NEWGATE COMPLIANCE

Newgate News

June 2023

FCA orders WealthTek Limited Liability Partnership to cease operations as High Court appoints Joint Special Administrators and arrest made

https://www.fca.org.uk/news/fca-orders-wealthtek-cease-operations-high-court-appoints-interim-managers

The FCA is conducting a regulatory and criminal investigation into both WealthTek Limited Liability Partnership (WealthTek) and its principal partner, John Dance, following the identification of serious and operational issues at WealthTek

On the 4 April 2023 Northumbria Police, working in partnership with the FCA, arrested Mr Dance in connection with the FCA's investigation and the FCA later interviewed him under caution.

On the same day, the FCA ordered WealthTek to immediately cease all regulated activities. WealthTek are a FCA authorised and regulated wealth management firm which provides discretionary, advisory and execution only services to their retail clients. The order from the FCA was followed two days later by the appointment of Shane Crooks, Mark Shaw and Emma Sayers of BDO LLP as Joint Special Administrators of WealthTek by the High Court.

The FCA sought to protect customer assets in WealthTek by instigating an insolvency procedure and securing High Court approval on 6 April 2023 to put the firm in special administration. The FCA also obtained a worldwide order to freeze assets belonging to Mr Dance up to the value of £40 million. The FCA are aiming to preserve assets which may potentially be available for distribution or confiscation upon the conclusion of any civil or criminal proceedings brought by the FCA to date.

The FCA is also working closely with the Joint Special Administrators and is aware of the potential shortfall of £81.4m in Client Assets and Money associated with WealthTek as of 6 April 2023.

FCA places restrictions on Mrs Lisa Campbell

https://www.fca.org.uk/news/news-stories/restrictions-placed-mrs-lisa-campbell

The FCA have imposed a number of conditions on the approval of Mrs Lisa Campbell as a senior manager of Campbell & Associates Independent Financial Advice Limited. These conditions prevent Mrs Campbell from performing any activity for which she has approval, without written consent from the FCA. These conditions were imposed on Mrs Campbell on 3 April 2023.

Campbell & Associates had been issued with a First Supervisory Notice on 10 February after the FCA suggested that Mrs Campbell, as the firm's sole director, may have 'misappropriated £1.5 million of a client's funds', including handling client funds without the required Part 4A permission, as well as failing to repay the client's funds as promised. However, in the time since the FCA's removal of the firm's Part 4A permissions on 9 February, the regulator suggested Campbell 'may have continued to conduct regulated activity', as well as made 'misleading statements' about the firm's compliance with the notification requirements. As a result, the above conditions have been placed on Campbell.

FCA censures Lighthouse Advisory Services Limited for Serious failings in relation to the British Steel Pension Scheme and £23 million paid out in redress

https://www.fca.org.uk/news/press-releases/fca-censures-lighthouse-advisory-services-limited-serious-failings-relation-british-steel-pension

The FCA have censured the Lighthouse Advisory Services (Lighthouse) for failings in relation to transfers out of the British Steel Pension Scheme (BSPS). Lighthouse gave unsuitable advice during the period 1 April 2015 to 30 April 2019 to people looking to transfer out of defined benefit pension schemes, including to members of the BSPS. During this period, Lighthouse advised 1,567 customers, 262 of whom were members of the BSPS.

In June 2019, Quilter Financial Planning (Quilter) bought Lighthouse before the unsuitable advice was given and the FCA said Quilter had taken responsibility for the unsuitable advice and proactively conducted a redress exercise with money paid out totalling £23.17 million. A further £0.44 million has been offered to affected customers. This is far in excess of the fees Lighthouse received for the unsuitable advice.

Lighthouse had two advisors partially based on-site at the Scunthorpe British Steel works. Many of those Lighthouse advised were relying on their BSPS pension as their main source of retirement income. They were in a vulnerable position due to uncertainty around the scheme. In some cases, they failed to provide evidence as to why a transfer would be in members' best interests. As a result of these failures, 53% of advice provided to BSPS members from April 2015 to April 2019 was unsuitable – higher than industry average unsuitable BSPS advice levels (46%).

Similar failings in the advice process were found for other non-BSPS customers, with 28% of that advice found to be unsuitable.

FCA executive director of enforcement and market oversight, Therese Chambers said: 'Many consumers were wrongly advised by Lighthouse to transfer out of their valuable guaranteed pensions.

'Given the vulnerable position of consumers transferring out the British Steel Pension Scheme, the firm should have taken real care in providing advice – it failed to do so.

'Quilter deserves full credit for taking responsibility for unsuitable advice given before they bought Lighthouse and for the proactive way in which they've worked with the FCA to put it right.' Since Quilter acquired Lighthouse, Quilter has replaced Lighthouse's senior management team and its internal processes in relation to defined benefit transfer advice.

