

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

SECOND SUPERVISORY NOTICE

To: Perry Prowse (Insurance Consultants) Ltd

**Firm
Reference
Number: 311916**

Dated: 5 November 2019

ACTION

1. On 13 September 2019, pursuant to section 55J of the Act, the Authority gave Perry Prowse a First Supervisory Notice which notified Perry Prowse of the Authority's decision to vary Perry Prowse's Part 4A permission, by removing all of its regulated activities with immediate effect. For the reasons given in this Second Supervisory Notice, the Authority has decided not to rescind the variation of Perry Prowse's Part 4A permission. Accordingly, it remains the case that Perry Prowse is not permitted to carry on the regulated activities of:
 - (a) advising on investments (except on 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;
- (f) credit broking;
- (g) dealing in investments as agent;
- (h) making arrangements with a view to transactions in investments; and
- (i) holding and/or controlling client money for its insurance distribution activities.

REASONS FOR ACTION

2. On the basis of the facts and matters described in this Second Supervisory Notice, having considered Perry Prowse's representations on the First Supervisory Notice, it appears to the Authority that Perry Prowse is continuing to fail to satisfy the Threshold Conditions and that the exercise of its own-initiative power to vary Perry Prowse's Part 4A permission with immediate effect was, and remains, desirable in order to advance its consumer protection objective. Accordingly, the Authority considers it is not appropriate to rescind the variation of Perry Prowse's Part 4A permission.
3. Perry Prowse has failed to provide information to the Authority, despite repeated requests to do so, and has not been open and co-operative in all of its dealings with the Authority, in breach of Principle 11 (Relations with regulators) of the Principles. This includes a failure to comply in a timely and adequate manner with an information requirement issued under section 165 of the Act. As a result, the Authority considers that Perry Prowse is not a fit and proper person to conduct regulated activities and is failing to satisfy the suitability Threshold Condition.
4. The information that Perry Prowse has failed to provide, in a timely manner, adequately or at all, was required by the Authority to assess the serious issue of whether Perry Prowse was conducting its business with due regard to the interests of consumers. In particular, Perry Prowse repeatedly failed to provide information to address an allegation that Perry Prowse made unauthorised entries on the Motor Insurance Database and in relation to a complaint by consumers who were unable to claim on their home insurance policy bought from Perry Prowse. When Perry Prowse eventually did provide information in respect of these matters, it was inadequate and failed properly to address the issues raised by the Authority. This failure leads the Authority to consider that, were Perry Prowse permitted to carry on regulated activities, it would present a serious risk to consumers because the Authority cannot be satisfied that Perry Prowse's affairs would be conducted with due regard for the interests of its customers, in accordance with Principle 6 (Customers' interests) of the Principles. The Authority also considers that this aggravates Perry Prowse's failure to satisfy the suitability Threshold Condition.
5. Further, Perry Prowse's repeated failure to provide information required by the Authority, and the content of the information eventually provided, causes the Authority to have concerns regarding the adequacy of Perry Prowse's processes, systems and controls. The Authority is not confident that Perry Prowse has appropriate resources such that it is ready, willing and organised to comply with

regulatory requirements, and it therefore appears to the Authority that Perry Prowse is also failing to satisfy the appropriate resources Threshold Condition.

DEFINITIONS

6. The definitions below are used in this Second 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 body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"Company A" means the insurance company that provided the Authority with information alleging that Perry Prowse had made unauthorised entries on the Motor Insurance Database;

the "First Supervisory Notice" means the First Supervisory Notice given to Perry Prowse dated 13 September 2019;

the "FOS" means the Financial Ombudsman Service;

the "Handbook" means the Authority's Handbook of Rules and Guidance;

"Perry Prowse" means the regulated firm Perry Prowse (Insurance Consultants) Ltd;

"Perry Prowse's Part 4A permission" means Perry Prowse's permission to conduct regulated activities granted pursuant to Part 4A of the Act;

the "Principles" means the Authority's Principles for Businesses;

the "suitability Threshold Condition" means the Threshold Condition set out in paragraph 2E of Schedule 6 to the Act;

"SUP" means the Authority's Supervision Manual, part of the Handbook;

"SYSC" means the Senior Management Arrangements, Systems and Controls part of the Handbook;

the "Threshold Conditions" means the Threshold Conditions set out in Schedule 6 to the Act; and

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

FACTS AND MATTERS RELIED ON

7. Perry Prowse was authorised by the Authority on 14 January 2005 to conduct regulated insurance broking, credit broking and investment advisory business.

