

---

## **SECOND SUPERVISORY NOTICE**

---

**To:** **Integrity Protect No 1 Limited**

**Reference Number:** **677984**

**Address:** **Llanover House  
Llanover Road  
Pontypridd  
Rhonda Cynon Taff  
Wales CF37 4DY**

**Date:** **03 March 2022**

### **1 ACTION**

- 1.1 For the reasons given in this Second Supervisory Notice, the Financial Conduct Authority (“the Authority”) has decided not to rescind the requirements set out at paragraph 1.3 below on Integrity Protect No 1 Limited (“IP1” or “the Firm”) and notified to it in the First Supervisory Notice (“the FSN”) dated 14 January 2022. On 4 February 2022, representations were received by the Authority in relation to the FSN (“the Representations”). The Authority has considered the Representations and concluded that the Requirements set out at paragraph 1.3 below remains proportionate and appropriate. A summary of the Decision-Maker’s review is set out at Annex B.
- 1.2 The FSN notified IP1 that pursuant to section 55J(2)(a)(ii) of the Financial Services and Markets Act 2000 (“the Act”), the Authority has decided to vary the Part 4A permission of IP1 to remove its regulated activities.
- 1.3 Further, pursuant to section 55L(3)(a) of the Act, the Authority has decided to impose the following requirements (“the Requirements”) on IP1 with immediate

effect:

- 1) IP1 must not, without the prior written consent of the Authority, carry on any regulated activities for which it has Part 4A permission.
- 2) Save as set out in sub-paragraph (3), IP1 must not, without the prior written consent of the Authority, take any action which has, or may have, the effect of disposing of, withdrawing, transferring, dealing with or diminishing the value of its any assets it holds or receives, for itself or on behalf of another (whether in the United Kingdom or elsewhere).
- 3) IP1 may continue dealing with or disposing of any of its own assets in the ordinary and proper course of business provided that the sum or value of such dealings or disposals, whether as a single transaction or a combination of related transactions, does not exceed £2,000 (or £5,000 in the case of legal expenses).
- 4) For the avoidance of doubt, for the purposes of sub-paragraph (3) above, the following would be in the ordinary and proper course of business:
  - a) Any and all fees incurred or paid in exchange for professional advisory services;
  - b) Any amounts due to be paid to legitimate creditors for sums incurred prior to the imposition of the requirements, including but not limited to suppliers' fees and sums owing to HMRC;
  - c) Any income or sums collected and received by IP1 on behalf of any third parties and are to be paid to such third parties; or
  - d) Any and all salaries of IP1 staff, including to its directors, contractors or any other employees, where such salaries have been agreed prior to the imposition of the requirements.
- 5) For the avoidance of doubt, for the purposes of sub-paragraph (3) above, the following would not be in the ordinary and proper course of business:
  - a) The making of any distribution to IP1's shareholders whether by way of capital distribution or dividends;
  - b) Subject to sub-paragraph (4)(d) above, any payment to IP1's shareholders, directors, officers, employees, any connected entities or persons;
  - c) The making of any gift or loan by IP1 to any party; or
  - d) The entry into any financial reconstruction, sale of any part of IP1 (whether share or asset based) or reorganisation.
- 6) Sub-paragraphs (2) and (3) are assets requirements within the meaning of section 55P(4)(a) of the Act.
- 7) IP1 must secure all books and records and preserve all information and systems in relation to all activities carried on by it, including but not limited to regulated activities, and must retain these in a form and at a location within the UK, to be notified to the Authority in writing by no later than 5pm on 21 January 2022, such that they (or, so as not to hinder IP1's performance of its business

activities, true copies of them) can be provided to the Authority, or to a person named by the Authority, promptly on its request.

