

FSA Update

9 May 2011

At the FSA recently:

- **Fine for advice failings**

The FSA has fined Norwich and Peterborough Building Society £1.4 million for failing to give its customers suitable advice in relation to the sale of Keydata products. The firm has also agreed £50 million in compensation for customers. The FSA found that, during a period of over three years, the firm advised 3,200 clients to invest in Keydata's life settlement products. It failed properly to assess the financial circumstances of many of its customers, designating them as having a higher tolerance of risk than was appropriate. This led to unsuitable sales. Some customers were moved out of low risk products such as deposit accounts into Keydata investments, putting their income and capital at risk. Many of these customers were approaching or already in retirement, and could not afford to lose their money. In June 2007 the firm carried out a review prompted by the realisation that Keydata products formed 30% of all investment products sold during the first three months of that year. The compliance team produced a report setting out concerns about the suitability of advice given to customers. No effective action was taken and Keydata sales remained consistently high.

http://www.fsa.gov.uk/pubs/final/norwich_peterborough_building_society.pdf

- **Fines and bans for mortgage fraud**

The FSA has banned four mortgage intermediaries and imposed fines totalling £450,000 for knowingly using misleading and inaccurate information to secure mortgages.

- Joseph Chinedu Nwosu, the founder, sole shareholder and sole director of Gemmini Mortgages Ltd (Gemmini), was fined £200,000 and banned from working in financial services for attempting 14 cases of mortgage fraud over a period of 26 months.

http://www.fsa.gov.uk/pubs/final/gemmini_nwosu.pdf

- Jageet Kaur, who was a mortgage advisor employed by Gemmini, has also been banned from working in financial services for having knowingly submitted five false and misleading personal mortgage applications. http://www.fsa.gov.uk/pubs/final/gemmini_kaur.pdf

- Alaba Adewale Adebajo, director of Whitehouse Estate Agents and Financial Services Ltd (Whitehouse), has been banned from working in financial services and fined £150,000. Adebajo, who committed five cases of mortgage fraud and failed to keep sufficient client records, was one of the two directors of Whitehouse, the only approved person at the firm, and the owner of 100% of the share capital. As a result the FSA has also cancelled the permission of Whitehouse to carry on regulated activities.

http://www.fsa.gov.uk/pubs/final/whitehouse_adebajo.pdf

Key Issues

Fine for advice failings

Fines and bans for mortgage fraud

FSA issues proposed guidance on Remuneration Code

FSA holds conference on Solvency II

Consultation issued on forbearance and impairment provisions for mortgages

FSA speaks about regulatory outlook for mortgage lenders

New issue of Ombudsman news published

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- Alistair Curren of B-Assured Financial was fined £100,000 and banned from working in financial services. Curren submitted fraudulent mortgage applications, failed to declare income to HMRC and failed to comply with specific requirements imposed on him by the FSA aimed at ensuring that risks to customers posed by him were addressed. The Upper Tribunal (Tax and Chancery Chamber) upheld both the ban and the fine against Curren.
http://www.fsa.gov.uk/pubs/final/bassured_curren.pdf
[http://www.tribunals.gov.uk/financeandtax/Documents/decisions/Curren v FSA.pdf](http://www.tribunals.gov.uk/financeandtax/Documents/decisions/Curren_v_FSA.pdf)

- **FSA issues proposed guidance on Remuneration Code**

The FSA has published proposed guidance on its revised Remuneration Code for consultation. The Code was revised to take into account changes required by the revised Capital Requirements Directive (CRD3 – as regards capital requirements for the trading book and for resecuritisations, and the supervisory review of remuneration policies) and came into force on 1 January 2011. The revised Code covers a wide variety of firms, including investment banks, retail banks, building societies, asset management firms, stockbrokers, corporate finance firms and multi-lateral trading facilities. The proposed guidance is intended to help firms comply with the Code and to provide further information and guidance in key areas, including:

- the rule on guarantees, in particular whether prior approval or notification to the FSA is required;
- the rule requiring shares or other instruments paid out as part of variable remuneration to be subject to an appropriate retention policy; and
- the principal questions that the FSA is likely to ask if it carries out a review of a firm's remuneration policies.

In addition, the guidance includes the FSA's responses to a list of frequently asked questions (FAQs). The FSA has invited comments on the proposed guidance by 18 May 2011.
http://www.fsa.gov.uk/pages/Library/Policy/guidance_consultations/2011/11_09.shtml

- **FSA holds conference on Solvency II**

The FSA has held a one-day conference on Solvency II, aimed at people responsible for implementing the Directive at insurance firms. Hector Sants, the FSA's Chief Executive, gave the keynote speech, in which he discussed the rationale behind Solvency II, how the FSA is implementing the Directive and the wider impact of Europe on financial regulation in the UK. He was followed by Paul Sharma, Director for Prudential Policy, and Julian Adams, the Director of the FSA's Insurance Division, who provided more detail about the challenges arising from Europe and the FSA's approach to implementing Solvency II. In addition, the FSA has published a conference document which sets out the current state of play in European policy development in relation to Solvency II. The document is also intended to clarify a number of common misunderstandings that the FSA has come across in its engagement with the UK industry.

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2011/0320_hs.shtml

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2011/0319_ja.shtml

http://www.fsa.gov.uk/pubs/international/conference_document_solvency.pdf

- **Consultation issued on forbearance and impairment provisions for mortgages**

The FSA has issued Guidance Consultation GC11/10: "Forbearance and Impairment Provisions – 'Mortgages'". It includes good and poor practice guidance to help firms comply with their responsibilities in this regard under the rules set out in the FSA's Handbook (SYSC Chapter 4, SYSC Chapter 7 (*Risk Control*) and Principle 8 (*Conflict of Interest*)).

http://www.fsa.gov.uk/pubs/guidance/gc11_10.pdf

- **FSA speaks about regulatory outlook for mortgage lenders**

Sheila Nicoll, Director of Conduct Policy at the FSA, has spoken about "The regulatory outlook for mortgage lenders" at the Building Societies' Association annual conference. The speech looked at the Mortgage Market Review, the FSA's approach to conduct issues, the new regulatory architecture, current supervision of building societies, the Retail Conduct Risk Outlook and the European policy agenda.

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2011/0405_sn.shtml

And you may be interested to know:

- **New issue of Ombudsman news published**

The Financial Ombudsman Service has published issue 93 of "Ombudsman news". It includes discussion about financial complaints involving gadgets and electrical appliances, the FOS's

long-established approach to compensation for distress and inconvenience; and an article by Natalie Ceeney, chief ombudsman, on the need to move forward and resolve complaints about payment protection insurance.

<http://www.financial-ombudsman.org.uk/publications/ombudsman-news/93/93.html>

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