The FCA added that 'Quilter provided very high levels of cooperation to the FCA during the investigation. Together with its proactive redress exercise, the FCA therefore considers a censure to be the appropriate outcome.'

FCA continues action against unregistered crypto ATMs across the UK

https://www.fca.org.uk/news/press-releases/fca-continues-action-against-unregistered-crypto-atms-across-uk

The FCA has announced that it has used its powers to inspect sites in Exeter, Nottingham and Sheffield suspected of hosting illegally operated crypto ATMs, as part of a continued crackdown on this illicit sector.

Therese Chambers, Executive Director of Enforcement and Market Oversight at the FCA, said: 'Crypto ATMs operating without FCA registration are illegal. The action we've taken over the past few months and wider work shows that we will act to stop illegal activity.

‘Besides disrupting unregistered crypto businesses, the joint efforts have helped raise awareness of illegally operated crypto ATMs in the UK among the public.

‘This is especially important as crypto products are high risk and not currently regulated. That means you should be prepared to lose all your money if you invest in them.’

Peter Highway, Economic Crime Unit Manager at the South West Regional Organised Crime Unit (SWROCU), said: ‘Criminals will use crypto ATMs to launder illegally obtained cash, so we were pleased to assist our colleagues at the FCA in targeting businesses in the region displaying these machines without authorisation.’

Ramona Senior, Head of Economic Crime at the Yorkshire and Humber Regional Organised Crime Unit (YH ROCU) said: ‘Our Regional Cyber Crime Unit officers are pleased to work jointly with the Financial Conduct Authority and other partner agencies to target the use of unregulated crypto ATMs.

‘Machines such as these are a key component in the facilitation of money laundering and the movement of funds acquired through criminal activity.’

Crypto ATMs allow people to buy or convert money into cryptoassets. There are no crypto ATM operators registered with the FCA, which they must be to operate legally.

Previously, the FCA inspected several premises in Leeds and East London which were suspected of hosting unregistered crypto ATMs, alongside regional organised crime units.

The FCA will review evidence gathered during these visits and consider taking further action where necessary.

FCA publishes Decision Notices for Banque Havilland SA and three of its former employees

https://www.fca.org.uk/news/press-releases/fca-publishes-decision-notices-banque-havilland-sa-and-three-former-employees

The FCA has decided to fine Banque Havilland £10m; its former London branch CEO, Edmund Rowland, £352,000; David Weller, a former London branch senior manager, £54,000; and Vladimir Bolelyy, a former London branch employee, £14,200. The FCA has decided to ban all 3 individuals from working in financial services.

The FCA considers that between September and November 2017, Banque Havilland acted without integrity by creating and disseminating a document which contained manipulative trading strategies aimed at creating a false or misleading impression as to the market in, or the price of, Qatari bonds. The objective was to devalue the Qatari Riyal and break its peg to the US Dollar, thereby harming the economy of Qatar.

Banque Havilland intended to present the document to representatives of countries it considered might have reasons to want to put economic pressure on Qatar, including the United Arab Emirates, as a way of marketing its services.

The FCA has not found that the strategy in the document was implemented. However, such manipulative trading could have been a criminal offence, had it taken place in the UK.

The FCA found that Mr Edmund Rowland tasked Mr Bolelyy to draft the document and Mr Weller made a significant contribution to the content. Later, Mr Edmund Rowland and Mr Bolelyy disseminated the document, including by providing a copy to a representative of an Abu Dhabi sovereign wealth fund.

The FCA considers that Mr Edmund Rowland, Mr Weller and Mr Bolelyy failed to act with integrity and that they are not fit and proper persons to perform any function in relation to any regulated activities.

In the FCA's view, the actions of Mr Edmund Rowland and Mr Weller are particularly serious, as both held positions of significant influence and were involved in the creation of the document.

Therese Chambers, Executive Director of Enforcement and Market Oversight at the FCA, said: 'Banque Havilland's conduct actively encouraged the commission of financial crime, providing ideas for manipulative trading to someone it saw as having the political motivation to be potentially interested in such ideas. It barely needs stating, but such conduct is completely unacceptable.

'The misconduct of Mr Edmund Rowland and Mr Bolelyy was deliberate. Mr Weller claimed to have believed that the other two were joking around but as a senior manager he behaved recklessly. There was an obvious risk of impropriety, and he willingly took that risk without seeking any assurances that things would go no further.'

Banque Havilland, Edmund Rowland and Vladimir Bolelyy have referred their Decision Notices to the Upper Tribunal where they will each present their case. David Weller has not referred his Decision Notice to the Upper Tribunal. David Rowland, who has been given third party rights, has also referred all 4 Decision Notices to the Upper Tribunal and will present his case.

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