

---

## **FIRST SUPERVISORY NOTICE**

---

**To:** **Semantic Business Services Ltd**

**Reference Number:** **925044**

**Address:** **141 Highbury Hill  
London  
N5 1TB**

**Date:** **31 March 2022**

### **1 ACTION**

1.1 For the reasons given in this First Supervisory Notice, and pursuant to sections 55J(2)(a)(ii) of the Act, the Authority has decided to vary with immediate effect the Part 4A permission granted to Semantic by removing the following regulated activities:

- 1) Secondary credit broking; and
- 2) Agreeing to carry on a regulated activity.

1.2 The effect of the Variation is that Semantic no longer has permission to conduct any regulated activities.

### **2 REASONS FOR ACTION**

#### **Summary**

2.1 The Authority has concluded, on the basis of the facts and matters described below that, that it is appropriate to exercise its power under sections 55J(1)(a) and (c) of the Act to vary Semantic's permission because it is failing, or is likely to fail, to satisfy the Suitability Threshold Condition and to advance the

Authority's consumer protection objectives (section 1C of the Act).

2.2 The Authority has identified serious concerns relating to Semantic in that its conduct appears to demonstrate that it is not fit and proper and poses a significant risk of harm to consumers. Specifically:

- 1) Semantic appears to be linked to firms that the Authority has taken regulatory action against, either through the imposition of requirements or variation of permissions to stop them conducting regulated activities, including:
  - a) Sentor to whom the Authority issued a First Supervisory Notice on 8 September 2021 for facilitating investments in companies that the Authority has warned about for engaging in unauthorised business. Information filed on Companies House records that the directors of Semantic and Sentor have a linked history through a previous company.
  - b) Grosvenor to whom the Authority issued a First Supervisory Notice on 30 November 2021 due to its apparent links to firms that the Authority has warned about for undertaking unauthorised business, and for providing misleading information about its controllers and intended business at authorisation. Information filed on Companies House records that Semantic and Grosvenor share two common shareholders, and both firms used similar wording to describe their business models to the Authority.
  - c) Renaissance to whom the Authority issued a First Supervisory Notice on 7 December 2021 due to its apparent connections to firms that may not be fit and proper, and for failing to provide accurate information about its controllers and intended business at authorisation. Information filed on Companies House records that Semantic and Renaissance share a common shareholder, and both firms mirrored Grosvenor in providing substantially similar explanations of their business activities to the Authority.
  - d) Falcon and Thestral to whom the Authority issued First Supervisory Notices on 28 January 2022 owing to their apparent association with firms that have been the subject of regulatory action, and for failing to deal with the Authority in an open and cooperative way. Information filed on Companies House records that the same director of Falcon and Thestral is a current shareholder in Semantic and has further links to the directors of Semantic and Sentor through a previous company. The Financial Services Register also records that Semantic and Falcon use the same contact number.

Given Falcon's apparent links to these firms, which also appear to share further connections, there are serious concerns that Semantic may be seeking to misuse its regulated status as a credit broker to take advantage of consumers.

- 2) Semantic is failing to deal with the Authority in an open and cooperative way or comply with the Authority's requirements:
  - a) Semantic has potentially misled the Authority in response to an initial information requirement issued under section 165 of the Act. Explanations about its links to other firms and claims that its business

has been cloned by another company are not supported by other information.

- b) The Authority is unclear on the identity of Semantic's director. Semantic has failed to respond to the Authority's requests to provide proof of identity for its director.
- c) Semantic has not submitted any regulatory reports on its credit broking business since it became authorised. In particular, four reports are overdue.
- d) Semantic has failed to respond to three information requirements issued under section 165 of the Act requiring clarity on its previous responses and further information regarding its links to other firms and business activities. Semantic has also not answered or returned any calls from the Authority.

2.3 The Authority considers that Semantic is failing, or is likely to fail, to satisfy the Suitability Threshold Condition (paragraph 2E of Schedule 6 to the Act) because of its apparent connections to firms that have been the subject of regulatory actions (as summarised at 2.2.(1)), and potential breach of Principle 11 (Relations with regulators) of the Authority's Principles for Businesses (as summarised at 2.2(2)). The Authority considers that Variation of Semantic's permission with immediate effect is desirable to protect consumers.

