant to its meeting those conditions or that requirement, as required by regulation 37 of the PSR; and
 - b) it is desirable in order to protect the interests of consumers pursuant to regulation 12(1)(d) of the PSR.
- 2.2 The Authority has identified serious concerns about the Firm including that it appears that the Firm may not have:
 - a) robust governance arrangements for its payment service business, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility (regulation 6(6)(a) of the PSR);

- b) effective procedures to identify, manage, monitor and report any risks to which it might be exposed (regulation 6(6)(b) of the PSR); or
- c) adequate internal risk control mechanisms, including sound administrative, risk management, and accounting procedures (regulation 6(6)(c) of the PSR),

which are comprehensive and proportionate to the nature, scale and complexity of the payment services to be provided by the Firm.

2.3 The Authority has also identified serious concerns that;

- a) the Firm may not have taken adequate measures for the purposes of safeguarding payment services users' funds in accordance with regulation 23 (safeguarding requirements) (regulation 6(7)(d), PSR);
- b) the Firm no longer meets, or is unlikely to continue to meet the requirement in regulation 22(1) (capital requirements) to maintain own funds; and
- c) the Firm has not been open and cooperative with the Authority in accordance with Principle 11 of the Authority's Principles for Businesses and those responsible for managing it appear to have failed to inform the Authority of a major change in circumstance as required by regulation 37 of the PSR.

2.4 The 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).

3 DEFINITIONS

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

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

"Authority" means the Financial Conduct Authority;

"the FOS" means the Financial Ombudsman Service;

"the Firm" means Currency Matters Limited;

"Firm A" means the payment services provider engaged by the Firm;

"Firm B" means an authorised firm which the Firm says it engaged to safeguard Relevant funds;

"Firm C" means an authorised firm which the Firm says it engaged to safeguard Relevant funds;

"Firm D" means an authorised payments institution with which the Firm held an account;

"PSR" means the Payment Services Regulations 2017;

"Relevant funds" has the meaning given to it by Regulation 23 of the PSR;

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

“Individual A” means an individual at the Firm; and

“Tribunal” means the Upper Tribunal (Tax and Chancery Chamber).

4 FACTS AND MATTERS

Background

4.1 The Firm was incorporated on 13 June 2002 and authorised on 1 April 2011 as an Authorised Payment Institution. It has permissions to issue and/or acquire payment instruments and to carry on money remittance.

4.2 The Firm provides services such as facilitating international payments and associated currency conversion for corporate and private clients. The Firm also holds a passport that enables it to provide financial products or services, set up a base, or carry on its permitted activities in Gibraltar.

Failings and risks identified

4.3 On 1 April 2025, the Authority sought information from the Firm in relation to, among other things, its prudential position and safeguarding arrangements, and sought an explanation for the Firm’s overdue regulatory returns. The Authority requested that the information be provided by the close of business on 8 April 2025.

4.4 On 7 April 2025, the Firm sought an extension to provide the information by close of business on 11 April 2025. The Authority accepted the Firm’s request for an extension.

4.5 The Firm did not respond to the information request by 11 April 2025, and so on 15 April 2025, the Authority sent an email to the Firm to follow up and ask for an update. The Firm failed to provide the relevant information, but instead requested a telephone call, stating that *“It may be easier to go through things verbally first and then clarify in writing afterwards”*.

4.6 On 17 April 2025, the Authority held a telephone call with the Firm. The Firm explained that it had been offboarded by its payment services provider, Firm A, because of a dispute over unpaid fees. The Firm explained that Firm A held approximately £2m of the Firm’s and its clients’ funds (in separate accounts), and the Firm no longer had access to those funds. The Firm also said that Firm A had told the Firm that it would not return funds to the Firm but would instead return funds to the Firm’s clients. The Firm confirmed that it would provide a response to the information request by 25 April 2025.

4.7 Following the telephone call, the Authority sent an information requirement to the Firm pursuant to section 165 of the Act requiring the Firm to provide the information requested in our email dated 1 April 2025 (“First Information Requirement”). The Authority requested that the information be provided by 10am on 25 April 2025.

4.8 On 24 April 2025, the Firm sent an email to the Authority noting that it had overlooked the 10am deadline in the First Information Requirement and sought an extension to provide the information by 6pm on 25 April 2025. The Authority refused the request for an extension on the basis that the deadline was made clear in the information requirement and the Authority had first sought the information from the Firm on 1 April 2025.

