
FIRST SUPERVISORY NOTICE

To: **Uncle Buck Finance LLP**

Address: **Riverbridge House
Anchor Boulevard
Crossways Business Park
Dartford
Kent
DA2 6SL**

FRN: **673545**

Dated: **18 March 2020**

ACTION

1. For the reasons given below and pursuant to section 55L of the Act, the Authority has decided to impose the following requirements on the Firm, with immediate effect. The requirements are that the Firm must:
 - (a) not in any way dispose of, deal with or diminish the value of any of its assets, whether held in the United Kingdom or elsewhere, without the prior written consent of the Authority; and
 - (b) not conduct any regulated activities for which it holds a Part 4A permission.
2. For the avoidance of doubt, the requirement at paragraph 1(a) above is an assets requirement within the meaning of section 55P(4)(a) of the Act.

REASONS FOR ACTION

3. On the basis of the facts and matters described below, the Authority considers that it is desirable to impose the requirements because it has concluded that the Firm is failing to satisfy the appropriate resources Threshold Condition.
4. The Authority considers that this action is necessary to preserve the financial position of the Firm until such time as it can apply for the administration of the Firm.

DEFINITIONS

5. The definitions below are used in this First Supervisory Notice:

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

"the appropriate resources Threshold Condition" means the threshold condition set out in paragraph 2D of Schedule 6 to the Act;

"the Authority" means the Financial Conduct Authority;

"Bassett & Gold" means Bassett & Gold Plc, an unregulated issuer of high-yield retail bonds.

"the Firm" means Uncle Buck Finance LLP;

"the Handbook" means the Authority's Handbook of rules and guidance;

"Part 4A permission" means permission to conduct regulated activities pursuant to Part 4A of the Act;

"the requirements" means the requirements that the Authority has decided to impose on the Firm, as set out in paragraph 1 of this First Supervisory Notice;

"River Bloom Cyprus" means River Bloom Limited;

"River Bloom UK" means River Bloom UK Services Ltd;

"the River Bloom entities" means, collectively, River Bloom Limited and River Bloom UK Services Ltd; and

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

FACTS AND MATTERS

Background

The Firm and its funding model

6. The Firm is a provider of short term-high cost credit. It provides borrowers with loans of up to £1,000.
7. It has been authorised by the Authority since 19 February 2016 and has the following permissions: agreeing to carry on a regulated activity; credit broking;

entering into high-cost short-term credit as lender; and exercising or having the right to exercise the lender's rights and duties in relation to high-cost short-term credit.

8. The Firm's sole source of funding is a loan facility provided by the River Bloom entities and secured by way of debentures over the Firm's assets.
9. This facility has historically been financed by way of an increasing loan facility from Bassett & Gold, using the proceeds of its bond issues, to River Bloom Cyprus (the parent entity of River Bloom UK). The loan facility from Bassett & Gold to River Bloom Cyprus was novated in January 2018 such that River Bloom UK became the borrower of Bassett & Gold. More recently, the facility has been financed by BG Global Limited, a Hong Kong based bond issuer, an associated entity to Bassett & Gold.
10. In turn, using the funds lent by Bassett & Gold, the River Bloom entities provided the Firm with an increasing loan facility. In December 2014, an initial loan facility of £3 million was provided to the Firm by River Bloom Cyprus. This was ultimately increased to £57 million in August 2018 with the River Bloom entities both stated as being lenders to the Firm.
11. The Authority receives from the Firm daily reporting of all cash held by the Firm, which was £1.68 million on 17 March 2020. The Authority also understands, by way of email from the Firm dated 17 March 2020, that River Bloom Cyprus has called in a debt of £1.98 million. As such, the firm is insolvent as it is unable to pay its debts as they fall due.
12. The Firm has also informed the Authority that it expects to receive, within the near future, a payment of £586,000 from the recent sale of its debt book. However, even if such funds were to be used to pay back the debt to River Bloom Cyprus, this would leave no working capital available to the Firm to continue operating.

FAILURE TO SATISFY THE APPROPRIATE RESOURCES THRESHOLD CONDITION

13. The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.
14. From the facts and matters described above, the Authority has concluded that the Firm is failing to satisfy the appropriate resources Threshold Condition in that it is unable to meet its financial obligation to repay the debt called in by River Bloom Cyprus. As such, the Firm is both cash flow and balance sheet insolvent. Further, even if the Firm receives the payment of £586,000 which it has informed the Authority it is expecting to receive in the near future, it would have no working capital available to continue operating.
15. The Authority considers that the requirements are appropriate and proportionate in order to preserve the financial position of the Firm, and to prevent it from becoming worse, until such time as the Authority can bring an application to seek the orderly administration of the Firm.

PROCEDURAL MATTERS

16. This First Supervisory Notice is given to the Firm under section 55Y(4) and in accordance with section 55Y(5) of the Act. The following paragraphs are important.

Decision Maker

17. This decision was taken by the Chair of the Regulatory Decisions Committee.

The Tribunal

18. The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. 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.
19. 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: 020 020 7612 9730; email: uttchmcts.gsi.gov.uk).
20. For further information on the Upper Tribunal (including the power to vary time periods) the Firm should refer to the HM Courts and Tribunal Service website which will provide 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>
21. A copy of Form FTC3 must also be sent to Emma Fox at the Authority, 12 Endeavour Square, London, E20 1JN at the same time as filing a reference with the Tribunal.