### **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;

"DEPP" means the Decision Procedure and Penalties Manual in Authority's online handbook of rules and guidance (as in force from time to time);

"Fabcourt" means Fabcourt Developments Limited;

"Falcon" means Falcon Financial Solutions Ltd;

"Grosvenor" means Grosvenor Associates Ltd;

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

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

"Renaissance" means Renaissance Advisory Ltd;

"Sentor" means Sentor Solutions Commercial Ltd;

"SMF" means senior management function;

"Texmoore" means Texmoore Limited;

"Thestral" means Thestral Financial Services Ltd;

“Threshold Conditions” are 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); and

“Variation” means the variation of Semantic’s Part 4A permission set out in paragraph 1.1. above.

## **4 FACTS AND MATTERS**

### **Background**

- 4.1 Semantic was incorporated on 2 July 2019. It was authorised on 18 May 2020 as a limited permission credit broker with secondary broking permission. Semantic is not permitted to hold client money.
- 4.2 Semantic has one approved person, Alim Inayat Hooda, who holds the SMF29 limited scope function. According to Companies House records he is the sole director and significant controller of Semantic.

### **Failings and risks identified**

#### Semantic’s links to other firms

- 4.3 Semantic and its director appear to have connections to firms that the Authority has taken regulatory action against. These firms were authorised as limited permission credit brokers, except one which was registered as a small payment institution. The Authority has either imposed requirements or varied the permissions of these firms to stop them conducting regulated activities.

#### *Links to Sentor*

- 4.4 The Authority issued a First Supervisory Notice to Sentor on 8 September 2021 for:
- 1) Facilitating consumer investments in Texmoore and Fabcourt, companies that the Authority has warned about for engaging in unauthorised business. Sentor provided investment services beyond its scope of permission and misled consumers about its regulated status.
  - 2) Failing to comply with requirements imposed by the Authority. Sentor provided misleading information about its involvement with Texmoore and Fabcourt and failed to respond to the Authority’s further communications.
- 4.5 The directors of Semantic and Sentor have a linked history through a previous company. According to Companies House records, Sentor’s director was associated with Firm A from 6 February 2020 as a director until 10 March 2020 and a significant controller until 23 March 2020. Semantic’s director became a significant controller of Firm A on 12 February 2020, when Sentor’s director was also recorded as still being involved with Firm A.

#### *Links to Grosvenor*

- 4.6 The Authority issued a First Supervisory Notice to Grosvenor on 30 November 2021 due to:

- 1) Its apparent links to firms that may not be fit and proper and which the Authority has warned about for undertaking unauthorised business, including Texmoore and Fabcourt.
- 2) Failing to engage with the Authority in an open and cooperative way. Grosvenor provided misleading information about its controllers and intended business at authorisation and failed to respond to the Authority's information requirements.

4.7 Information filed on Companies House records that Semantic and Grosvenor share two common shareholders. On 15 January 2021, Semantic filed on Companies House a confirmation statement. This lists Individual A and Individual B as shareholders of Semantic as at that date. Grosvenor's confirmation statement filed with Companies House on 24 May 2021 also lists Individual A and Individual B as shareholders as at that date.

4.8 On 8 June 2021, Semantic provided the Authority with an overview of how it uses its credit broking permission. Semantic stated that it offers "*ICT consulting to sole traders and SME companies... We offer services to help them with their ICT infrastructure across sites...All of this requires some investment in technology and this it is often preferable for clients to spread their payments over time and obtain credit*". Similar wording was previously used by Grosvenor in an email to the Authority on 24 February 2021 to describe its business model.

#### *Links to Renaissance*

4.9 The Authority issued a First Supervisory Notice to Renaissance on 7 December 2021 due to:

- 1) Its apparent connections to firms that may not be fit and proper and which the Authority has taken regulatory action against, including Grosvenor.
- 2) Failing to deal with the Authority in an open and cooperative manner. Renaissance provided inaccurate information about its controllers and intended business at authorisation and did not respond to the Authority's communications seeking clarity on its business activities.