- 8) By 5pm on 17 January 2022, IP1 must publish in a prominent place on all its websites and any other electronic communication channels such as social media, in a form to be agreed in advance with the Authority, a notice setting out the terms and effects of these requirements.
  - 9) IP1 must as soon as possible, and by no later than 5pm on 19 January 2022, notify all consumers and creditors in writing of the imposition of the terms and effects of these requirements. This must be in a form to be agreed in advance with the Authority.
  - 10) Once the notifications referred to in sub-paragraph (9) have been made, by 5pm on 20 January 2022 IP1 must provide to the Authority:
    - a) Copies of the template notifications sent to all recipients referred to in sub-paragraph (9);
    - b) A list of all parties to whom notifications have been sent pursuant to sub-paragraph (9); and
    - c) Confirmation that, to the best of its knowledge, IP1 has sent notifications pursuant to sub-paragraph (9) to all relevant parties.
  - 11) IP1 will remove, or where this is not practicable give instructions for the removal of, any financial promotions it currently has live, in whatever form they take and on whatever outlet, by 5pm on 17 January 2022.
  - 12) IP1 will use best endeavours to direct Integrity Protect Group Limited, Integrity Protect Limited, Integrity Protect No 2 Limited, Gettasub Limited, Woodville Consultants Limited, Woodville Consultants No 2 Limited and Excelsior Litigation Limited to stop all financial promotion of investments or loans and will confirm to the Authority by 5pm on 17 January 2022 the steps it has taken to ensure this.
  - 13) IP1 will use best endeavours to direct Integrity Protect Group Limited, Integrity Protect Limited, Integrity Protect No 2 Limited, Gettasub Limited, Woodville Consultants Limited, Woodville Consultants No 2 Limited and Excelsior Litigation Limited not to dispose of, withdraw, transfer, deal with or diminish the value of any assets it holds or receives on behalf of itself or another (whether in the United Kingdom or elsewhere), otherwise than in the ordinary course of business. IP1 will confirm to the Authority by 5pm on 17 January 2022 the steps it has taken to ensure this.
  - 14) A SMF of IP1 must send to the Authority via email details of all bank accounts held by IP1 and the entities listed in sub-paragraphs (12) and (13) above by 5pm on 17 January 2022 and via email by 12 noon every Friday (or the following business day should the Friday fall on a Bank Holiday), until such time as it is notified otherwise in writing by the Authority, copies of that week's bank statements for all bank accounts held by IP1 and the entities listed in sub-paragraphs (12) and (13) above that IP1 is in compliance with these requirements.
- 1.4 These Requirements shall take immediate effect and remain in force unless and until varied or cancelled by the Authority (either on the application of IP1 or of the Authority's own volition).

## 2 REASONS FOR ACTION

### Summary

- 2.1 The Authority has concluded, on the basis of the facts and matters described below that, in respect of IP1, it is necessary to exercise its power under section 55L(2) of the Act to impose the Requirements on IP1 because it is:
- 1) It is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Conditions pursuant to section 2D of Schedule 6 of the Act;
  - 2) It is failing, or is likely to fail, to satisfy the Effective Supervision Threshold Conditions pursuant to section 2C of Schedule 6 of the Act;
  - 3) It has failed, during a period of at least 12 months, to carry on a regulated activity to which its Part 4A permission relates; and
  - 4) It is desirable to do so in order to advance one or more of the Authority's operational objectives, which includes securing an appropriate degree of protection for consumers pursuant to section 1C of the Act.
- 2.2 The Authority has identified serious concerns relating to IP1 in that its conduct appears to demonstrate that IP1 poses a significant risk of harm to customers. Specifically:
- 1) IP1 does not have the appropriate resources in relation to the regulated activities which it carries on or seeks to carry on as required by the Threshold Conditions at section 2D of Schedule 6 of the Act due to the following:
    - a) As at 30 November 2021, IP1 owes a total of £1,881,000 pursuant to 25 loan notes. It is unclear what the purpose of the loan notes were for, who the counterparties to these loan notes were or how IP1 proposes meeting its repayment obligations;
    - b) As at 22 December 2021, the most recent bank account statement provided by IP1 to the Authority shows that IP1 had a cash balance of only £27.47. The Authority is concerned that IP1 does not have the funds required to finance its activities;
    - c) IP1 was a recipient of total net payments of £8,665,437 from the customer account of Company C, an unregulated investment company. These amounts ultimately belonged to Company C's customers. IP1 has also made a loan of £5,036,000 to a law firm as part of its litigation funding business and due to an ongoing dispute about whether IP1 is entitled to the loan repayment, there is a real likelihood that the £5,036,000 loan may not be recoverable. It is possible that the £5,036,000 loan was advanced from the amount of £8,665,437 which it received from Company C's customer account. If the loan is not recoverable, IP1 will be unlikely to repay monies owed to Company C's customer account. Further, Supervision does not know how IP1 applied the remaining amount of £3,629,437 which it received from Company C. There is a significant risk that any failure to recover funds for Company C will result in harm to its underlying customers;
  - 2) IP1 is not capable of being effectively supervised as the Authority has not been provided with either financial statements or management accounts

comprising balance sheet and profit and loss statements despite repeated requests made to IP1, most recently on 7 January 2022. This meant that the Authority has been unable to confirm the overall financial position of IP1 and to establish whether it is able to meet its debts as they fall due; and

- 3) Based on the filing of its regulatory returns, IP1 does not appear to have carried on regulated activities since 31 December 2019.

