
FIRST SUPERVISORY NOTICE

To: Independent Asset Management U.K. Limited

Of: The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

FRN: 302823

Dated: 3 June 2013

ACTION

1. For the reasons given below and pursuant to section 55J of the Act, the Authority has decided to vary the permission granted to Independent Asset Management U.K. Limited ("IAM") pursuant to Part 4A of the Act, by removing all of its regulated activities with immediate effect. Accordingly, IAM's Part 4A permission no longer includes the regulated activities of:
 - (a) advising on investments (except on Pension Transfers and Pension Opt Outs);
 - (b) advising on regulated mortgage contracts;
 - (c) agreeing to carry on a regulated activity;
 - (d) arranging (bringing about) deals in investments;
 - (e) arranging (bringing about) regulated mortgage contracts;

- (f) assisting in the administration and performance of a contract of insurance;
 - (g) dealing in investments as agent;
 - (h) making arrangements with a view to regulated mortgage contracts; and
 - (i) making arrangements with a view to transactions in investments.
2. The Authority has further decided to impose the following requirements on IAM with immediate effect, pursuant to section 55L of the Act, namely that IAM must:
- (a) within 14 days notify in writing all clients for IAM's regulated activities that it is no longer permitted by the Authority to carry on regulated activities; and
 - (b) within 14 days provide the Authority with a copy of the written notification sent to all clients for its regulated activities pursuant to (a) above, together with a list of all clients to whom such notification has been sent.

REASONS FOR ACTION

3. The Authority has concluded, on the basis of the facts and matters described below, that IAM is failing to satisfy the Threshold Conditions. In the opinion of the Authority, IAM's financial resources are not appropriate in relation to the regulated activities it carries on, or seeks to carry on. Specifically, IAM has failed to maintain PII. IAM is therefore in breach of the appropriate resources Threshold Condition and Principle 4 (Financial prudence) of the Authority's Principles for Businesses (the "Principles").

DEFINITIONS

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

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

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"IAM's Part 4A permission" means IAM's permission pursuant to Part 4A of the Act;

"PII" mean Professional Indemnity Insurance;

"the Threshold Conditions" means the threshold conditions set out in Part 1B of Schedule 6 to the Act; and

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

FACTS AND MATTERS RELIED ON

5. IAM was authorised by the Authority on 31 October 2004 to conduct regulated home finance business. From 14 January 2005 IAM was also permitted to conduct insurance mediation business and from 2 August 2007 IAM was permitted to conduct designated investment business.
6. IAM has failed to satisfy the Authority that it has maintained PII, despite having had reasonable opportunity to do so.

FAILINGS

7. The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.
8. From the facts and matters described above the Authority, having regard to its operational objectives, has reached the following conclusions:
 - by failing to satisfy the Authority that it has effected compliant PII, IAM is failing to make appropriate provisions in respect of its liabilities, including contingent and future liabilities. IAM therefore does not meet the appropriate resources Threshold Condition in paragraph 2D of Schedule 6 to the Act;
 - IAM is also failing to meet Principle 4 (Financial prudence), of the Principles, which states that a firm must maintain adequate financial resources;
 - the risk of loss or other adverse effect on consumers by IAM's failings, which are material breaches of requirements imposed on it by the Authority, causes the Authority to have very serious concerns about IAM such that the exercise of the Authority's own-initiative power to vary IAM's Part 4A permission, and to impose requirements on IAM, with immediate effect is an appropriate response to those concerns; and
 - it is desirable to exercise the Authority's own initiative power to vary IAM's Part 4A permission, and impose requirements on IAM, with immediate effect to meet its operational objectives, and specifically in relation to IAM, the objective of the protection of consumers.

PROCEDURAL MATTERS

Decision Maker

9. The decision which gave rise to the obligation to give this First Supervisory Notice was made by a deputy Chairman of the Regulatory Decisions Committee.
10. This First Supervisory Notice is given to IAM under section 55Y(4) and in accordance with section 55Y(5) of the Act, and is being served on IAM at its place of business as last notified to the Authority. The following statutory rights are important.

The Tribunal

11. IAM 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, IAM has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.

12. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by IAM and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk).
13. Further details are contained in "Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)" which is available from the Tribunal website:

<http://www.tribunals.gov.uk/financeandtax/FormsGuidance.htm>
14. IAM should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as filing a reference with the Tribunal. A copy of the reference notice should be sent to Kathryn Willis at the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Representations

15. IAM 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 providing written representations to the Authority is 20 June 2013 or such later date as may be permitted by the Authority. Written representations should be made to the Regulatory Decisions Committee and sent to:

Lynn Cheesman
Regulatory Decisions Committee Professional Support Services
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Publicity

16. IAM 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

17. For more information concerning this matter generally, IAM should contact Kathryn Willis at the Authority (direct line: 020 7066 2098).