4.9 On 25 April 2025, the Firm provided some of the information requested within the

First Information Requirement, including an overview of the Firm's business model, wind-down plan, safeguarding policies and letters confirming with whom the Firm holds safeguarding accounts with. However, the Firm failed to provide a significant portion of the requested information, including information on the Firm's capital and liquidity position, the total value of safeguarded funds, a safeguarding reconciliation with supporting bank statements, and information relating to the Firm A offboarding.

- 4.10 On 28 April 2025, the Authority sent an email to the Firm asking when the outstanding information would be provided. The Firm responded on 28 April 2025 stating that it had sought information from Firm A and stated that it was *"aware there have been movements on the accounts that unfortunately we have no visibility [of]"*. The Firm confirmed that the *"prudential information and safeguarding details will be with you today."* The Firm did not provide the information regarding its prudential position and safeguarding arrangements on that day.
- 4.11 On 1 May 2025, the Firm sent an email to the Authority stating that it had received further information from Firm A, though the Firm did not provide this information in its email. The Firm also confirmed that it would provide the Authority with all outstanding information by 2 May 2025. The Firm failed to provide the information by 2 May 2025.
- 4.12 Between 8 May 2025 to 15 June 2025, the Authority sent the Firm 7 further emails requesting the outstanding information concerning the Firm's prudential position and safeguarding arrangements. During this time, the Firm explained that it could not provide the information immediately because it was waiting for the information from Firm A and was busy dealing with queries from the FOS.
- 4.13 On 16 June 2025 the Authority held a telephone call with the Firm and explained that it would be providing the Firm with feedback outlining its concerns. Following the telephone call, the Authority sent the Firm a feedback letter ("June Feedback Letter"). In view of the serious concerns, the Authority invited the Firm to consider signing a voluntary undertaking to restrict the Firm's payment services activities until it had satisfactorily addressed the concerns. The Authority requested a response to the June Feedback Letter by 19 June 2025. The Firm did not meet this deadline. The Authority sent further emails to the Firm on 20 and 24 June 2025, to follow up with the Firm.
- 4.14 On 24 June 2025, the Firm sent the Authority an email providing a safeguarding reconciliation for the week commencing 9 June 2025 and a draft FSA056 (Capital Adequacy) regulatory return to confirm the Firm's capital position. The Firm confirmed that the remaining outstanding information would be provided on 30 June 2025. The Firm explained that it had been delayed in responding to the First Information Requirement *"due to significant issues that the Directors are investigating, which have arisen from discussions with [Firm A]"*. The Firm stated *"As a result of the information received [from Firm A], it would appear that the information being provided to the Directors, by [Individual A] ... has not been accurate or up to date. This has been reinforced by the information discovered in the Individual A's correspondence, including the emails received from the FCA. It has also, now become apparent, from your correspondence, that the requisite FCA reports have not been submitted. In view of the Directors' concerns, the Individual A was suspended last week. As a consequence, the Directors are undertaking a full review of the company's finances and correspondence in order to accurately ascertain the exact current position"*.
- 4.15 On 30 June 2025, the Firm provided the outstanding information listed in the First

Information Requirement dated 17 April 2025. The Firm's responses included a balance sheet as at 27 June 2025, a profit and loss statement for the period 1 January 2025 to 27 June 2025, and financial forecasts including, cashflow forecasts to Q2 2026. The Firm also confirmed the value of its safeguarded funds.