- 2.3 The Authority considers that the variation of permissions and imposition of the Requirements should take immediate effect because the matters set out in the FSN demonstrate that the Firm is failing to conduct regulated activities, failing to comply with Threshold Conditions, and is putting consumers at risk.

### **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;

“FSN” means the First Supervisory Notice;

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

“IP1” or “the Firm” means Integrity Protect No 1 Limited;

“Person A” means a director of IP1;

“Person B” means a director of IP1;

“the Directors” means the directors of IP1, being Person A and Person B;

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

“Company C” means an unregulated investment company;

“Requirements” means the terms imposed on the Firm by the FSN as outline in section 1 above;

“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

“WCL” means Woodville Consultants Limited.

### **4 FACTS AND MATTERS**

#### Background

- 4.1 IP1 was incorporated on 21 January 2015 and was authorised by the Authority to perform regulated activities from 14 March 2016. IP1 is supervised within the High-Cost Lenders portfolio and has consumer credit permissions.

- 4.2 The current directors of IP1 are Person A and Person B (together "the Directors"). Both hold SMF3 Executive Director positions at IP1.

Failings and risks identified

- 4.3 As at 31 December 2017, IP1's latest financial statements revealed that it had total equity of minus £432,382. At that point, IP1 was balance sheet insolvent. Despite repeated requests made by the Authority to IP1, the Authority does not have any more recent financial statements or management account information in relation to IP1 as Person A informed the Authority that none have been prepared. The regulatory returns of IP1 as at 31 Dec 2019 do not contain sufficient information for an assessment of the net asset position of IP1.
- 4.4 Over the period from March 2018 to May 2019, Company C made net payments to IP1 totalling £8,665,437. These payments were made directly by Company C to IP1 and the purpose for which these payments to IP1 is not known.
- 4.5 The Authority does not have any evidence of any services rendered by IP1 to Company C in exchange for these payments. The Authority also does not have any information as to whether these amounts were repaid or whether they remain outstanding.
- 4.6 These amounts ultimately belonged to Company C's customers as the payments were made from Company C's customer account. The failure by IP1 to repay the £8,665,437 to the Company C customer account as a result of any dissipation of this amount by the Directors would lead to consumer harm to the Company C's customers, who are the beneficial owners of these funds.
- 4.7 On 20 September 2019, IP1's bank notified IP1 that it would be closing the latter's bank account on 27 November 2019 without citing its reasons for doing so.
- 4.8 On 6 December 2019, IP1 ceased its regulated activities due to the closure of the Firm's bank account and wrote to the Authority to request the cancellation of the Firm's authorisation and the controlled function permissions for Persons A and B.
- 4.9 Since 6 December 2019, IP1 has remained authorised even though it was not using its permissions. It has also continued to engage in trading, albeit in its litigation funding business which is not one of the Authority's regulated activities. The Authority is concerned that the Firm may be using its permissions and status as an FCA regulated entity to attract customers to invest in its unregulated activities.
- 4.10 On 11 March 2020, the Authority requested IP1 to provide its "*most recent management accounts (profit & loss, balance sheet, cash flow)*".
- 4.11 On 16 March 2020, Person A stated that the accounts were "*still being prepared*" and also noted that the Firm had ceased its regulated activities.
- 4.12 On 24 June 2020, the Authority emailed Person A again to ask how IP1 had issued 11 new loans notes to borrow funds when the Firm had ceased its regulated activities on 6 December 2019. The email also pointed out that the Firm's accounts for the year ended 30 June 2019 has still not be filed with Companies House and asked when this would be rectified.
- 4.13 On 26 June 2020, Person A responded that in relation to the loan notes, IP1 "*contractually commit [sic] to loans sometime before they finalise and the loans complete sometime later*". In relation to the late filing of accounts, Person A

explained that they had been delayed due variously to time spent on holiday, illness and disruption caused by the Covid-19 pandemic.

- 4.14 On 15 July 2020, the Authority again asked for *"up to date profit & loss, and balance sheet"*, adding that *"as a regulated firm it is expected that you keep appropriate records, and would be regularly examining Management Information"*.
- 4.15 On 11 August 2020, the Authority received evidence that IP1 was borrowing funds via loan notes by using the bank account of Woodville Consultants Limited ("WCL"), an unregulated entity whose directors are also Persons A and B, to receive these amounts.

