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FIRST SUPERVISORY NOTICE

To: **Triton Insurance Brokers Ltd (the "Firm")**

Address: **346 Seawall Lane
North Cotes
Grimsby
South Humberside
DN36 5XE**

FRN: **487601**

Dated: **17 February 2020**

ACTION

1. For the reasons given below and pursuant to section 55J(1)(c)(i) of the Financial Services and Markets Act 2000 (the Act), the Authority has decided to vary the permission granted to the Firm pursuant to Part 4A of the Act, by removing all regulated activities with immediate effect. Accordingly, the Firm's Part 4A permission no longer includes the following regulated activities:
 - a) advising on investments (excluding Pension Transfers and Pension Opt-Outs);
 - b) advising on P2P agreements;
 - c) agreeing to carry on a regulated activity;
 - d) arranging (bringing about) deals in investments;

- e) assisting in the administration and performance of a contract of insurance; and
 - f) making arrangements with a view to transactions in investments.
2. The Authority has further decided to impose on the Firm the following requirements, pursuant to section 55L(2)(c) of the Act:
- a) The Firm must, within three working days of the date of receiving this First Supervisory Notice (namely by close of business on Thursday 20 February 2020):
 - i. update the Website with a prominent statement that the Firm no longer has permission to conduct any regulated activities;
 - ii. notify its customers in writing that the Firm no longer has permission to conduct any regulated activities;
 - iii. notify the Authority in writing that it has complied with paragraph 2(a)(i), by providing screenshots of the amended pages of the Website, and paragraph 2(a)(ii), by providing a template written communication and a list of the clients/addresses/email addresses to whom it was sent.

The wording and format of the announcement and written communication are to be approved by the Authority prior to being placed on the Website or sent.

- b) The Firm must, within 21 days of receiving this First Supervisory Notice (namely by close of business on Monday 9 March 2020), provide the Authority with the following information:
 - i. a detailed statement of all insurance policies brokered by the Firm, for the period from 31 January 2019 to date, including name and address of each policy holder, date of inception of the policy, policy type (including the underwriter and any brokers the policy was placed through) and total premium paid.
- c) The Firm must, within 21 days of receiving this First Supervisory Notice (namely by close of business on Monday 9 March 2020):
 - i. refund the insurance premiums paid by its clients, which the Firm have not paid to the insurance firms referred to in this First Supervisory Notice; and
 - ii. notify the Authority in writing that it has complied with paragraph 2(c)(i), and provide payment confirmation receipts.

REASONS FOR ACTION

3. On the basis of the facts and matters described below, the Authority considers that the variation of the Firm's permission and the imposition of the requirements is desirable in order to advance its consumer protection objective.
4. The Authority has serious concerns arising from the fact that the Firm appears to have:
 - a) Purported to renew the insurance policies of at least 19 of its customers in circumstances where it was not permitted or able to do so;
 - b) Received insurance premiums from its customers totalling £10,864.21, but has exposed customers to harm and the risk of harm by not passing on those insurance premiums to the relevant insurers, thereby leaving at least 20 customers without a valid insurance policy in circumstances where they thought they were insured;
 - c) Repeatedly failed to respond to the Authority's communications, thereby failing to engage with the Authority in relation to these matters of significant concern and failing to meet its obligations under Principle 11 (Relations with regulators) of the Authority's Principles for Businesses.

DEFINITIONS

5. The definitions below are used in this First Supervisory Notice:
 - a) "the Act" means the Financial Services and Markets Act 2000;
 - b) "the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;
 - c) "the Firm" means Triton Insurance Brokers Ltd;
 - d) "EG" means the Authority's Enforcement Guide;
 - e) "Insurance Firm A" means an insurance and underwriting agency;
 - f) "Insurance Firm B" means an insurance firm;
 - g) "Insurance Firm C" means an insurance firm;
 - h) "RDC" means the Regulatory Decisions Committee of the Authority (see further under Procedural Matters below);
 - i) "the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber); and
 - j) "the Website" means the website www.tritoninsurance.co.uk.

FACTS AND MATTERS

Background

6. The Firm has been authorised by the Authority since 1 October 2008. The Firm holds the permissions set out in paragraph 1 to enable it to conduct business in relation to non-investment insurance contracts for commercial and retail customers. The Firm does not have permission to hold client money.
7. On the Website, the Firm advertises that it provides and manages the insurance requirements of most types of businesses and households throughout the UK. The Firm also offers independent advice in relation to insurance arrangements covering commercial and industrial property, household and other types of insurance policies.