8. Since 24 April 2019, the Authority has repeatedly requested that Perry Prowse provide a full explanation addressing specific circumstances suggesting issues with insurance policies sold by Perry Prowse to consumers. The Authority requested this explanation after it received information:
 - a. alleging that Perry Prowse had made unauthorised entries on the Motor Insurance Database, including adding vehicles to consumers' policies without their knowledge or consent; and
 - b. regarding a complaint by consumers who were unable to claim on their home insurance policy purchased from Perry Prowse, because the underwriters informed them that the policy did not exist.
9. Since that date, the Authority has also repeatedly requested that Perry Prowse provide a full and detailed explanation (including updates) in relation to IT system issues being faced by the firm.
10. Despite numerous requests by the Authority, including an information requirement issued on 25 June 2019 under section 165(1) of the Act that Perry Prowse provide an explanation addressing the issues detailed in paragraphs 8 and 9 above, Perry Prowse has failed without sufficient explanation to adequately provide the information required by the Authority. Further, the limited information eventually provided by Perry Prowse indicates that Perry Prowse does not have adequate processes, systems and controls in place.

FAILINGS

11. The regulatory provisions relevant to this Second Supervisory Notice are set out in Annex A.
12. From the facts and matters described above, the Authority, having regard to its operational objectives, has reached the following conclusions:
 - a. Perry Prowse's unreasonable failure to provide the information requested by the Authority leads the Authority to consider that it is failing to be open and co-operative with the Authority, in breach of Principle 11 (Relations with regulators) of the Principles, and is therefore not a fit and proper person and is failing to satisfy the suitability Threshold Condition;
 - b. Perry Prowse's failure to address adequately allegations of unauthorised entries on the Motor Insurance Database and the complaint by consumers who were unable to claim on their home insurance policy because it did not exist, leads the Authority to conclude that, were Perry Prowse permitted to carry on regulated activities, it would present a risk to consumers because the Authority cannot be satisfied that Perry Prowse's affairs would be conducted in an appropriate manner, having regard in particular to the interests of consumers. The Authority considers that this aggravates Perry Prowse's failure to satisfy the suitability Threshold Condition and may also cause it to be in breach of Principle 6 (Customers' interests) of the Principles;
 - c. Perry Prowse's failings in (b) above cause the Authority to have serious concerns about the risk of loss or other adverse effect on consumers who have purchased or may purchase insurance policies from the firm, without

actually obtaining any cover or adequate cover. The Authority considers that the exercise of the Authority's own-initiative power to vary Perry Prowse's Part 4A permission with immediate effect was an appropriate response to those concerns;

- d. Perry Prowse's repeated failure to provide information required by the Authority, and the content of the information eventually provided, causes the Authority to have concerns regarding the adequacy of Perry Prowse's processes, systems and controls. The Authority is not confident that Perry Prowse has appropriate resources such that it is ready, willing and organised to comply with regulatory requirements, and it therefore appears to the Authority that Perry Prowse is also failing to satisfy the appropriate resources Threshold Condition; and
- e. it was also appropriate to exercise the Authority's own initiative power to vary Perry Prowse's Part 4A permission with immediate effect to advance its operational objectives, namely the objective of the protection of consumers, and it is not appropriate to rescind that variation.

REPRESENTATIONS

- 13. Annex B contains a brief summary of the key representations made by Perry Prowse and how they have been dealt with. In making the decision which gave rise to the obligation to give this Second Supervisory Notice, the Authority has taken into account all of the representations made by Perry Prowse, whether or not set out in Annex B.

