NEWGATE COMPLIANCE

Newgate News

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FCA takes action on dishonest pension transfer advice

https://www.fca.org.uk/news/press-releases/fca-takes-action-against-darren-reynolds-and-andrew-deeney-active-wealth-dishonest-pension-transfer

The Director of Active Wealth (UK), Darren Reynolds, was fined £2.2m for dishonesty by the FCA, for giving pension transfer advice to almost 700 clients, which has now banned him from working in financial services.

Mr Reynolds received £1.01m in prohibited commission payments, which he was able to access via companies connected to himself and they were "intentionally designed to disguise their true origins". He advised his clients "to put their money into investments that he knew were not suitable for them".

The FCA stated Mr Reynolds had "concealed a business model which incentivised recommending products which produced the highest commission for the adviser rather than the best outcome for the customer".

The FCA has also fined Andrew Deeney £397,400 and banned him from working in financial services. Deeney made personal gains of £200,000 by providing Active Wealth customers with unsuitable advice so that he could dishonestly receive banned commission payments.

Deeney's misconduct continued at Fortuna Wealth Management Limited, a firm he established that purchased Active Wealth's goodwill and client database.

Therese Chambers, Joint Executive Director of Enforcement and Market Oversight, stated that:

"This is one of the worst cases we have seen. Mr Reynolds, who allowed evidence to be destroyed and who has consistently sought to evade accountability, and Mr Deeney, lied and lied again."

Mr Reynolds applied for privacy in relation to his Notice, but the Upper Tribunal refused that application on 20 September 2023. Mr Deeney settled his case with the FCA in May 2022.

FCA takes new approach to cinema advertising

https://www.fca.org.uk/news/press-releases/dumb-money-cinema-advertising-premieres-innovative-advert

The FCA published a press release on the 25 September to raise awareness and warn cinemagoers about the dangers of speculative investments driven by hype. They revealed an innovative new advertisement to accompany cinema screenings of ‘Dumb Money’, a film dealing with the GameStop stock drama in 2021. The main aim will be to stress the importance of carrying out diligent research before making online investments. This comes as part of the FCA’s InvestSmart campaign, which encourages consumers to make better-informed investing decisions.

The advert runs during the premium ‘Gold Spot’ the advert leverages sensory deprivation in the cinema for optimum impact – lights down, a blank screen and an engaging voiceover. The voiceover starts to talk about a ‘once-in-a-lifetime opportunity to make some serious money’. It is then revealed that the anonymous tipster is in fact typing in an online forum before the advert ends with the FCA’s call to action: ‘Don’t Get Played’. The FCA is supporting the main advert with digital screens in cinema foyers, and geo-targeted display ads – tailored to people who have visited cinemas, alongside ads in contextual locations online, where the target audience research investments.

FCA removes advice firm’s temporary permissions

https://www.fca.org.uk/news/news-stories/wellington-court-financial-services-ltd-has-temporary-permissions-removed

The FCA has revoked the temporary permissions of Wellington Court Financial Services Limited, meaning the firm can no longer conduct regulated activity in the UK.

In December 2016, the firm had temporary permission from the FCA to carry out certain regulated activities including advising on investments and pension transfers. Before this, Wellington Court only had permission to carry out insurance mediation and insurance distribution activities. The firm was then invited by the FCA to apply for authorisation during the period 1 October 2021 and 31 December 2021, however, it failed to submit any application during this time period.

In December 2021, the firm closed its UK business, but it continues to operate in Ireland.

FCA has stated that it is working closely with the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS) to investigate Wellington Court Financial Services activities.

The FCA also urges customers who believe they have received “bad advice” from the firm, to transfer pension benefits into a self-invested personal pension, to make a claim to the FSCS.

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FCA push firm to enter compulsory liquidation

https://www.fca.org.uk/news/news-stories/independently-east-ltd-enters-compulsory-liquidation

On Monday 11 September 2023, Independently East Ltd (IEL) entered compulsory liquidation, after an application made by the FCA.

Independently East is a regulated firm who was authorised to provide financial advice. However, in February the FCA froze the firm's accounts and cancelled its permissions to carry out regulatory activities. This was due to the firms failure to provide the FCA with the information they requested about its clients, its financial position, or a Financial Ombudsman Service award it was due to pay out.