The Firm's business arrangements with Insurance Firm A

8. The Firm had an agency agreement with Insurance Firm A to broker household insurance contracts on behalf of Insurance Firm A. This agreement was terminated on 31 January 2019. This meant that, as of 31 January 2019, the Firm was no longer able to issue new policies or renew the policies of Insurance Firm A thereafter and was not entitled to hold itself out as being able to introduce business to Insurance Firm A.
9. On 2 October 2019, the Authority became aware that the Firm appeared to have been purporting to renew policies with Insurance Firm A held by its customers. In doing so, the Firm had sent out what ostensibly appeared to be Insurance Firm A-branded policy documents to its customers, despite the termination of the agency agreement on 31 January 2019 and without the knowledge of or prior consent from Insurance Firm A.
10. In fact, at least 19 customers of the Firm received what appeared to be Insurance Firm A-branded policy documents from the Firm after 31 January 2019 in purported renewal of their policies and paid premiums to the Firm in respect of those policies thereafter. On the basis of the Authority's review of the Firm's banking records, the Authority has ascertained that those customers paid premiums totalling £9,650.34 to the Firm under the misapprehension that their insurance policies had been renewed in circumstances where, in fact, the customers had no live insurance contract with Insurance Firm A. The Authority has also ascertained that these premiums were not paid on to Insurance Firm A or, in so far as the Authority's enquiries can establish, another insurer. Rather, the premium payments were retained by the Firm and an analysis of the Firm's banking records indicates that the premium payments were used to pay for personal expenses.
11. The Authority contacted the Firm on 4 October 2019 seeking an explanation as to the circumstances in which the purported Insurance Firm A-branded documents had been issued. The Firm explained to the Authority on that date, and in a subsequent email dated 16 October 2019, that this had occurred due to an administrative error and that, as a result, it did not realize that it had received the payments in question. The Firm also stated that this issue had affected around 22 customers and that it would remediate them within 8 weeks.

12. However, the Authority has been unable to verify these assertions by the Firm because the Authority has had no further response from the Firm since 16 October 2019, notwithstanding repeated attempts by the Authority to contact the Firm.
13. Of additional concern, on 12 December 2019, Insurance Firm A informed the Authority that it had received two claims in relation to home insurance policies brokered by the Firm which were not valid. The policies in question were not valid on the basis that (a) one was purportedly renewed after the termination of the Firm's agency agreement with Insurance Firm A and the Firm did not declare this renewal and/or pass on the insurance premium received from the customer in respect of it to Insurance Firm A; (b) the other was purportedly renewed prior to the termination of the agency agreement but, nonetheless, the Firm did not declare this renewal and/or pass on the insurance premium received from the customer in respect of it to Insurance Firm A; and (c) the properties in question were not eligible to be covered by Insurance Firm A due to a flood damage exclusion relating to the location of the properties. The result of this was that the customers in question did not in fact have a live insurance contract with Insurance Firm A and, in any event, the Firm was not authorised by its underwriting agency agreement to issue insurance contracts to property owners within these postcodes. Thus the Firm had put its customers at risk of very significant financial detriment as a result of not having a valid home insurance policy. In this regard, Insurance Firm A's reserve for the claims relating to these two customers' claims are £72,820 and £89,750 respectively.

The Firm's business arrangements with Insurance Firm B

14. Insurance Firm B has had a Terms of Business Agreement with the Firm since 18 October 2016. This allowed the Firm to engage with retail customers to place insurance business with Insurance Firm B, which Insurance Firm B then brokered with a panel of insurers.
15. On 30 September 2019, a customer of the Firm (Customer A) contacted the Authority in relation to the Firm. Customer A had paid a premium of £1,213.87 to the Firm on 25 February 2019 for a policy to be placed with Insurance Firm B. Insurance Firm B confirmed to the Authority on 6 January 2020 that this policy was set up on 19 February 2019 but was subsequently cancelled due to non-payment of premium on 1 May 2019.
16. The Authority has ascertained from an analysis of the Firm's banking records that Customer A's premium payment of £1,213.87 was received into the Firm's payment and claim account on 25 February 2019, but there is no evidence that the premium was either paid on to Insurance Firm B or returned to Customer A.

Customer Complaints

17. Since 31 May 2019, the Authority has received 22 complaints about the Firm from customers who believed they had a valid insurance policy in place and had paid their premiums to the Firm. None of these customers' premiums appear to have been paid on to an insurer. Of these consumers:
 - i. 16 stated that their underwriter was Insurance Firm A and 1 consumer specified their underwriter was Insurance Firm B (for a policy issued through Insurance Firm C).