- 4.16 The Authority reviewed the information provided by the Firm on 30 June 2025. On 3 July 2025 the Authority sent the Firm an email requesting evidence of the Firm's liquidity resources and further information on the Firm's safeguarding arrangements. On 9 July 2025, the Firm responded to the Authority's request for information. The Firm did not provide bank statements to evidence its liquidity position or a copy of the Firm's most recent safeguarding audit as requested.
- 4.17 On 17 July 2025, the Authority held a telephone call with the Firm and discussed the Firm's current position with Firm A and other ongoing matters. The Firm stated that it had not received a substantive update from Firm A, and that it was not aware of any shortfall in relation to its capital requirements and safeguarded funds.
- 4.18 Following the telephone call with the Firm on 17 July 2025, the Authority sent a further information requirement ("Second Information Requirement") to the Firm under section 165 of the Act. Among other things, the Firm was required to provide copies of bank statements to evidence the Firm's liquidity position, a safeguarding reconciliation covering the week commencing 14 July 2025 and information concerning the Firm's balance sheet by 22 July 2025.
- 4.19 On 22 July 2025, the Firm provided its response to the Second Information Requirement. In its response, the Firm included an email chain between the Firm and Firm A from 13 June 2025 and 3 July 2025, in which the Firm raised with Firm A concerns about a large number of transactions being made to an unrecognised beneficiary. On 19 June 2025 the Firm expressed concerns that "*this is looking very much like fraud/embezzlement.*"
- 4.20 The Authority has serious concerns that the Firm did not raise the matters referred to in paragraph 4.19 above with the Authority during the telephone call with the Firm on 17 July 2025. In view of the matters the Firm was investigating with Firm A at paragraph 4.19 above, the Firm's statement that it was not aware of any shortfall in relation to its capital requirements and safeguarded funds (referred to at paragraph 4.17 above) does not appear to be an accurate statement.
- 4.21 On 29 July 2025, the Authority sent a further feedback letter ("July Feedback Letter") to the Firm, outlining its serious concerns that:
- a) the Firm's prudential position and safeguarding arrangements appeared to be wholly inadequate, the Firm may be unable to pay its liabilities as they fall due, and the Firm posed a risk of serious harm to its customers; and
 - b) those responsible for managing the Firm appear to have failed without reasonable excuse to provide complete and accurate responses to information requirements and have failed to notify the Authority of a significant change in circumstances relevant to the Firm's ability to meet the Conditions for Authorisation, namely a suspected misappropriation of funds by the Individual A, as required by regulation 37 of the PSR.
- 4.22 In the July Feedback Letter, the Authority invited the Firm to sign a Voluntary Application for the Imposition of Requirements ("VREQ"). The Authority requested a response to the July Feedback Letter and VREQ by 31 July 2025. On 30 July 2025, the Firm sent the Authority an email to request an extension to the deadline for providing a response to the July Feedback Letter. The Authority extended the

deadline for a response to 7 August 2025.

- 4.23 On 30 July 2025, the Firm submitted its capital adequacy regulatory return (FSA056) for the period of 1 July 2024 to 30 June 2025, which included information about the Firm's safeguarding of Relevant funds. The regulatory return was submitted from the account of Individual A. As set out at paragraph 4.14 above, the Firm had informed the Authority that Individual A had been suspended owing to concerns that Individual A had provided the directors with inaccurate and out-of-date information.
- 4.24 On 7 August 2025, the Firm informed the Authority that it had instructed a solicitor to assist with its discussions with the Authority. The Firm's solicitor then requested an extension to respond to the VREQ early in the week commencing 17 August 2025, noting that he was currently away on annual leave. The Authority granted the extension and asked the Firm to explain why Individual A's credentials had been used to submit the capital adequacy regulatory return on 30 July 2025 in view of his suspension.
- 4.25 On 11 August 2025, the Firm's solicitor sent an email to the Authority to explain that Individual A accessed the Connect portal at the Firm's offices under the supervision of the directors to lodge the regulatory return. The Firm's solicitor asked the Authority to notify him if Individual A attempted to log in to Connect on a further occasion. The Firm's solicitor also stated that his clients suspected that they may have *"uncovered a fraud and are doing their best to understand the full nature and extent of it. I want to be able to speak to them about their director / regulatory obligations. I will look to involve an insolvency practitioner..."*
- 4.26 On 13 August 2025, the Authority emailed the Firm and its solicitor seeking an update on whether the Firm has received any insolvency advice. The Authority requested for the Firm to respond to the July Feedback Letter by the close of business on 20 August 2025.
- 4.27 On 19 August 2025, the Authority sent an email to the Firm and its solicitor, asking for a response to the 13 August 2025 email. On 19 August 2025, the Firm's solicitor responded to the Authority's email and stated that a response would be provided on 20 August 2025.
- 4.28 On 21 August 2025, the Authority sent an email to the Firm requesting a telephone call to discuss the Authority's concerns, since the Firm had not provided its response by the agreed deadline. The Authority held a telephone call with the Firm and its solicitor on 21 August 2025. In this call the Firm informed the Authority that that:
- a) the Firm had consulted with an Insolvency Practitioner;
 - b) the Firm was insolvent because of the alleged misappropriation of funds and that the Firm does not hold sufficient liquidity to meet customer liabilities;
 - c) the Firm's solicitor was drafting an application for an interim injunction to impose a freezing order on the individual responsible for the alleged misappropriation of funds;
 - d) Individual A had been invited to a disciplinary hearing; and
 - e) the Firm and its solicitor would respond to the July Feedback Letter by close of business on 21 August 2025.
- 4.29 On 21 August 2025, the Firm's solicitor responded to the July Feedback Letter. In

its response, the Firm's solicitor stated that:

- a) The Firm acknowledged the seriousness of the situation and confirmed that the deficit in the Firm's accounts was caused by an alleged misappropriation of funds;
- b) The Firm was not prepared to sign the VREQ because the proposed restrictions would cause the Firm to fail. The Firm relies almost entirely on new business, without which the Firm would become insolvent;
- c) The Firm intended to apply for a freezing injunction to recover the allegedly misappropriated funds in the next few days. The Firm acknowledged that while an Insolvency Practitioner could recover the allegedly misappropriated funds, this would have significant extra costs; and
- d) The Firm would only be prepared to sign a VREQ which would enable the Firm to pursue the civil recovery of the allegedly misappropriated funds.

4.30 On 22 August 2025, the Firm shared with the Authority a report from a third party the Firm had commissioned to investigate the alleged misappropriation of funds.

4.31 On 22 August 2025, the Authority responded to the Firm, explaining that the proposal was unacceptable as it would effectively allow the Firm to take on new business while knowing it lacked sufficient funds to meet existing customer liabilities, thereby increasing potential harm. The Authority also informed the Firm that it was considering next steps, which may include the Authority taking action of its own initiative.

4.32 On 26 August 2025, the Firm's solicitor wrote to the Authority and reiterated that the requirements imposed within the July Feedback Letter would not enable the Firm to recover its funds. The Authority responded to the Firm, confirming that the Authority's position set out in its email dated 22 August 2025 had not changed.

4.33 On 27 August 2025, the Firm's solicitor sent an email to the Authority stating that *"If my client is unable to trade (even to process orders under supervision), there [sic] business will run out of trading cashflow quickly. Is there something which could be done to allow controlled trading, so that the freezing application can be made"*. On 27 August 2025, the Authority responded to the Firm's solicitor, stating that *"it is not appropriate for the Firm to continue to accept funds from customers while it is unable to meet its existing liabilities"*.

4.34 On 28 August 2025, the Firm's solicitor sent an email to Supervision stating that: *"...It appears that the directors are stuck between a rock and a hard place. They want to make a recovery and have evidence (which we have sent to you). Would it be possible to discuss limited controlled trading, so that the company does not simply collapse? The need to maximise the position is paramount as any liquidation will minimise this"*.

4.35 On 29 August 2025, Supervision sent the Firm's solicitor an email stating that: *"... We understand the Firm is keen to recover the funds [alleged to have been misappropriated] and has advised on its plans to progress a freezing injunction however, what remains unclear, is how this leads to the recovery of the funds, over what time period and at what cost. Our understanding of how these processes work is that it will take a significant amount of time before the firm potentially has the outcome it is aiming for. Our view as previously stated, is that it is unacceptable to expose customers to more risk given that the firm cannot currently meet all its customer liabilities."*

- 4.36 On 1 September 2025, the Firm's solicitor sent the Authority an email attaching a copy of a freezing injunction and order for related relief obtained by the Firm and made against Individual A.

Governance arrangements, risk procedures and internal controls

- 4.37 The Authority has serious concerns that the Firm may not have robust governance and oversight arrangements. In addition, the Firm appears not to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative or accounting procedures. This is because the Firm's systems and controls were not adequate to detect or prevent Individual A from allegedly misappropriating substantial funds from the Firm's accounts, including safeguarded relevant funds, over the course of 2.5 years. There was a high volume/value of transactions to an unknown beneficiary, but the Firm's controls did not pick this up for years. The Firm also first raised its concerns to Firm A about the high volume of payments to an unknown beneficiary on 13 June 2025 and on 19 June 2025 said that it suspected that funds may have been misappropriated, but it took over a month, until 22 July 2025, for the Firm to notify the Authority of the suspected misappropriation of funds. The Authority has serious concerns that the Firm's directors considered that it was appropriate to invite Individual A back during their suspension to file the Firm's capital adequacy return (which included reporting to the Authority on its safeguarded relevant funds), in spite of their concerns that Individual A had misappropriated funds from the Firm.
- 4.38 Consequently, the Authority is concerned that due to the Firm's inadequate governance arrangements, risk management and internal controls, the Firm presents an unacceptable level of risk to its customers.