- 4.16 On 19 January 2021, Person A stated that *"we are funding the repayments via other business interests that we have and when money is made available from those interests we use it to pay these loans to reduce the liability as soon as possible..."*. Person A did not specify what they meant by *"other business interests"* but this term may have implied that IP1 was using its litigation funding business of IP1 to fund repayments of the loan notes which it owed to other third parties.
- 4.17 On 16 June 2021, the Directors informed the Authority that IP1 was *"not trading"* but were *"repaying investors as money is received"*. The Directors did not state which bank account(s) the monies would be paid into. They stated that they did not feel that the appointment of an administrator for IP1 was required as they were winding down the Firm themselves, although they added that they did not have a formal plan for the wind-down of IP1. Also on 16 June 2021, Person A informed the Authority that IP1 was owed amounts of £14,072,000 and US\$8.8m.
- 4.18 As part of IP1's litigation funding business, it made loans to law firms, one of which was for £5,036,000. It appears that this loan was advanced by IP1 in May 2019. It is possible that the £5,036,000 loan may have originated from the £8,665,437 of net payments made by Company C to IP1.
- 4.19 The Authority has concerns that should the £5,036,000 loan or other loans that IP1 is expecting repayments from enter into default, IP1 may be unable to repay Company C any monies owed. Since the beneficial owners of the funds are Company C customers, there is a serious risk that this would also result in consumer harm.
- 4.20 As at 30 November 2021, the Authority was informed that IP1 had 25 loan notes totalling £1,881,000 which were outstanding and which IP1 was obliged to repay. It is unclear who these loans are owed to and the Authority also does not know what the purpose of the loan notes were for, or how IP1 proposes meeting its repayment obligations.
- 4.21 As at 22 December 2021, the bank balance on IP1's account was £27.47, a decrease from £47,285 as at 1 December 2021.
- 4.22 On 7 January 2022, the Authority made a request pursuant to section 165 of the Act for amongst other things, updated financial statements and management accounts.
- 4.23 On 10 January 2022, Person A stated that they *"do not have such statements to enable us to provide them to you"*. Person A was aware that the Authority had been asking for the provision of this financial information since 11 March 2020 but has still not complied with its repeated requests.
- 4.24 The Authority has therefore been unable to ascertain the overall financial position of IP1 and to establish whether it is able to meet its debts as they fall due.
- 4.25 Further, as a result of the information requirement issued on 7 January 2022, the Authority received copies of the loan agreements with the law firms which showed that WCL, and not IP1, was the counterparty to each agreement comprising the litigation funding business.



## 5 CONCLUSION

5.1 The regulatory provisions relevant to this Second Supervisory Notice are set out in Annex A.

### Analysis of failings and risks

5.2 The Authority has serious concerns about IP1's compliance with the Threshold Conditions. The Threshold Conditions are minimum standards that firms need to meet in order to be authorised and to continue carrying on regulated activities. The Authority considers that IP1 is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Condition because of the following:

- 1) As at 30 November 2021, IP1 owes a total of £1,881,000 pursuant to 25 loan notes. It is unclear what the purpose of the loan notes were for, who the counterparties to these loan notes were or how IP1 proposes meeting its repayment obligations; and
- 2) As at 22 December 2021, the most recent bank account statement provided by IP1 to the Authority shows that IP1 had a cash balance of only £27.47. The Authority is concerned that IP1 does not have the funds required to finance its activities.

5.3 The Authority also considers that IP1 is failing, or is likely to fail, to satisfy the Effective Supervision Threshold Condition because it is not capable of being effectively supervised as a result of the way its business is being organised. The Authority has not been provided with either financial statements or management accounts comprising balance sheet and profit and loss statements despite repeated requests made to IP1, most recently on 7 January 2022. This meant that the Authority has been unable to ascertain the overall financial position of IP1 and to establish whether it is able to meet its debts as they fall due.

5.4 The Authority has concluded, in light of the matters set out above, that it is necessary to exercise its own-initiative powers pursuant to:

- 1) section 55J(2)(a)(ii) of the Act to vary IP1's Part 4A permission to remove its regulated activities; and
- 2) section 55L(3)(a) of the Act by imposing the Requirements to prevent the Firm from dissipating its assets in order to protect the interests of consumers.

5.5 The Authority considers that the Requirements are a proportionate and appropriate means to address the current and immediate risks and are desirable in order to advance the Authority's operational objective of consumer protection.

### Timing and duration of the Requirements

5.6 It is necessary to impose the Requirements on an urgent basis given the seriousness of the risks and the need to protect consumers.