- ii. Many stated that they had paid premiums to the Firm of which 11 of these customers provided specific amounts, which in total amounted to in excess of £5,000.
- iii. Two provided evidence of their communications with the Firm.
- iv. Four provided evidence of policies purportedly sold to them and policy schedules on Insurance Firm A-branded documentation that were issued after 31 January 2019 (the latest dated 12 September 2019).
- v. One provided evidence of transmission of the payment of premiums to the Firm.

The Firm's failure to engage with the Authority

18. The Authority was last able to make contact with the Firm on 16 October 2019 and has been unable to contact it since. Thereafter, the Authority tried to contact the Firm without success on the following dates:

- a) On 30 October 2019 by telephone;
- b) On 2 December 2019 by telephone;
- c) On 30 December 2019 by telephone;
- d) On 10 January 2020 by telephone;
- e) On 22 January 2020 by telephone and email;
- f) On 24 January 2020 by telephone and email.

19. As a result of the Firm's failure to respond to the Authority's communications in contravention of its obligations under Principle 11 of the Authority's Principles for Businesses, the Authority has been unable to engage with the Firm in relation to the matters of significant concern described above. In particular, the Authority has not had an opportunity to test the veracity of such explanations as the Firm has provided and it does not know how many policies arranged by the Firm are valid or otherwise, nor how many of the Firm's customers may be affected by its conduct.

20. Likewise, the Authority has not been able to confirm whether the Firm has taken the remediation action which it referred to on 4 October 2019. The Authority's analysis of the Firm's banking records indicates that the Firm has only provided redress to a small minority of those customers who have confirmed to the Authority that they have paid premiums to the Firm in respect of purported policies with Insurance Firm A.

FAILINGS AND RISKS TO OPERATIONAL OBJECTIVE

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

22. From the facts and matters described above, the Authority considers that it is desirable to exercise the powers under section 55J(1)(c)(i) and section 55L(2)(c) of the Act in order to advance its consumer protection objective. This is on the basis that the Firm appears to have purported to renew insurance policies for its customers in circumstances where it was not able to do so and has failed to pass on insurance premiums to insurers, thus exposing its customers to a risk of financial loss by leaving them without a valid insurance policy. The Authority also has evidence to suggest that premium payments have been misapplied in relation to personal expenditure.

23. In addition, the Authority has serious concerns regarding the Firm's conduct on the basis that:

- a) the Authority has not been able to verify or develop such limited explanations as the Firm has provided as to why it has received premium payments from customers but appears to have failed to arrange the corresponding insurance contracts;
- b) two customers have suffered damage to their properties caused by flooding. As a result of this event and not having a valid insurance policy in place, there is a risk that these customers may incur a substantial financial loss; and
- c) the Firm has not been responsive to the Authority's repeated attempts to contact it.

24. Without action to (a) vary the Firm's permission so that it may not carry on regulated activities, and (b) require the Firm to state on its Website and notify its clients that it is not permitted to carry on regulated activities, there is a risk that the Firm will continue to expose consumers to harm (in the form of misapplied insurance premiums) and the risk of harm (in the form of financial loss which may result from not having a valid insurance policy in place).

25. The Authority therefore considers that taking this action with immediate effect is appropriate and proportionate in furtherance of its consumer protection objective.

PROCEDURAL MATTERS

26. This First Supervisory Notice is given to the Firm under section 55Y(4) and in accordance with section 55Y(5) of the Act and is being served on the Firm at its place of business as last notified to the Authority.

27. The following paragraphs are important.

Decision Maker

28. The decision which gave rise to the obligation to give this First Supervisory Notice was taken by the Chair of the RDC. The RDC is a committee of the Authority

which takes certain decisions on behalf of the Authority. The members of the RDC are separate to the Authority staff involved in conducting investigations and recommending action against firms and individuals. Further information about the RDC can be found on the Authority's website:

<https://www.fca.org.uk/about/committees/regulatory-decisions-committee-rdc>

The Tribunal

29. The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Upper Tribunal. The Tax and Chancery Chamber is the part of the Upper 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 Upper Tribunal.

30. A reference to the Tribunal can be made by way of a signed reference notice (Form FTC3) and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5th Floor, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: uttc@hmcts.gsi.gov.uk).

31. For further information on the Upper Tribunal (including the power to vary time periods) reference should be made to the HM Courts and Tribunal Service website which provides guidance and the relevant form to complete. The relevant page on HM Courts and Tribunal Service website can be accessed via the following link:

<http://www.justice.gov.uk/forms/hmcts/tax-and-chancery-upper-tribunal>

32. A copy of Form FTC3 must also be sent to James Alleyne at the Authority, 12, Endeavour Square, London, E20 1JN at the same time as filing a reference with the Upper Tribunal.