The Firm's prudential position

- 4.39 The Authority has serious concerns that the Firm is not meeting its capital requirements and currently holds significantly less liquidity than it requires for its business including, liquidity to address the shortfall in client funds, liquidity to deal with redress claims and liquidity to satisfy its corporate expenses (for example, fees due to third party suppliers and to pay for a financial auditor).
- 4.40 The latest FSA056 (Capital Adequacy) regulatory return from the Firm stated that the Firm was meeting its capital requirement through an amount of CET1 capital totalling £154,817. The Firm's capital requirement is €125,000 as it has produced the higher amount over its Method A calculation.
- 4.41 The minimum amount of initial capital required for an API providing services in (paragraphs 1 (a) to (e) of Part 1, Schedule 1 of the PSR 2017) is €125,000. The Firm has selected Method A for the purposes of calculating its ongoing capital requirement. Method A is based on the firm's fixed overhead. The calculation is normally 10% of the firm's fixed overheads in the previous financial year. The Firm's Method A calculation has produced a figure which is lower than €125,000 and therefore the Firm's capital requirement is €125,000. Items that can be used as CET1 capital includes shares capital, retained earnings, other comprehensive income and other reserves (subject to deductions) which are subject to audited accounts. Interim profits must be verified by auditors before they can be included as CET1 capital. The Authority has been unable to verify if the Firm is meeting this requirement, because the Firm is overdue in filing its accounts with Companies House. The Firm was required to submit these accounts by 28 June 2024. Furthermore, the Authority is concerned that the FSA056 (Capital Adequacy) return

was submitted by an individual whom the Firm suspected of misappropriating both company funds and safeguarded relevant funds.

4.42 The Authority has not been able to verify that the Firm is meeting its capital requirements, and is seriously concerned with the Firm's prudential position, because:

- a) The Firm's balance sheet, provided to the Authority on 9 July 2025 records a net position of £150,751.73. However, the balance sheet does not account for any contingent liability relating to the suspected misappropriation of funds as set out above at paragraph 4.19.
- b) The Authority is aware of a number of complaints by customers of the Firm made to the FOS since 25 February 2025. The Authority noted that the Firm has also not highlighted any contingent liabilities in relation to customer redress on its balance sheet.
- c) The Firm's bank account statements for its corporate account with Firm B seemingly contradict the information provided by the Firm in its balance sheet.
- d) The Firm has a number of regulatory returns that have been overdue since 30 June 2022. In explanation for the overdue returns, Individual A explained that *"this has occurred as our Head of Risk who is now paid as a contractor due to semi-retirement [sic] was responsible for these submissions, it appears that this [has] not been updated or communicated to the directors that he was not filing the relevant reports"*. This again indicates that those responsible for the Firm's management do not properly monitor the Firm's regulatory obligations.

4.43 The Firm advised the Authority in a call on 21 August 2025 that the Firm was insolvent given the deficit created by the alleged misappropriation of funds by Individual A. Whilst the Firm wishes to pursue a freezing injunction, it has not explained or included in its financial forecasts how it proposes to deal with the additional expense it will incur in pursuing recovery of the allegedly misappropriated funds or the timeline for the proposed recovery. The Firm's proposal to use new business to fund the litigation is ill-conceived because the Firm is not permitted to use client funds (which ought to be safeguarded) for corporate expenses.

4.44 Given the Firm has confirmed to the Authority that it is insolvent, the Authority has serious concerns that the Firm lacks sufficient capital to meet its capital requirements as required by regulation 22 of the PSR.

The Firm's safeguarding arrangements

4.45 The Authority has serious concerns that the Firm may not have taken adequate measures for the purpose of safeguarding payment service users' funds in accordance with regulation 23 (safeguarding requirements).

4.46 Since 1 April 2025, the Authority has repeatedly sought information from the Firm about its safeguarding position. Despite the Authority's repeated requests, the Firm has failed to demonstrate to the Authority that it is appropriately safeguarding relevant funds. The information which the Firm has provided suggested that the Firm may not be holding its relevant client funds in compliant safeguarding accounts.

4.47 In response to the Authority's request for information about the Firm's safeguarding

arrangements, the Firm provided the Authority with letters from Firm B and Firm C, confirming that the Firm holds safeguarding accounts with these institutions. However, as at 1 September 2025, the Firm had failed to provide bank statements evidencing the client balances in its compliant safeguarding accounts.