PROCEDURAL MATTERS

- 14. This Second Supervisory Notice is given to Perry Prowse under section 55Y(7) and in accordance with section 55Y(9) of the Act.

Decision Maker

- 15. The decision which gave rise to the obligation to give this Second Supervisory Notice was made by the Authority's Regulatory Decisions Committee. The following statutory rights are important.

The Tribunal

- 16. Perry Prowse has the right to refer the matter to which this Second 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, Perry Prowse has 28 days from the date on which this Second Supervisory Notice is given to it to refer the matter to the Tribunal.
- 17. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of Perry Prowse and filed with a copy of this Second Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5th Floor, The Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: uttc@hmcts.gsi.gov.uk).

18. For further information on the Tribunal (including the power to vary time periods), Perry Prowse should refer 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:

<https://www.gov.uk/courts-tribunals/upper-tribunal-tax-and-chancery-chamber>

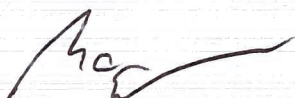
19. A copy of Form FTC3 must also be sent to Saad Nasarullah at the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN at the same time as filing a reference with the Tribunal.

Publicity

20. Perry Prowse should note that section 391 of the Act requires the Authority, when this Second Supervisory Notice takes effect, to publish such information about the matter as it considers appropriate.

Contacts

21. For more information concerning this matter generally, Perry Prowse should contact Saad Nasarullah at the Authority (direct line: 020 7066 1940).



Mark Roberts, DMCS Manager, on behalf of

Elizabeth France
Deputy Chair, Regulatory Decisions Committee

ANNEX A

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 55Y(3) 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).
4. Section 55Y(7) of the Act provides that if, having considered any representations made by the authorised person ("A"), the Authority decides not to rescind the variation of the permission, it must give A written notice.
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,
 - (b) prejudicial to the interests of consumers...
 - (7) Information is to be published under this section in such manner as the [Authority] considers appropriate."

6. Paragraph 2D to Schedule 6 to the Act states that:

"(1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.

[...]

(4) The matters which are relevant in determining whether A has appropriate non-financial resources include-

[...]

(b) whether A's non-financial resources are sufficient to enable A to comply with-

(i) requirements imposed or likely to be imposed on A by the [Authority] in the exercise of its functions..."

7. Paragraph 2E to Schedule 6 to the Act states that:

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

[...]

(c) the need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;

(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] ...

[...]

(f) whether A's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner..."

RELEVANT HANDBOOK PROVISIONS

8. In exercising its power to vary a Part 4A permission, the Authority must have regard to guidance published in the Handbook. The relevant main considerations in relation to the action specified above are set out below.

Relevant Principles

9. Principle 6 (Customers' interests) of the Principles, states that a firm must pay due regard to the interests of its customers and treat them fairly.
10. Principle 11 (Relations with regulators) of the Principles, states that a firm must deal with its regulators in an open and cooperative way.

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 Schedule 6 to the Act

12. COND 2.4.1AUK(1) reproduces the relevant statutory provision 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 2.4.2G(2) states 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.
14. COND 2.4.2G(2A) reiterates that paragraph 1A(2) of Schedule 6 to the Act provides that 'non-financial resources' of a firm for the purposes of the Threshold Conditions include any systems, controls, plans or policies that the firm maintains and the human resources that the firm has available.
15. COND 2.4.2G(3) refers to the fact that high level systems and control requirements are in SYSC, and states that the Authority will consider whether the firm is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purpose of the appropriate resources Threshold Condition.
16. COND 2.4.4(G) provides 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 but are not limited to: whether the firm has taken reasonable steps to identify and measure any risks of regulatory concern that it may encounter in conducting its business and has installed appropriate systems and controls and appointed appropriate human resources to measure them prudently at all times; and whether the resources of the firm are commensurate with the likely risks it will face (COND 2.4.4G(d) and (f)).

