

## THIS WEEK AT THE UK REGULATORS 8 OCTOBER 2018

### FCA fines Tesco Bank £16.4m for failures in 2016 cyber attack

On 1 October, the FCA published a Final Notice setting out the FCA's decision to impose a financial penalty of £16,400,000 on Tesco Personal Finance plc (Tesco Bank). The action was based on the FCA's findings that Tesco Bank breached Principle 2 of the Principles for Businesses by failing to exercise due skill, care and diligence in protecting its personal account holders against a cyber attack. The cyber attack took place in November 2016, when hackers exploited deficiencies in Tesco Bank's design of its debit card, its financial crime controls and in its Financial Crime Operations Team to carry out the attack. Those deficiencies left Tesco Bank's personal current account holders vulnerable to a largely avoidable incident that occurred over 48 hours and which netted the cyber attackers £2.26m.

Tesco Bank provided a high level of cooperation to the FCA. Through a combination of this level of cooperation, its comprehensive redress programme which fully compensated customers, and in acknowledgement that it stopped a significant percentage of unauthorised transactions, the FCA granted the bank 30 per cent credit for mitigation. In addition, Tesco Bank agreed to an early settlement of this matter which qualified for a 30 per cent (Stage 1) discount under the FCA's executive settlement procedure. But for the mitigation credit and the Stage 1 discount, the FCA would have imposed a penalty of £33,562,400.

<https://www.fca.org.uk/publication/final-notice/tesco-personal-finance-plc-2018.pdf>

<https://www.fca.org.uk/news/press-releases/fca-fines-tesco-bank-failures-2016-cyber-attack>

### Other enforcement notices

On 1 and 3 October, in separate cases, the FCA cancelled the permissions previously granted to each of the firms listed below. Action was taken following failures to be open and cooperative with the FCA and, in some cases, failure to meet the suitability threshold conditions:

- Coast Road Motors Ltd (1 October)
- Electric Sun Limited (1 October)
- Jack Parker Cycleworld Limited (3 October)

On 3 October, the FCA also imposed a prohibition order on John McCullagh, a former sole trader. Action was taken on the basis that Mr McCullagh's

### Thirty second guide: The week in overview

The main enforcement development last week was the FCA's decision to impose a fine of £16.4m on Tesco Bank for failing to exercise due skill, care and diligence in protecting its personal account holders against a cyber attack which took place in November 2016.

In policy developments, the FCA published new rules and guidance on improving the quality of pension transfer advice. Meanwhile, the PRA published a consultation paper setting out proposals for changes to various PRA forms relating to applications or notifications for regulatory transactions.

conviction and imprisonment for conducting an illegal money lending business demonstrated a clear and serious lack of honesty, integrity and reputation.

<https://www.fca.org.uk/publication/final-notices/coast-road-motors-ltd-2018.pdf>

<https://www.fca.org.uk/publication/final-notices/electric-sun-limited-2018.pdf>

<https://www.fca.org.uk/publication/final-notices/jack-parker-cycleworld-limited-2018.pdf>

<https://www.fca.org.uk/publication/final-notices/john-mccullagh-2018.pdf>

## FCA warnings

Name of firm	Date of warning	Details
Josef Zeman Financial Solutions	1 October 2018	Clone firm <a href="https://www.fca.org.uk/news/warnings/josef-zeman-financial-solutions-clone-fca-authorized-firm">https://www.fca.org.uk/news/warnings/josef-zeman-financial-solutions-clone-fca-authorized-firm</a>
Wisebank	4 October 2018	Not authorised <a href="https://www.fca.org.uk/news/warnings/wisebanc">https://www.fca.org.uk/news/warnings/wisebanc</a>
Fast Loan Credit	5 October 2018	Clone firm <a href="https://www.fca.org.uk/news/warnings/fast-loan-credit-clone">https://www.fca.org.uk/news/warnings/fast-loan-credit-clone</a>

## Policy developments

	FCA	PRA
	<b>Proposed developments</b>	
<b>Consultation papers</b>		<p>On 1 October, the PRA published a consultation paper (CP 21/18) setting out proposals for changes to various PRA forms relating to applications or notifications for regulatory transactions. The proposals would make amendments to the following Parts of the PRA Rulebook: Passporting; Change in Control; Insurance Special Purpose Vehicles (ISPVs); and Notifications.</p> <p><a href="https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2018/cp2118.pdf?la=en&amp;hash=D58BA839130003D81018E544D57660D7C16E0E79">https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2018/cp2118.pdf?la=en&amp;hash=D58BA839130003D81018E544D57660D7C16E0E79</a></p> <p><b>Deadline for responses: 1 November 2018</b></p>
	<b>Finalised policy and guidance</b>	
<b>Policy statements</b>	On 4 October, the FCA issued a policy statement (PS 18/20) containing finalised rules and guidance	

FCA	PRA
<p>on improving the quality of pension transfer advice. The paper follows consultation through CP 18/7 in March 2018. The changes include a requirement for all pension transfer specialists to hold a specific qualification for providing advice on investments by October 2020, enabling advisers to identify whether a proposed pension scheme and investment solution is consistent with the client's needs and objectives. The FCA also expects advisers to consider their client's attitude to, and understanding of, the risks of giving up safeguarded benefits for flexible benefits. Significantly, the FCA decided not to ban contingent charging, whereby a fee for advice is only paid if a transfer goes ahead.</p> <p><b>Implementation/effective date: Various dates from 4 October 2018 to 1 October 2020</b></p> <p><a href="https://www.fca.org.uk/publication/consultation/cp18-07.pdf">https://www.fca.org.uk/publication/consultation/cp18-07.pdf</a></p> <p><a href="https://www.fca.org.uk/publication/policy/ps18-20.pdf">https://www.fca.org.uk/publication/policy/ps18-20.pdf</a></p>	

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