4.10 Information filed on Companies House shows that Semantic and Renaissance share a common shareholder. On 15 January 2021, Semantic filed on Companies House a confirmation statement. This lists Individual C as a shareholder of Semantic as at that date. Renaissance's confirmation statement filed with Companies House on 24 May 2021 also lists Individual C as a shareholder as at that date.

4.11 On 15 March 2021, Renaissance provided the Authority with an explanation of its business activities. The description offered was substantially similar to that given by Semantic, as well as Grosvenor. A comparison of the information provided by Semantic, Grosvenor and Renaissance shows that of the 179 words used to describe Semantic's business model, 154 of these words were identical to that previously used by Grosvenor and Renaissance.

#### *Links to Falcon and Thestral*

4.12 The Authority First Supervisory Notices to Falcon and Thestral on 28 January 2022 due to:

- 3) Their apparent links to firms that may not be fit and proper and which appear to share further connections, including Sentor, Grosvenor and Renaissance.
  - 4) Failing to comply with regulatory requirements and deal with the Authority in an open and cooperative manner.
- 4.13 Information filed on Companies House shows that the director Falcon and Thestral is connected to Semantic. On 15 January 2021, Semantic filed on Companies House a confirmation statement. This lists the director of Falcon and Thestral as a shareholder of Semantic as at that date.
- 4.14 Semantic's director also appears to be connected to the director of Falcon and Thestral through a previous company. According to Companies House records, the director of Falcon and Thestral was associated with Firm A as a director until 22 February 2020 and as a significant controller between 1 March 2020 and 19 June 2020. Semantic's director became a significant controller of Firm A on 12 February 2020, when the director of Falcon and Thestral was also recorded as still being involved with Firm A. Further, Companies House records indicate that the directors of Semantic, Sentor and Falcon and Thestral were all significant controllers of Firm A during the same overlapping period.
- 4.15 On 7 June 2021, the Authority wrote to Semantic under section 165 of the Act to require information about its connections to Firm A, including with the directors of Sentor and Falcon and Thestral. Semantic responded on 8 June 2021, stating that its director became involved with Firm A in June 2020 after Semantic's authorisation application to the Authority. Semantic also denied having any knowledge of the directors of Sentor and Falcon and Thestral or that they had any involvement in Semantic. Semantic failed to mention that its director became a significant controller of Firm A on 12 February 2020 before Semantic became authorised on 18 May 2020, or that the director of Falcon and Thestral has been a shareholder of Semantic since 15 January 2021.
- 4.16 The Financial Service Register entries for Semantic and Falcon also show that both firms have provided the same contact number.

#### Semantic's response to the Authority's initial information requirement

##### *Report from Semantic about being cloned*

- 4.17 On 7 May 2021, Semantic informed the Authority that it had received an email and a letter from two consumers who had apparently been offered payment services for investments in bonds by individuals claiming to be from Semantic. It also stated that the consumers had been corresponding through an email address that does not belong to the firm. Semantic indicated it was concerned that its business has been impersonated and cloned by another company.
- 4.18 On 7 June 2021, the Authority wrote to Semantic under section 165 of the Act seeking further details about its report that its business has been cloned and to obtain copies of any correspondence it had with the consumers about their dealings with the cloned company. Semantic responded on 8 June 2021, providing pdf versions of purported email exchanges between the consumers and the cloned company.
- 4.19 The emails that Semantic provided contained some discrepancies in that embedded links in the messages did not correspond with the displayed information. In particular, the emails appeared to have been altered to change

their displayed email addresses before they were provided to the Authority. To verify the origin of the emails, the Authority sought to obtain copies of the original emails allegedly forwarded by the consumers to Semantic. However, Semantic indicated it was unable to provide the emails in the requested format.