COND 2.5 – Suitability: Paragraph 2E of Schedule 6 to the Act

17. COND 2.5.1AUK(1) reproduces the relevant statutory provision that the person concerned must satisfy the Authority that he is a fit and proper person having regard to all the circumstances, including amongst other things, whether he has complied and is complying with requests made by the Authority, relating to the provision of information to the Authority, the need to ensure that his affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers, and whether his business is being managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner (COND 2.5.1AUK(1)(c),(d) and (f)).
18. COND 2.5.4G(2) states that examples of the considerations to which the Authority may have regard when assessing whether a firm will satisfy and

continue to satisfy the Threshold Conditions include whether the firm conducts its business in compliance with proper standards (COND 2.5.4G(2)(c)).

19. COND 2.5.6G states that examples of considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy the suitability Threshold Condition include whether the firm has been open and co-operative in all its dealings with the Authority, and whether the firm has contravened any provisions of the Act or the regulatory system (COND 2.5.6G(1) and (4)).

OTHER RELEVANT REGULATORY PROVISIONS

20. 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.
21. EG 8.1 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 (EG 8.1(1)); or where it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1(3)).

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

22. 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.
23. 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 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.
24. EG 8.2.6(1) 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.
25. EG 8.2.6(1)(b) 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 not to be a fit and proper person to carry on a regulated activity because it has breached requirements imposed on it by or under the Act (including Principles and rules) and the breaches are material in number or individual seriousness (EG 8.2.6(1)(b)(iii)).
26. EG 8.5.2 provides some individual examples of circumstances where 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 not to be a fit and proper person. This includes non-submission of regulatory return, repeated failures to comply with rules or requirements, and failure to co-operate with the Authority which is of sufficient seriousness that the Authority ceases to be satisfied that the firm is fit and proper, for example by failing without reasonable excuse to provide material information reasonably required by the Authority (EG 8.5.2(4), (7) and (8)(b)).

Use of the own-initiative powers in urgent cases

27. 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.
28. EG 8.3.2 provides the circumstances in which the Authority will consider exercising its own initiative power as a matter of urgency, including 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)).
29. EG 8.3.3 sets out a non-exhaustive list of factors the Authority will consider in exercising when assessing 'serious concerns'. EG 8.3.3(1) includes circumstances where information indicates 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) includes circumstances where information indicates 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.
30. EG 8.3.4 sets out the 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 loss, or risk of loss, or other adverse effect on consumers (EG 8.3.4(1)); the risk that the firm's conduct or business presents to the financial system and to confidence in the financial system (EG 8.3.4(7)); and the firm's conduct including the firm's compliance culture and steps it has taken or is taking to address the issue (EG 8.3.4(8)).
31. EG 8.5.3 states that, the Authority may need to consider whether it should first use its own-initiative powers to vary a firm's Part 4A permission before going on to cancel it. Amongst other circumstances, the Authority may use this power where it considers it needs to take immediate action against a firm because of the urgency and seriousness of the situation.
32. EG 8.5.4 specifies that where this situation occurs, the Authority may first vary the firm's Part 4A permission so that there is no longer any regulated activity for which the firm has a Part 4A permission. If it does this, the Authority then has a duty to cancel the firm's Part 4A permission, once it is satisfied that it is no longer necessary to keep the Part 4A permission in force.

ANNEX B

REPRESENTATIONS

1. Perry Prowse's representations (in italics) and the Authority's conclusions in respect of them are set out below.

Perry Prowse responded to the concerns raised by the Authority in an email sent on 7 August 2019

2. *Perry Prowse sent an email to the Authority on 7 August 2019, in which it provided answers to the three main concerns raised by the Authority. The Authority did not respond to that email, so Perry Prowse presumed that it had satisfactorily answered the Authority's concerns.*
3. The email sent by Perry Prowse on 7 August 2019 was considered by the Authority when it decided to issue the First Supervisory Notice. In reaching that decision, the Authority took into account evidence provided by Company A and by the FOS, which undermined important aspects of the information provided by Perry Prowse. The Authority therefore took, and remains of, the view that the email of 7 August 2019 did not adequately provide the information required by the Authority.