- 4.48 On 22 July 2025, the Firm provided the Authority with a spreadsheet containing the Firm's safeguarding reconciliations for the week commencing 14 July 2025. The Firm also provided the Authority with copies of bank statements to supplement the Firm's safeguarding reconciliation. The Firm provided bank statements for a number of accounts held with Firm D. Firm D is not an authorised credit institution, as required by regulation 23(6)(a) of the PSR.
- 4.49 The Firm's safeguarding arrangements appear to be at odds with a statement from the Firm's director in an email to the Authority dated 9 July 2025, which stated that *"...the company's operational policy and procedures require that all client funds are received and transacted for nominated transactions and within the next business day cut off deadline or returned [sic]. This procedure ensures that non-bank entities such as [Firm D] do not hold balances of non-safeguarded funds."*
- 4.50 The Authority has serious concerns that the Firm's safeguarding arrangements are wholly inadequate. The Firm appears to be using Firm D to safeguard customer funds, despite them not being appropriate safeguarding accounts and despite the Firm holding safeguarding accounts with Firm B and Firm C. Regulation 23(6) of the PSR provides that safeguarded funds must be held with an authorised credit institution or the Bank of England. From the information we have been provided by the Firm, the Firm does not hold safeguarding accounts with Firm D and therefore should not use these accounts for the purposes of safeguarding client funds. When this issue was put to the Firm, the Firm seemed to suggest that the Firm D accounts were transactional accounts rather than safeguarding accounts.
- 4.51 In a call with the Firm on 21 August 2025, the Firm stated that all safeguarded relevant funds were held with Firm A. On 21 August 2025, the Firm's solicitor provided the Authority with an updated reconciliation. The Firm's reconciliation confirmed a critical shortfall in relevant funds.
- 4.52 The Authority is aware of multiple complaints with the FOS. The Authority is, therefore, concerned that the complaints may in fact relate to losses caused by the alleged misappropriation of funds, and that the Firm may not have sufficient liquidity to cover the total shortfall and potential redress due.
- 4.53 Despite the Authority's requests, the Firm has not provided the Authority with bank statements to show that customer money has been kept separate from the Firm's own money. In view of the apparent substantial shortfall in the Firm's own funds, referred to at paragraph 4.51 above, the Authority has serious concerns that there may be a significant shortfall in the relevant funds.
- 4.54 Based on the information set out above, and in the absence of evidence from the Firm to demonstrate adequate safeguarding arrangements, the Authority has serious concerns that the Firm may not have taken adequate measures for the purposes of safeguarding its customers' funds in and regulation 23 of the PSR.

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 For the reasons set out above, the Authority has serious concerns that the Firm may not have:

- a) robust governance arrangements for its payment service business, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility;
- b) effective procedures to identify, manage, monitor and report any risks to which it might be exposed; or
- c) adequate internal risk control mechanisms, including sound administrative risk management and accounting procedures,

which are comprehensive and proportionate to the nature, scale and complexity of the payment services to be provided by the Firm, in accordance with regulation 6(6) of the PSR.

5.3 The Authority is also concerned that the Firm appears to be failing to meet several requirements of the regulatory system, including:

- a) the Firm may not have taken adequate measures for the purposes of safeguarding payment services users' funds in accordance with regulation 23 (safeguarding requirements) (regulation 6(7)(d) of the PSR);
- b) the requirement to maintain own funds as required by regulation 22(1) of the PSR;
- c) Principle 11 of the FCA's Principles for Businesses and the requirement to inform the Authority of a major change in circumstance as required by regulation 37 of the PSR.

5.4 As a result of the facts and matters detailed above, the Authority considers that the Firm is failing or is likely to fail, to meet the Conditions for Authorisation and other regulatory requirements because:

- a) The Firm's governance arrangements and controls were unable to detect or prevent Individual A from allegedly misappropriating funds from the Firm's accounts over the course of 2.5 years. The Firm failed to identify these suspicious transactions or flag the substantial volume of payments to a single unrecognised beneficiary for years. This failure demonstrates that the Firm does not have effective procedures to identify, manage, monitor and report risks.
- b) It appears that the Firm's directors were completely reliant on the Individual A. The directors acknowledged that information provided by Individual A, "has not been accurate or up to date." Yet the directors brought Individual A back from their suspension to submit the Firm's capital adequacy regulatory return, suggesting that they were not capable of doing so themselves. This return also included information about safeguarded funds, which Individual A was allegedly misappropriating from the Firm for years. This systemic failure in financial reporting controls meant that the directors were operating without reliable data about the company's true financial position, preventing them from identifying risks and making informed decision.
- c) The Firm's regulatory compliance systems appear to be fundamentally

inadequate, as demonstrated by multiple overdue regulatory returns dating back to 30 June 2022, despite being informed of this issue in 2023. The explanation provided—that responsibility lay with a semi-retired contractor who failed to communicate non-filing to directors— is unacceptable and indicates that those responsible for the Firm’s management do not properly monitor the Firm’s regulatory obligations.