18. If IAM has any questions regarding the procedures of the Regulatory Decisions Committee, it should contact Lynn Cheesman (direct line: 020 7066 3192).

Robin Callender Smith
Deputy Chairman, Regulatory Decisions Committee

**ANNEX TO THE FIRST SUPERVISORY NOTICE ISSUED BY THE
AUTHORITY TO INDEPENDENT ASSET MANAGEMENT U.K. LIMITED ON 3
JUNE 2013**

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1(B) of the Act include the protection of consumers.
2. The Authority is authorised by section 55J of the Act to exercise the following powers:
 - to vary an authorised person's permission where it appears to the Authority that such person is failing to satisfy the Threshold Conditions (section 55J(1)(a));
 - to vary an authorised person's permission where it is desirable to do so to advance any of its operational objectives (section 55J(1)(c)(i));
 - to vary such a permission by removing a regulated activity from those for which the permission is given (section 55J(2)(a)(ii)); and
 - to include any provision in the permission as varied that could be included if a fresh permission were being given in response to an application under section 55A of the Act, (section 55J(10)).
3. Section 55L of the Act permits the Authority to impose a new requirement in relation to an authorised person where it is desirable for the Authority to exercise its power to do so in order to advance one or more of its operational objectives.
4. Section 55Y of the Act allows such a variation 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).
5. 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, 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.”
6. Paragraph 2D of Part 1B of Schedule 6 to the Act sets out the appropriate resources Threshold Condition which provides that:
- “(1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.”

RELEVANT HANDBOOK PROVISIONS

7. In exercising its power to vary a Part 4A permission, the Authority must have regard to guidance published in the Authority’s Handbook of Rules and Guidance (the “Handbook”). The relevant main considerations in relation to the action specified above are set out below.

Relevant Rules

8. Rule IPRU(INV) 13.1.5R in the Interim Prudential sourcebook for Investment Businesses (“IPRU(INV)”) states:
- “A firm must take out and maintain at all times professional indemnity insurance that is at least equal to the requirements in this section from:
- (1) an insurance undertaking which is authorised to transact professional indemnity insurance in the EEA; or
 - (2) a person of equivalent status in:
 - (a) a Zone A country;
 - (b) the Channel Islands, Gibraltar, Bermuda or the Isle of Man”.
9. Rule MIPRU 3.2.1R in the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (“MIPRU”) states:
- “A firm must take out and maintain professional indemnity insurance that is at least equal to the requirements in this section from:
- (1) an insurance undertaking which is authorised to transact professional indemnity insurance in the EEA; or
 - (2) a person of equivalent status in:
 - (a) a Zone A country;
 - (b) the Channel Islands, Gibraltar, Bermuda or the Isle of Man”.

Relevant Principle

10. Principle 4 (Financial prudence) of the Principles, states that a firm must maintain adequate financial resources.

Guidance concerning the relevant Threshold Condition

11. 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 Part 1B of Schedule 6 to the Act)

12. COND 2.4.1AUK, states that the resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.
13. COND 2.4.1BG provides that paragraph 2D of Schedule 6 to the Act sets out the appropriate resources threshold condition for firms carrying on, or seeking to carry on regulated activities, which do not include a PRA regulated activity.
14. COND 2.4.4G(2) provides that the 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 the firm is likely to have difficulties in complying with any of the Authority’s prudential rules (COND 2.4.4G(2)(a)).

OTHER RELEVANT REGULATORY PROVISIONS

15. 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.
16. EG 8.1(1) reflects the provisions of section 55J of the Act that the Authority may use its own-initiative power to vary or cancel the permission of an authorised firm where a firm is failing or is likely to fail to satisfy the threshold conditions.

Varying a firm’s Part 4A permission on the Authority’s own-initiative

17. EG 8.1B 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.
18. EG 8.3 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 ensure a firm meets its regulatory requirements. EG 8.3(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.
19. EG 8.5(1)(a) specifies that the Authority will consider exercising its own-initiative power under section 55J(1)(a) or 55L(2)(a) of the Act, where the firm appears to be failing, or appears likely to fail, to satisfy the threshold conditions relating to one or more, or all, of its regulated activities. EG 8.5(1)(a) states that one circumstance is where a firm’s resources are inappropriate as it has failed to manage risk with PII.

Use of the own-initiative powers in urgent cases

20. EG 8.6 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.
21. EG 8.7 provides 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 8.7(1)).
22. EG 8.8 provides an example of situations which will give rise to such serious concerns. Specifically, EG 8.8(4) includes where circumstances suggest a serious problem within a firm that call into question the firm's ability to continue to meet the threshold conditions.
23. EG 8.9 sets out the factors which will determine whether the urgent exercise of the Authority's own-initiative power is appropriate, including the extent of any risk of consumer loss or other adverse effect on consumers (EG 8.9(1)).