Unauthorised entries on the Motor Insurance Database allegation

4. *The allegation regarding unauthorised entries on the Motor Insurance Database was partly dealt with by a letter sent by Perry Prowse to Company A on 27 March 2019. This was then followed up by a subsequent letter to Company A on 6 August 2019. No response has been received from Company A.*
5. *The issue with the unauthorised entries was caused by a temporary junior employee, who no longer works at Perry Prowse, who had updated the Motor Insurance Database in error. Perry Prowse accepts that the training given to employees at that time was inadequate. Perry Prowse does not believe other customers have been affected by this issue, but has not been able to investigate as it no longer has access to the Motor Insurance Database or to information on customers' policies.*
6. *In any case, Perry Prowse has now ceased to offer any motor business, due to the heavy administrative burden it placed on the firm. There is therefore no possibility of the problem recurring.*
7. Company A first informed Perry Prowse on 7 November 2018 that it appeared that Perry Prowse had made unauthorised entries on the Motor Insurance Database, and asked Perry Prowse for a response to the issues it had identified. Despite several reminders from Company A, Perry Prowse did not provide a response until 27 March 2019, which it acknowledged at the time only partly addressed the issues raised by Company A. Company A informed the Authority on 15 October 2019 that it had not heard from Perry Prowse since 1 April 2019, when Perry Prowse informed it that a further letter addressing the other points made by Company A would follow within the next 24 hours. On 16 October 2019, Perry Prowse sent an email to the Authority and Company A attaching a screenshot of a Microsoft Word version of a letter to

Company A dated 6 August 2019, and it subsequently sent emails to the Authority and Company A attaching a further copy of that letter. On the evidence available to it, the Authority cannot be satisfied that the letter had previously been sent to Company A.

8. Moreover, the letters of 27 March 2019 and 6 August 2019 fail to address in full all of the issues raised in Company A's letter of 7 November 2018, as Perry Prowse was required to do. For example, Perry Prowse did not provide details of the insurance companies affected, as requested by Company A in order that it could redirect claims accordingly. Further, the letters indicate that Perry Prowse has not made a reasonable attempt to carry out a proper investigation of this issue, despite it clearly being a matter which could potentially lead to harm being caused to consumers. As a result of these failures, the Authority cannot be satisfied that, were Perry Prowse permitted to carry on regulated activities, it would conduct its affairs in an appropriate manner, having regard in particular to the interests of consumers.
9. The fact that Perry Prowse has now ceased to offer any motor business does not address the Authority's concerns. Perry Prowse intends to continue to sell other insurance policies, including home insurance, and, as is set out in this Second Supervisory Notice, Perry Prowse has failed to provide information to the Authority which adequately addresses a complaint regarding the sale of a home insurance policy to consumers. The Authority therefore cannot be satisfied that, by ceasing to offer motor business, Perry Prowse would not present a risk to consumers. Further, Perry Prowse has failed to address adequately the issues raised by the Authority and has failed to be open and cooperative with the Authority, so it appears to the Authority that Perry Prowse is not satisfying the suitability Threshold Condition.

Complaint by consumers

10. *The complaint by the consumers has been dealt with by the FOS. Perry Prowse believes the consumers are happy with the outcome suggested by the FOS and that the issue is now close to resolution. The situation arose because Perry Prowse correctly arranged an insurance policy for the consumers, but the premium payment to the underwriters was missed in error, seemingly because of issues with the IT system, and the underwriters subsequently treated the policy as not taken up.*
11. Perry Prowse stated that this issue has been dealt with by the FOS and that it would provide copies of the latest correspondence. However, the Authority has been informed by the FOS that a final decision regarding the complaint has still to be made, and Perry Prowse has not provided the promised copies of its correspondence with the FOS. Further, Perry Prowse has not explained to the Authority the action it has taken, or intends to take, to ensure that this issue would not be repeated in future. Given that it appears that the IT system issues have not been completely resolved, the Authority is not satisfied that Perry Prowse has dealt with this issue appropriately or that, were Perry Prowse permitted to carry on regulated activities, consumers would not be at risk of purchasing insurance policies without actually obtaining any or adequate cover.