- d) Despite holding safeguarding accounts with Firm B and Firm C (both authorised credit institutions), the Firm's reconciliation dated 21 August 2025 revealed that it is improperly safeguarding customer funds with Firm D, which is not an authorised credit institution. This regulatory breach is compounded by the Firm's failure to maintain accurate safeguarding records, as evidenced by the fact the Firm has been struggled to give the Authority a clear picture of where its safeguarded funds are held. The Firm's contradictory operational procedures—stating that non-bank entities such as Firm D should not hold non-safeguarded funds while simultaneously using Firm D for safeguarding purposes—demonstrate a fundamental misunderstanding of regulatory requirements and inadequate safeguarding arrangements.
- e) The Firm faces a critical shortfall in relevant funds. This shortfall appears directly linked to the alleged misappropriation by Individual A, but the Firm’s inability to provide comprehensive bank statements demonstrating segregation of client and corporate funds raises concerns that co-mingling may have occurred in breach of safeguarding obligations, especially given some client funds are not being held in proper safeguarding accounts.
- f) The liquidity crisis is further evidenced by the Firm's admission on 21 August 2025 that it lacks sufficient liquidity to meet customer liabilities and would become insolvent if all customers requested payment. The existence of FOS complaints, combined with at least one upheld complaint requiring redress that may remain unpaid, suggests that the shortfall may be significantly larger than initially reported and that the Firm cannot meet its customer obligations.
- g) The Firm's capital position remains highly uncertain due to multiple inconsistencies and reliability issues in its financial reporting. While the FSA056 return indicates CET1 capital of £154,817 against a requirement of €125,000, this return was submitted by the suspended Individual A suspected of misappropriating funds, casting serious doubt on its accuracy. The Firm's balance sheet shows a net position of £150,751 but fails to account for contingent liabilities relating to the suspected misappropriation or potential customer redress obligations from FOS complaints. Critical discrepancies exist between reported figures and actual bank balances.
- h) The Firm has demonstrated a pattern of non-responsiveness and its inability or unwillingness to provide Supervision with complete responses to its requests for information. For example, the Firm has failed to provide bank statements for the Firm’s safeguarding accounts. The Firm also appears to be in breach of its obligation under regulation 37 of the PSRs to notify the Authority of significant changes in circumstances that could affect its ability to meet authorisation conditions. The Firm also first raised its concerns to Firm A about the high volume of payments to an unknown beneficiary on 13 June 2025 and on 19 June 2025 said they suspected that funds had been misappropriated from the Firm, but it took over a month, until 22 July 2025, for the Firm to notify the Authority of the suspected misappropriation.

5.5 The Authority has concluded that it is necessary to vary the Firm’s authorisation by

imposing the Requirements which stop the Firm onboarding or registering any new customers and accepting any additional funds or account credits from existing customers until such time as the Authority is satisfied that there is no risk to the relevant funds.

- 5.6 The Authority considers that variation of the Firm's authorisation by the imposition of the Requirements are a proportionate and appropriate means to address the current and immediate risks, and are desirable to protect the interests of consumers in accordance with the Authority's duties under regulation 12(1)(d) of the PSR.

Timing and duration of the Requirements

- 5.7 It is necessary to impose the Requirements immediately given the seriousness of the risks and the need to protect consumers' funds.
- 5.8 The Authority considers that it is necessary for the Requirements to remain in place indefinitely or until such time as the Authority considers it appropriate for the Requirements to be lifted.

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 to the Firm under regulation 12(6) of the PSR and in accordance with regulation 12(7) of the PSR.
- 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 17 September 2025 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 the 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 28 days from the date on which this First Supervisory Notice is given to it 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: Upper Tribunal (Tax and Chancery Chamber), 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9700; email: uttc@justice.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: <https://www.gov.uk/government/collections/upper-tribunal-tax-and-chancery-chamber->
- 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, as applied by paragraph 10 of Schedule 6 of the PSR, requires the Authority, when this First Supervisory Notice takes effect (and this First Supervisory Notice takes immediate effect), to publish such information about the matter to which the notice relates as it considers appropriate.

Authority contacts

- 6.11 For more information concerning this matter generally, contact the Executive Decision Making Secretariat (EDMcaseinbox@fca.org.uk).

