

This week at the UK regulators

Thirty second guide: The week in overview

The main enforcement development last week was the conclusion of the FCA's prosecution of one individual for his part in a fraudulent investment scheme, with a 3½ year custodial sentence being handed down. The FCA also had a busy week away from enforcement developments, responding to discussions before the Treasury Committee about the publication of a skilled persons report examining the treatment of SME customers. It also published a discussion paper on non-workplace pensions and provided updates on its PPI campaign featuring Arnold Schwarzenegger and its work on high-cost credit and rent-to-own products and issued separate warnings about binary options trading and interest only mortgages.

Further afield, regulators have continued to seek to get to grips with cryptocurrencies, with the US Securities and Exchange Commission stepping in to halt an initial coin offering inviting retail investors to fund what was claimed to be the world's first decentralised bank.

Former company director sentenced for investment scam

On 31 January, Samrat Bhandari was sentenced at Southwark Crown Court to 3½ years' imprisonment. Bhandari was found to have committed offences relating to creating a false impression and carrying on regulated activities without authorisation by operating an investment scheme which led to investors losing just over £1.4 million. Between 2009 and 2014, mainly elderly and vulnerable investors were targeted and mis-sold shares in Symbiosis Healthcare plc ('Symbiosis') through a combination of cold-calling, pressure sales and the publication of exaggerated promotional material. Bhandari, as director of William Albert Securities Limited, acted as corporate adviser to Symbiosis and organised the selling of Symbiosis shares, while brothers Michael and Paul Moore (who were convicted of offences and sentenced at the end of 2017) were part of a team of brokers. The FCA has commenced confiscation proceedings against each defendant with a view to recovering from each the benefit they gained from their conduct.

<https://www.fca.org.uk/news/press-releases/samrat-bhandari-sentenced-fca-prosecution>

FCA responds to statement on SME skilled persons report

On 30 January, the FCA issued a press release welcoming the confirmation by Royal Bank of Scotland given at a Treasury Committee hearing on the same day that it would not object to the FCA publishing the "skilled person report" into its treatment of certain small and medium-sized enterprise customers .

The FCA had previously indicated that it was content to publish the report, and that to do so it would require the consent of those who provided the information in the report and any individuals who are identified. The FCA plans to approach the relevant individuals for consent once the work on the focused investigation is completed.

<https://www.fca.org.uk/news/statements/statement-rbs-global-restructuring-group>

FCA published update on high-costs credit work

On 31 January, the FCA published an update on its work in the high-cost credit sector. This includes overdrafts, rent-to-own, home-collected credit and catalogue credit. The FCA said its work to date showed the need for intervention but also the limits of the traditional regulatory approach and that it would be

willing to look at solutions designed to increase the choice and availability of alternatives to high-cost credit. It has indicated that further proposals will come later this year and next spring.

<https://www.fca.org.uk/news/press-releases/fca-publishes-update-high-cost-credit-work>

FCA reports back on rent to own products

On 30 January, the FCA issued an update on its work on rent-to-own products. Rent-to-own is a type of transaction in which property is leased with an option to buy at some point during the lifetime of the agreement. The FCA's initial focus was on the transparency of costs, product bundling, affordable lending and the treatment of people in financial difficulties. The FCA has found that firms are now more transparent when displaying the cash value of goods, the amount of interest to be paid, and the total cost to customers and that its work has resulted in the unbundling of compulsory warranties and insurance and the payment of nearly £16million of compensation to around 308,000 consumers by two firms, BrightHouse and Buy As You View.

<https://www.fca.org.uk/news/news-stories/rent-to-own-update>

FCA urges action on interest-only mortgages

Also on 30 January, the FCA publicised its concerns about failures by borrowers with interest-only mortgages to consider how they will repay the loans. A study by the FCA found that lenders are actively trying to communicate with their customers to understand repayment strategies and to provide appropriate and affordable solutions where needed but that, for most lenders, the engagement is based only on writing to customers at specific times before maturity. The FCA also found that lenders were recommending appropriate repayment options but the processes which customers had to follow were challenging. These included delays in getting to speak to advisers, a need to make multiple phone

calls and repeating information previously provided. The FCA has published consumer research about why customers are failing to talk to their lender about their interest-only mortgage.