IT system issues

12. *The IT system issues, which related to a dispute with the supplier of the firm's software system, have been resolved. Perry Prowse believes that no consumers were directly affected by these issues as this system is only used for back office functions, all of which the firm has been able to carry out without the system. Any insurance quotations which Perry Prowse has provided to customers have not required this system and have been dealt with through insurers' own systems.*
13. *The issues with the IT system had an effect on the completion and submission of the regulatory returns. The returns were completed in time in draft form, but the submission was delayed due to the unavailability of certain management figures as a result of the IT system issues. The regulatory returns have now been submitted. This is a one-off issue and there have never previously been any delays with the submission of Perry Prowse's regulatory returns.*
14. Although Perry Prowse has stated that the IT system issues have been resolved, it appears from the information it has provided to the Authority that there are ongoing issues connected to the IT system which continue to cause difficulties for the firm. These include the firm's ability to ensure that consumers are not without cover and so the IT system issues have at least indirectly affected consumers. Perry Prowse has also acknowledged that it does not have appropriate processes in place and that the IT system issues have prevented it from providing all information required by the Authority. This includes information regarding when the issues came to light and the extent of them. Accordingly, the Authority is not yet satisfied that the IT system issues have been completely resolved, and considers that the information provided by Perry Prowse regarding its ongoing difficulties indicates that Perry Prowse does not have adequate resources, processes, systems and controls in place to ensure that the firm pays proper regard to the interests of consumers and is not ready, willing and organised to comply with regulatory requirements.
15. The regulatory returns were not submitted prior to the issue of the First Supervisory Notice. Although they have now been submitted, for the reasons described elsewhere in this Notice, the Authority remains of the view that Perry Prowse is not satisfying the Threshold Conditions.

Background to issues and recent business changes

16. *In December 2017, Perry Prowse ceased being a member of a broker network due to the high membership costs. This had the unforeseen effect that some insurers decided not to continue conducting business with Perry Prowse, which led to an immense amount of additional work replacing renewals for policyholders. At the same time, a senior member of staff left Perry Prowse, taking certain clients with him. He has not been replaced, which has led to more work for Perry Prowse's sole director, who has also had to deal with difficult personal issues. In addition, the broker network held back £30,000 owed to Perry Prowse, half of which was not paid until recently whilst the remainder remains unpaid. The combination of all these factors has had a detrimental effect on the business, including being the underlying cause of the issues highlighted in the First Supervisory Notice, which are only now being overcome.*

17. *Various changes have been implemented in Perry Prowse's business, including the relocation of the firm's offices, a change to its telephone system and changes to its IT system. These changes should make Perry Prowse more efficient and accessible and should ensure that the problems previously encountered do not arise again. As a result of the remedial actions taken, Perry Prowse will not cause the Authority any further concerns and is a fit and proper person, but is also prepared to accept closer monitoring by the Authority.*
18. The background issues faced by Perry Prowse might partly explain why it has failed to deal appropriately with some of the issues it has faced since it ceased being a member of the broker network, but they do not excuse or mitigate its failure to satisfy the Threshold Conditions. Perry Prowse's failure to be open and cooperative with the Authority over such an extended period is of particular concern, given that the Authority required information to assist it in assessing potential harm to consumers.
19. The remedial actions taken by Perry Prowse do not satisfy the Authority that, were Perry Prowse permitted to carry on regulated activities, it could have confidence that consumers would not be at risk from the way Perry Prowse conducted its affairs and that Perry Prowse would have sufficient resources and appropriate processes, systems and controls in place to be able to comply with its regulatory requirements. The Authority has considered but does not agree that its concerns would be resolved by closer monitoring of Perry Prowse, especially in the light of Perry Prowse's record of inadequate correspondence with the Authority.