Decision made under executive procedures

Director, Payments and Digital Assets – Supervision, Policy and Competition

Annex

RELEVANT STATUTORY PROVISIONS

1. Regulation 7(1) of the PSR provides that the Authority may include in the authorisation of an authorised payment institution such requirements as it considers appropriate. Regulation 7(2) of the PSR provides that a requirement may, in particular, be imposed so as to require the person concerned to: 1) take a specified action, or 2) to refrain from taking a specified action.
2. Regulation 8(c) of the PSR provides that the Authority may, on the application of an authorised payment institution, vary that person's authorisation by, among other things, imposing a requirement such as may, under regulation 7 of the PSR, be included in an authorisation provided that the Authority is satisfied that the conditions set out in regulations 6(4) to (9) and regulation 22(1) are being or likely to be met.
3. Regulation 12(1) of the PSR provides that the Authority may vary the authorisation of an authorised payment institution in any of the ways mentioned in regulation 8 if it appears to the Authority that:

"[...]

- (a) The person no longer meets, or is unlikely to continue to meet, any of the conditions set out in regulation 6(4) to (9) or, if applicable, the requirement in regulation 22(1) to maintain own funds, or does not inform the FCA of a major change in circumstances which is relevant to its meeting those conditions or that requirement, as required by regulation 37.
 - (d) The variation is desirable in order to protect the interests of consumers."
4. Regulation 12(2) of the PSR provides that a variation takes effect immediately if the notice given under paragraph (6) states that this is the case, or on such date as may be specified. Regulation 12(3) of the PSR provides that a variation may be expressed to take effect immediately or on a specified date only if the Authority, having regard to the ground on which it is exercising the power under paragraph (1), reasonably considers that it is necessary for the variation to take effect immediately or, as the case may be, on that date.
 5. Regulation 12(6) of the PSR provides that, where the Authority proposes to vary a person's authorisation, it must give the person notice.
 6. Section 391 of the Act, as applied in modified form by paragraph 10 of Schedule 6 to the PSR, 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) The Authority may not publish information under this section if, in its opinion, publication of the information would be: a) unfair to the person with respect to whom the action was taken (or was proposed to be taken), b) prejudicial to the interests of consumers, or c) 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."

7. Regulation 22(1) of the PSR provides that an authorised payment institution must maintain at all times own funds equal to or in excess of the greater of:
 - (a) The amount of initial capital specified in Part 1 of Schedule 3 (capital requirements), or
 - (b) In the case of an authorised payment institution which does not fall within paragraph (2), the amount of own funds calculated in accordance with Part 2 of Schedule 3.
8. Regulation 23 of the PSR provides the safeguarding requirements that apply to all authorised payment institutions.

RELEVANT REGULATORY PROVISIONS

9. 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.
10. ENFG App 2.2 of the Enforcement Guide ("ENFG") outlines that the Authority's policy in respect of the use of its powers under the PSR is consistent with the use of powers under the Act and the Authority's general policy as explained in ENFG.
11. The Authority considers that the powers under regulation 12(1) of the PSR are similar to those under sections 55J and 55L of the Act and that the provisions of SUP 6B "Variation and cancellation of permission and imposition of requirements on the Authority's own-initiative and intervention against incoming firms" are therefore relevant to the Authority's exercise of its own-initiative powers under the PSRs.
12. SUP 6B.2.1 states that the Authority will have regard to its statutory objectives and the range of regulatory tools that are available to it when it considers how it should deal with a concern about a firm. It will also have regard to: 1) the responsibilities of a firm's management to deal with concerns about the firm or about the way its business is being or has been run; and 2) the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve.
13. 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 where the Authority considers it appropriate 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 or is concerned that the consequences of a firm not taking the desired steps may be serious.
14. 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.
15. 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.

16. 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 some of the following characteristics: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; and 2) 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.
17. 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 consumer loss or risk of consumer loss or other adverse effect on consumers; 2) the extent to which customer assets appear to be at risk; 3) the financial resources of the firm; 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; 5) the financial resources of the firm, particularly where a firm may be required to pay significant amounts of compensation to consumers; and 6) the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers.
18. SUP 6B.4.4 states that examples of requirements that the Authority may consider imposing when exercising its own-initiative power are: 1) a requirement not to take on new business; 2) a requirement not to hold or control client money; and 3) a requirement that prohibits the disposal of, or other dealing with, any of the firm's assets or restrict those disposals or dealings.