<https://www.fca.org.uk/news/press-releases/fca-urges-action-on-interest-only-mortgages>

PPI campaign response update

On 30 January, the FCA published PPI campaign response data during the months when it ran live advertising. The data shows the numbers visiting the website, calling the helpline and contacting the FCA on social media. The FCA will publish two annual reports on the performance of their campaign and supervision strategy, with the interim due in autumn 2018 and a final report at the end of 2019. Highlights of the data to date show that there have been 16,763 calls to the FCA and 2,521,086 website page views.

<https://www.fca.org.uk/news/news-stories/ppi-campaign-response-update>

FCA warns of increased risk of online investment fraud

On 29 January, the FCA issued a warning regarding binary options. It reported that over £87,000 is lost to binary options scams every day in the UK, and that under 25s are more likely to trust an investment offer made via social media, compared to those aged 55 or over. Online has overtaken the phone as the most common contact method for investment fraudsters. The FCA has launched a ScamSmart campaign encouraging those considering investing to check its dedicated website.

<https://www.fca.org.uk/news/press-releases/fca-warns-increased-risk-online-investment-fraud-investors-scamsmart>

FCA warnings

| Name of firm | Date of warning | Details |
|--|-----------------|--|
| Multi Month Loans | 29 January 2018 | Clone https://www.fca.org.uk/news/warnings/multi-month-loans-clone |
| Miller and Cohen | 29 January 2018 | Not authorised https://www.fca.org.uk/news/warnings/miller-and-cohen |
| Liontrust Asset Management | 30 January 2018 | Clone https://www.fca.org.uk/news/warnings/liontrust-asset-management-clone-authorized-firm |
| UBS Private Wealth Management | 30 January 2018 | Clone https://www.fca.org.uk/news/warnings/ubs-private-wealth-management-clone |
| Marathon Asset Management | 31 January 2018 | Clone https://www.fca.org.uk/news/warnings/marathon-asset-management-clone |
| Kite Loans | 31 January 2018 | Clone https://www.fca.org.uk/news/warnings/kite-loans-clone |
| Sterling Bishop Associates | 31 January 2018 | Not authorised https://www.fca.org.uk/news/warnings/sterling-bishop-associates |
| Braxton Knight Ltd | 31 January 2018 | Not authorised https://www.fca.org.uk/news/warnings/braxton-knight-ltd |
| Bankway HMO Property Bond / Bankway Properties | 1 February 2018 | Clone https://www.fca.org.uk/news/warnings/bankway-hmo-property-bond-bankway-properties-clone |
| Capital Deposit Limited | 2 February 2018 | Clone https://www.fca.org.uk/news/warnings/capital-deposit-limited-clone |

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|----------------|-----------------|---|
| Cordell Groves | 2 February 2018 | Not authorised https://www.fca.org.uk/news/warnings/cordell-groves |
|----------------|-----------------|---|

Policy developments

| FCA | | PRA | |
|--------------------------|---|------------------------|--|
| Proposed developments | | | |
| | | Deadline for responses | |
| Discussion papers | <p>Effective competition in non-workplace pensions: DP18/1</p> <p>On 2 February, the FCA published a Discussion Paper regarding the market for non-workplace pensions. It has stated that it estimates that non-workplace pensions, also known as individual private pensions, represent around £400bn assets under management. The FCA is seeking to understand the market for non-workplace pensions, including whether competition is working well and if there are issues that need to be addressed to protect consumers. The areas of focus include product complexity, factors which may reduce consumer motivation and ability to invest time and effort in decisions related to their pensions, whether customers can identify and freely move to more competitive products, fund choice and the use of defaults, competition on charges and whether there are barriers to consumers identifying, and choosing, from more competitive products.</p> <p>https://www.fca.org.uk/publication/discussion/dp18-01.pdf</p> | 27 April 2018 | |

Further Afield

SEC halts alleged initial coin offering scam

On 30 January, the US Securities and Exchange Commission (SEC) obtained a court order halting an allegedly fraudulent initial coin offering (ICO) that targeted retail investors to fund what it claimed to be the world's first "decentralized bank." According to the SEC's complaint, Dallas-based AriseBank used social media, a celebrity endorsement, and other wide dissemination tactics to raise what it claims to be \$600 million of its \$1 billion goal in just two months. AriseBank and its co-founders Jared Rice Sr. and Stanley Ford allegedly offered and sold unregistered investments in their purported "AriseCoin" cryptocurrency by depicting AriseBank as a first-of-its-kind decentralized bank offering a variety of consumer-facing banking products and services using more than 700 different virtual currencies.

<https://www.sec.gov/news/press-release/2018-8>

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