#### *Identity of Semantic's director*

- 4.20 In the application form for individual approval, the Authority specifically asks candidates to provide details of any directorships held in the last 10 years. Semantic's director disclosed only his directorship with Semantic in response to this question in his individual approval application dated 21 April 2020. However, according to Companies House records, he was previously a director of Firm B until 8 February 2020.
- 4.21 On 7 June 2021, the Authority wrote to Semantic under section 165 of the Act seeking details about Firm B and its director's role with the company. Semantic responded on 8 June 2021, claiming that it had never heard of Firm B and had contacted Companies House to remove its director from the records as he had been listed unknowingly. Semantic's director is no longer listed as a current or former director on Companies House records for Firm B.
- 4.22 Given the indication that the identity of Semantic's director might have been misused, the Authority has sought to verify that he is a genuine individual. In the Authority's emails on 24 February 2022, 3 March 2022 and 10 March 2022, Semantic was asked to provide its availability for a video meeting, as well as proof of identity for its director in the form of:
- 1) A current photo identification (such as a passport or driving licence).
  - 2) A selfie taken after receipt of the emails or later with a hand-held written note with the date on which the photo was taken.
- 4.23 The Authority remains unclear on the identity of Semantic's director. Semantic has failed to respond to the Authority's requests for a video meeting and to provide proof of identity for its director. The Authority has also attempted to contact Semantic's director on six occasions using two different contact numbers but has been unable to reach him. The Authority has been unable to see or speak to Semantic's director directly to verify his identity.

#### *Semantic's business activities*

- 4.24 Although Semantic was authorised as a limited permission credit broker with secondary broking permission, the Authority is unclear about the actual nature of Semantic's current business activities.
- 4.25 On 7 June 2021, the Authority wrote to Semantic under section 165 of the Act to require it to explain its business model and the amount of regulated income it generated in the past 12 months. Semantic responded on 8 June 2021, indicating that it used its credit broking permission in connection with ICT consulting services and had generated £12,731 from regulated activities. However, the Authority has found no evidence to support Semantic's assertion that it offers ICT consulting services.
- 4.26 Semantic is also obliged to submit two regulatory reports in September each year relating to the period ending 31 July which require consumer credit data to be included. The reports for the period ended 31 July 2020 and 31 July 2021 are now overdue. As such, the Authority has no information on the number of

transactions or revenue generated by Semantic from its credit related activities.

#### Further information requirements to Semantic

- 4.27 On 24 February 2022, the Authority sent Semantic an information requirement under section 165 of the Act with a response deadline of 2 March 2022. This was sent to Semantic's postal address as recorded on the Financial Services Register. The accompanying email also asked Semantic to provide its availability for a video meeting on 1, 2 or 3 March 2022. No response was received.
- 4.28 On 3 March 2022, the Authority sent Semantic a second follow up information requirement under section 165 of the Act. This stated that the Authority had not received a response to the previous information requirement and was requiring the same information again. The Authority also drew attention to the consequences of failure to reply without reasonable excuse and set a response deadline of 9 March 2022. This was sent to Semantic's postal address. The accompanying email also requested Semantic to confirm its availability for a video meeting on 8, 9 or 10 March 2022. No response was received.
- 4.29 On 10 March 2022, the Authority sent a third follow up information requirement under section 165 of the Act. This letter repeated that the Authority had not received a response to the previous two information requirements and was requiring the same information again. It reiterated the consequence of failure to comply and set a response deadline of 16 March 2022. This was sent to Semantic's postal address. The accompanying email also requested Semantic to confirm its availability for a video meeting on 15, 16 or 17 March 2022. No response was received.
- 4.30 The Authority has attempted to call Semantic on six occasions on the contact number listed on the Financial Services Register for the firm and the mobile number given for its director, twice on 2 March 2022, twice on 3 March 2022 and twice on 8 March 2022. On two occasions, the Authority received a response on the contact number listed for Semantic that indicated it was a wrong number. On the second occasion, the individual who answered the phone stated that the number was currently in use by a school. The number listed for Semantic's director did not connect and registered as unavailable.
- 4.31 In addition, the Authority has asked Semantic to provide its availability to attend a video meeting on three occasions. Semantic did not respond to these requests.

## **5 CONCLUSION**

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

### **Analysis of failings and risks**

#### Failure to comply with the Threshold Conditions

- 5.2 The Authority has serious concerns about Semantic's compliance with the Threshold Conditions. The Authority considers that Semantic is failing, or is likely to fail, to satisfy the Suitability Threshold Condition because:
- 1) Semantic appears to have connections to at least five firms that may not be fit and proper:
    - a) Information filed on Companies House records that the directors of



Semantic and Sentor have a linked history through a previous company.