The FCA's concerns with the firm were whether they can be effectively supervised and hold appropriate resources. The outstanding Financial Ombudsman Service award is for an upheld complaint by a consumer who paid £70,000 into Independently East's business account. The consumer understood these funds would be used to invest in a bond, however, there was no evidence to suggest that the money transferred by the consumer to Independently East was invested in a bond or any other form of investment. It also apparent that some of the consumer's funds were transferred to a personal account of the Director.

FCA reviews later-life mortgages, due to poor advice and misleading promotions

https://www.fca.org.uk/news/press-releases/review-later-life-mortgages-finds-poor-advice-and-misleading-promotions

As part of an FCA initiative, a review of later life mortgage firms has been conducted, to improve advice processes.

The review found that almost 400 financial promotions needed removal or amendment due to their misrepresentative content, highlighting a failure in meeting the standards of the FCA. This includes, providing inaccurate information, highlighting product benefits without indicating what the risks may be to customers and using a firm's 'FCA regulated' status in a promotional manner.

Later life mortgages are a popular product for consumers who want to release money tied up in the value of their home. As these individuals are at greater risk of being vulnerable customers, there is an even greater need to provide clear advice, around the complexity of certain products. Poor quality advice, is one of many issues highlighted in the 2022/2023 Business Plan.

The latest FCA review has concluded that there is lack of consideration of the consumers affordability and suitability and rather than steering customer outcomes, there is more of a push for sales rather than giving quality advice. Businesses providing these services, have been urged to think through how the findings may affect their own promotions and suitability of advice to ensure compliance with the FCA's rules and principles, including the Consumer Duty.

FCA bans two advisers for British Steel Pension scheme advice failures

https://www.fca.org.uk/news/press-releases/fca-bans-dickinson-allen-british-steel-pension-scheme-advice-failings

The FCA has banned Keith Dickinson and Andrew Allen of Mansion Park Limited, which now in liquidation, from advising customers on pension transfers and pension opt-outs.

Both Mr Dickinson and Mr Allen were banned for British Steel Pension Scheme (BSPS) advice failings, after the FCA found that Mr Dickinson provided unsuitable pension transfer advice, which was signed off by Mr Allen between 2015 and 2017.

Mr Dickinson and Mr Allen will also be required to pay £70,000 and £85,606, individually, to the Financial Services Compensation Scheme (FSCS) to contribute towards the compensation owed to Mansion Park's customers. The FSCS has so far paid out almost £3m in compensation to Mansion Park customers for the unsuitable advice they received, including over £2m for advice provided by Mr Dickinson.

The FCA found that Allen had also demonstrated a lack of competence in his oversight of advice for 328 (82 per cent) of those 400 Mansion Park customers, including 72 who were BSPS members.

However, the FCA found that, in most of the advice Dickinson provided and the files Allen signed off, the advice was unsuitable as it was based on the flawed assumption that transferring would be in their customer's best interest.

The advice provided also did not assess whether customers were relying on income from their DB pension scheme in retirement, whether the customer understood the risks of transferring out or whether they could bear those financial risks.

FCA censures London Capital & Finance plc

https://www.fca.org.uk/news/press-releases/fca-censures-london-capital-finance-plc

The FCA censured London Capital & Finance (LCF) for its unfair and misleading financial promotions of minibonds, which led to thousands of investors, primarily first-time investors such inheritance recipients, small business owners or the recently retired, losing money.

LCF, who are now in administration, raised £236 million from 11,625 investors by marketing its minibonds as a “fixed rate ISA” with high returns and low risk. The FCA considered that it was not appropriate to issue London Capital & Finance plc, with a financial penalty, as this would only divert funds that the administrators may use for the benefit of bondholder creditors.

Financial promotions used by LCF to market minibonds to retail investors, presented a misleading picture to investors, making them appear more attractive investment than the investment allowed. Investors were not told about the true nature of the minibonds, including the presence of hidden charges and the high-risk and unsustainable nature of the lending being carried out by LCF. LCF also advertised the minibonds as ISA compatible, which is inaccurate information.

In 2020, the FCA banned the mass-marketing of speculative illiquid securities – including speculative minibonds – to retail investors.

+44 (0)20 3696 8750
info@newgatecompliance.com
newgatecompliance.com
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