Representations

33. The Firm has the right to make written and oral representations to the Authority (whether or not it refers this matter to the Tribunal). The deadline for notifying the Authority that the Firm wishes to make oral representations and for providing written representations is 4 March 2020 or such later date as may be permitted by the Authority. The address for doing so is:

Jack Williams
Decision-Making Committees Secretariat
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Confidentiality and Publicity

34. The Firm should note that section 391 of the Act 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 as it considers appropriate.
35. 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 advice on its contents).

Contacts

36. For more information concerning this matter generally, the Firm should contact Arzoo Azizi at the Authority (direct line: 020 7066 3512 / email: Arzoo.Azizi@fca.org.uk).
37. If the Firm has any questions regarding the procedures of the RDC, it should contact Jack Williams (direct line: 020 7066 1610 / email: Jack.Williams@fca.org.uk).

Mark Roberts, Manager, Decision-Making Committees Secretariat, on behalf of

Tim Parkes

Chair, Regulatory Decisions Committee

ANNEX

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1B of the Act include the consumer protection objective. Section 1C(1) of the Act provides that the consumer protection objective is "securing an appropriate degree of protection for consumers".
2. Section 55J of the Act allows the Authority to vary or cancel the permission of an authorised person to carry on a regulated activity if (among other things) it appears to the Authority that 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)). The permission may be varied by removing a regulated activity or regulated activities from those to which the permission relates. This power is referred to as the Authority's "own-initiative variation power".
3. Section 55L of the Act allows the Authority to impose a new requirement on an authorised person or to vary a previous requirement, if (among other things) it appears to the Authority that it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55L(2)(c)). This power is referred to as the Authority's own-initiative requirement power.
4. Section 55N of the Act allows a requirement to be imposed under section 55L of the Act so as to require the person concerned to take or to refrain from taking specified action (section 55N(1)).
5. Section 55Y of the Act allows the Authority's own-initiative variation power or its own initiative requirement 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 variation power or its own initiative requirement power, reasonably considers that it is necessary for the variation, or the imposition or variation of the requirement to take effect immediately (or on that date).
6. Section 391 of the Act provides that:
 - a. When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.
 - b. 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 proposed to be taken or (b) prejudicial to the interests of consumers.
 - c. Information is to be published under this section in such manner as the Authority considers appropriate.

RELEVANT HANDBOOK PROVISIONS

7. The Authority's policy in relation to its enforcement powers is set out in the Enforcement Guide (EG), certain provisions of which are summarised below.

Imposing requirements on the Authority's own-initiative

8. EG 8.2.1 provides 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. The Authority 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.
9. EG 8.2.3 provides that the Authority may exercise its formal powers under section 55J or 55L of the Act, where the Authority considers it is appropriate to ensure a firm meets its regulatory requirements.

Use of the own-initiative powers in urgent cases

10. EG 8.3.1 states that the Authority may impose a variation of permission or a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the variation or requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
11. EG 8.3.2 provides that the circumstances in which the Authority will consider exercising its own initiative power as a matter of urgency, include where the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately (EG 8.3.2(1)).
12. EG 8.3.3 sets out a non-exhaustive list of situations in which the Authority will consider in exercising its own-initiative power as a matter of urgency. EG 8.3.3(1) suggests that the Authority may consider urgent own-initiative action if there is information indicating a significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests. EG 8.3.3(2) suggests that the Authority may consider using this power where it has received information that a firm's conduct has put it at risk of being used for the purposes of financial crime. EG 8.3.3(3) states that the Authority will consider using its urgent own initiative powers where a firm has submitted to the Authority inaccurate or misleading information so that that Authority is seriously concerned about the firm's ability to meet its regulatory obligations.
13. EG 8.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an urgent imposition of a requirement is appropriate and sets out a non-exhaustive list of factors which will determine whether the urgent exercise of the Authority's own-initiative power is an appropriate response to serious concerns, including: the extent of any consumer loss or risk of consumer loss or other adverse effect on consumers (EG 8.3.4(1)) and the extent to which customer assets appear to be at risk (EG 8.3.4(2)), the financial resources of the firm (EG 8.3.4(5)), the nature of any false or misleading information, including where the information relates to the firm's potential involvement in financial crime (EG 8.3.4(3)) the firm's conduct, including whether there is a risk the firm has been or may be used to facilitate financial crime (EG 8.3.4(6)) and the impact which the use of the Authority's own-initiative powers will have on the firm's business and on its consumers (EG 8.3.4(9)).