- b) Information filed on Companies House records that Semantic and Grosvenor share two common shareholders, and both firms used similar wording to describe their business models to the Authority.
  - c) Information filed on Companies House records that Semantic and Renaissance share a common shareholder, and both firms mirrored Grosvenor in providing substantially similar explanations of their business activities to the Authority.
  - d) Information filed on Companies House records that the same director of Falcon and Thestral is a current shareholder in Semantic and has further links to the directors of Semantic and Sentor through a previous company. The Financial Services Register also records that Semantic and Falcon use the same contact number.
- 2) Semantic is not engaging with the Authority in an open and cooperative manner or complying with the Authority's requirements in potential breach of Principle 11 (Relations with regulators):
- a) It has provided potentially misleading information to the Authority about its links to other firms and in support of claims that its business has been cloned by another company.
  - b) It has failed to respond to the Authority's repeated requests to provide proof of identity for its director.
  - c) It has failed to submit four regulatory reports on its credit broking business since it became authorised.
  - d) It has failed to respond to three further information requirements issued under section 165 of the Act seeking clarity on its previous responses and further information regarding its links to other firms and business activities.

5.3 As a result of these matters, it appears to the Authority that Semantic:

- 1) Is connected to firms that have been the subject of regulatory action (sub-paragraph (a) of paragraph 2E of Schedule 6 to the Act).
- 2) Has not complied, and is not complying, with requirements imposed by the Authority in the exercise of its functions relating to the provision of information (sub-paragraph (d) of paragraph 2E of Schedule 6 to the Act).

The Authority's operational objective of consumer protection

5.4 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). Semantic may be part of a network of firms that obtained authorisation for credit broking but have been conducting, or intending to conduct, investment activities beyond the scope of their permission which could expose consumers to the risk of significant loss.

5.5 Semantic has apparent links to Sentor, Grosvenor, Renaissance, Falcon and Thestral. In particular, Sentor has been the subject of regulatory action for

engaging in investment activities without relevant permissions and misleading consumers about the extent of its regulated status.

- 5.6 In addition, Semantic appears to have misled the Authority about its links to the firms and over claims that its business has been cloned by another company, and it has failed to engage with the Authority to provide information to confirm the identity of its director and to clarify its business activities. Semantic's actions to date cast serious doubts on its ability and willingness to observe regulatory requirements and demonstrate that it poses a significant risk of harm to consumers.
- 5.7 On the basis of the facts and matters set out, it appears to the Authority that it is desirable to exercise the power under section 55J(1)(c)(i) of the Act in order to advance the consumer protection objective.

### **Timing and duration of the Variation**

- 5.8 The Authority considers it is necessary to impose the Variation to take immediate effect given the seriousness of the risks and the need to protect consumers. The Authority has identified the following concerns:
- 1) 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 (EG 8.3.3(3)).
  - 2) 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 (EG 8.3.3(4)).
- 5.9 The Authority will consider the full circumstances of each case when it decides whether an urgent variation is appropriate. The Authority has identified the following relevant factors:
- 1) The nature and extent of any false or inaccurate information provided by the firm (EG 8.3.4(3)).
  - 2) 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 (EG 8.3.4(4)).
  - 3) The impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers (EG 8.3.4(9)).

- 5.10 The Authority considers that it is necessary for the Variation to remain in place indefinitely.

## **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 2.3.7G and DEPP 4.1.7G.
- 6.2 This First Supervisory Notice is given to Semantic 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 Semantic has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). Semantic 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 Semantic wishes to make oral representations is 14 April 2022 or such later date as may be permitted by the Authority. Any notification or representations should be sent to David Watkins ([david.watkins@fca.org.uk](mailto:david.watkins@fca.org.uk)) and the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

### **The Tribunal**

6.5 Semantic 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, Semantic 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 Semantic and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5<sup>th</sup> Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: [uttc@hmcts.gsi.gov.uk](mailto: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 Semantic 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 David Watkins ([david.watkins@fca.org.uk](mailto:david.watkins@fca.org.uk)) and the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

### **Confidentiality and publicity**

6.9 Semantic 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 Semantic 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 For more information concerning this matter generally, contact David Watkins ([david.watkins@fca.org.uk](mailto:david.watkins@fca.org.uk)).