Representations

22. 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 making written representations and for informing us (the Decision-Making Committees Secretariat) that you wish to make oral representations is 3 April 2020 or such later date as may be permitted by the Authority. The address for doing so is:

Lynn Cheesman
Decision-Making Committees Secretariat
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Publicity

23. The Firm should note that section 391 of the Act requires the Authority, when the First Supervisory Notice takes effect (and this First Supervisory Notice takes

immediate effect), to publish such information about the matter as it considers appropriate.

Contacts

24. For more information concerning this matter generally, the Firm should contact Emma Fox at the Authority (direct line: 020 7066 8406).
25. If the Firm has any questions regarding the procedures of the Regulatory Decisions Committee, it should contact Lynn Cheesman (direct line: 020 7066 3192).

Tim Parkes
Chair, Regulatory Decisions Committee

ANNEX

RELEVANT STATUTORY PROVISIONS

1. Section 55B(3) of the Act states that

“in giving or varying permission, imposing or varying a requirement, or giving consent, under any provision of this Part, [the Authority] must ensure that the person concerned will satisfy, and continue to satisfy, in relation to all of the regulated activities for which the person has or will have permission, the threshold conditions for which [the Authority] is responsible.”
2. Section 55L of the Act allows the Authority to impose a new requirement on an authorised person or to vary a previous requirement, if it appears to the Authority that the authorised person is failing, or is likely to fail, to satisfy the threshold conditions (section 55L(2)(a)); or 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.
3. Section 55N of the Act allows a requirement to be imposed under section 55L of the Act so as to require the person concerned to take or to refrain from taking specified action (section 55N(1)).
4. Section 55P of the Act provides that a requirement under section 55L which prohibits the disposal of, or otherwise dealing with, any of the subject’s assets (whether in the United Kingdom or elsewhere) or restricting such disposals or dealings is an “assets requirement” (section 55P(4)(a)). If the Authority gives notice of such a requirement to any institution with whom the subject of the requirement has an account, the notice has the effects, for that institution, set out in section 55P(6) of the Act.
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. The appropriate resources Threshold Condition provides, in relation to a person (“A”) carrying on or seeking to carry on regulated activities which do not consist of or include a PRA-regulated activity, that:

“The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.”
7. 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 –
 - (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
- [...]
- (7) Information is to be published under this section in such manner as the [Authority] considers appropriate.”

RELEVANT HANDBOOK PROVISIONS

- 8. 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.
- 9. EG 8.1.1 reflects the provisions of sections 55J and 55L of the Act that the Authority may use its own-initiative power to vary or cancel the permission of an authorised firm, or to impose requirements, where a firm is failing or is likely to fail to satisfy the threshold conditions (EG 8.1.1(1)); or where it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).

Imposing requirements on the Authority's own-initiative

- 10. 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.
- 11. EG 8.2.3 provides that the Authority will exercise its formal powers under section 55J or 55L of the Act, where the Authority considers it is appropriate to do so to ensure a firm meets its regulatory requirements. EG 8.2.3(1) specifies that the Authority may consider it appropriate to exercise its powers where it has serious concerns about a firm or the way its business is being or has been conducted.
- 12. EG 8.4.4 gives examples of requirements that the Authority may consider imposing when exercising its own-initiative power in support of its enforcement function. These include: a requirement not to hold or control client money; a requirement that prohibits the disposal of, or other dealing with, any of the firm's assets or restricts those disposals or dealings; and a requirement that all or any of the firm's assets (whether in the United Kingdom or elsewhere), or all or any assets belonging to investors but held by the firm to its order, must be transferred to a trustee approved by the Authority.

Use of the own-initiative powers in urgent cases

13. EG 8.3.1 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.
14. 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)).
15. EG 8.3.3 sets out a non-exhaustive list of situations in which the Authority will consider 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.
16. EG 8.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an urgent variation of Part 4A permission, or an imposition of a requirement, is appropriate. These include: the extent of any loss or risk of 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 firm's conduct (EG 8.3.4(8)) 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)).

Guidance concerning the relevant Threshold Condition

17. Guidance on the Threshold Conditions is set out in the part of the Handbook entitled Threshold Conditions ("COND").

COND 2.4 – Appropriate resources: Paragraph 2D of Schedule 6 to the Act

18. COND 2.4.1AUK(1) reproduces the relevant statutory provision that the resources of the person concerned must be appropriate in relation to the regulated activities that it carries on or seeks to carry on.
19. COND 2.4.1AUK(3) states that the matters which are relevant in determining whether a firm has appropriate financial resources include the provision the firm makes in respect of liabilities.
20. COND 2.4.2G(2) provides that, in this context, the Authority will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources, non-financial resources and means of managing its resources; for example, capital, provisions for liabilities, holding of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
21. COND 2.4.4G(2) states that relevant matters to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, the appropriate resources Threshold Condition may include whether there are any

indications that the firm will not be able to meet its debts as they fall due (COND 2.4.4G(2)(b)).