5.7 The Authority considers that it is necessary for the Requirements to remain in place indefinitely.

## **6 PROCEDURAL MATTERS**

### **Decision-maker**

- 6.1 The decision which gave rise to the obligation to give this Second Supervisory Notice was made by an Authority staff member under Executive Procedures.
- 6.2 This Second Supervisory Notice is given under section 55Y(7) and in accordance with section 55Y(9) of the Act.
- 6.3 The following statutory rights are important.

### **The Tribunal**

- 6.4 IP1 has the right to refer the matter to which this Second Supervisory Notice relates to the Tribunal, which considers references arising from decisions of the Authority. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, IP1 has 28 days from the date on which this Second Supervisory Notice is given to it to refer the matter to the Tribunal.
- 6.5 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of IP1 and filed with a copy of this Second 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)).
- 6.6 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>
- 6.7 IP1 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 [SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk).

### **Confidentiality and publicity**

- 6.8 IP1 should note that this Second 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).
- 6.9 IP1 should note that section 391(5) of the Act requires the Authority, when this Second Supervisory Notice takes effect, to publish such information about the matter to which the notice relates as it considers appropriate.

### **Authority contacts**

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

## **Decision made by an FCA Director under Executive Procedures**

## **ANNEX A**

### **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, and protecting and enhancing the integrity of the UK financial system.
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 55L of the Act allows the Authority to impose a new requirement on 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 55L(2)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55L(2)(c)).
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 specified action (section 55N(1)(a)), or to refrain from taking specified action (section 55N(1)(b)).
5. Section 55P of the Act allows a requirement to be imposed under section 55L of the Act prohibiting the disposal of, or other dealing with, any of an authorised person's assets (whether in the UK or elsewhere), or restricting such disposals or dealings.
6. Section 55Y(3) of the Act allows a requirement to take effect immediately (or on a specified date) 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 requirement to take effect immediately (or on that date).
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) But 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 proposed to be taken [or] 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.”

## **RELEVANT REGULATORY PROVISIONS**

### The Threshold Conditions

8. 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.
9. COND 2.4.1AUK reflects the provisions of the Act (Paragraph 2D of Schedule 6) to the effect that the resources of a firm must be appropriate in relation to the regulated activities that it carries on or seeks to carry on.

### The Enforcement Guide

10. The Authority's approach in relation to its enforcement powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
11. EG 8.1.1 reflects the provisions of section 55L of the Act by stating that the Authority may use its own-initiative power to impose requirements on an authorised person 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)).
12. 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)).
13. 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 55L of the Act to impose a requirement 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)).
14. 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.
15. 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.

16. 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; 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.
17. 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: 1) the extent of any loss, or risk of loss, or other adverse effect on consumers (EG 8.3.4(1)); 2) the extent to which customer assets appear to be at risk (EG 8.3.4(2)); 3) the financial resources of the firm (EG 8.3.4(5)).
18. 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.

## **ANNEX B**

### **SUMMARY OF DECISION-MAKER'S REVIEW**

1. The Decision-Maker has reviewed the Representations and further evidence provided by IP1 which was submitted to the Authority on 4 February 2022. These Representations are in response to the Requirements imposed on IP1 on 14 January 2022. IP1 acknowledged that there remain valid concerns about its assets and were seeking a more limited voluntary requirement (rather than an own initiative requirement imposed by the Authority). IP1 also objected to the "*best endeavours*" clauses as they apply to other entities that appear to be linked or associated with IP1.
2. Nothing in what has been provided by IP1 alters the Decision-Maker's assessment in that IP1 misled the Authority into thinking the three receivable loans were assets of IP1; IP1 is reliant on an inflow of funds from WCL to meet its liabilities as they fall due; IP1 has no financial statements or management accounts to enable an assessment of its current financial position; and IP1 has a convoluted and confusing investment structure with poor records. Indeed, the further information provided by IP1 in relation to Company C's payment of £8.7m has reinforced the substantial concerns the Authority has.
3. The Decision-Maker remains of the view that it is both proportionate and appropriate to impose the removal of IP1's regulatory activities and an asset requirement. There are outstanding loan notes, IP1 is not able to repay its liabilities as they fall due, and its bank account has a balance of £27.47 (as of December 2021). This would suggest that IP1 is not currently conducting any regulated activities, and the need to protect consumer losses through the dissipation of assets remains.
4. The Decision-Maker supports the publication of the Second Supervisory Notice confirming that the OIREQ remains in place.