- 6.12 Any questions regarding the executive procedures decision-making process should be directed to the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

A handwritten signature in black ink that reads "Therese". The signature is written in a cursive, slightly slanted style.

**Therese Chambers**  
**Director, Consumer Investments Supervision**

## 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 (section 1C).
2. Section 55J of the Act allows the Authority to vary the Part 4A permission of 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 55J(1)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55J(1)(c)(i)). This power is referred to as the Authority's own-initiative power.
3. Section 55Y(3) of the Act allows a variation of permission imposed under the own-initiative power to take effect immediately (or on a specified date) only 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 variation to take effect immediately (or on that date).
4. 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) *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 was proposed to be taken), 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."*
5. The Threshold conditions represent the minimum standards which a firm is required to satisfy, and continue to satisfy, in order to be given and to retain a Part 4A permission. They are set out in Part 1B of Schedule 6 to the Act.
6. The Suitability Threshold Condition in paragraph 2E of Schedule 6 to the Act stated that:

"A must be a fit and proper person having regard to all the circumstances, including-

  - (a) *A's connection with any person.*
  - ...
  - (d) *Whether A has complied and is complying with requirements imposed by the Authority in the exercise of its functions, or requests made by the Authority, relating to the provision of information to the Authority and, where A has so complied or is complying, the manner of that compliance."*

## **RELEVANT REGULATORY PROVISIONS**

### The Principles for Businesses

7. The Principles for Business (PRIN) are a general statement of the fundamental obligations of firms under the regulatory system. PRIN 1.1.2R provides that they derive their authority from the Authority's rule-making powers as set out in the Act and reflect the statutory objectives. The Principles are set out at PRIN 2.1.1.
8. Principle 11 (Relations with regulators) is of particular relevance. This provides that a firm must deal with its regulators in an open and cooperative way and must disclose to the Authority appropriately anything relating to the firm of which that regulator would reasonably expect notice.

### The Threshold Conditions

9. The section of the Handbook entitled Threshold Conditions (COND) gives guidance on the Threshold Conditions. COND 1.2.3G provides that the Authority may exercise its own-initiative powers under either section 55J or section 55L of the Act if, among other things, a firm is failing to satisfy any of the Threshold Conditions or is likely to do so.
10. COND 2.5.1AUK reflects the provisions of the Act (Paragraph 2E of Schedule 6) to the effect that a firm must be a fit and proper person having regard to all the circumstances. These include the firm's connection with any person (COND 2.5.1AUK(1)(a) and whether the firm has complied and is complying with the Authority's requirements (COND 2.5.1AUK(1)(d)).
11. COND 2.5.4G(2) provides examples of the kind of general considerations the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, the Suitability Threshold Condition. These include, but are not limited to, whether the firm conducts its business with integrity and in compliance with proper standards, has a competent and prudent management, and can demonstrate that it conducts its affairs with the exercise of due skill, care and diligence.

### The Enforcement Guide

12. The Authority's approach in relation to its own-initiative powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
13. EG 8.1.1 reflects the provisions of section 55J of the Act by stating that the Authority may use its own-initiative power to vary an authorised person's Part 4A permission where, amongst other factors, the person is failing or is likely to fail to satisfy the threshold conditions for which the Authority is responsible (EG 8.1.1(1)), or it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).
14. EG 8.2.1 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 (EG 8.2.1(2)).
15. EG 8.2.3 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 55J of the Act to vary a firm's permission 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 (EG 8.2.3(1)), or is concerned that the consequences of a firm not taking the desired steps may be serious (EG 8.2.3(2)).

16. EG 8.3.1 states that the Authority may impose a variation of permission so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the variation to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
17. EG 8.3.2 states that the Authority will consider exercising its own-initiative power as a matter of urgency 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.
18. EG 8.3.3 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; and 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.
19. EG 8.3.4 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: the nature and extent of any false or inaccurate information provided by the firm (EG 8.3.4(3)); and 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 the breach (EG 8.3.4(4)).
20. EG 8.3.4(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.