FINANCIAL CONDUCT AUTHORITY

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FINAL NOTICE

To:	John Lawrence Radford
Individual Reference Number:	JLR01069
Date of Birth:	7 December 1965
Date:	30 August 2018

1. ACTION

1.1 For the reasons given in this notice, the Authority hereby:

(1) imposes on Mr Radford a financial penalty of £468,600; and

(2) makes an order against Mr Radford, pursuant to section 56 of the Act, prohibiting him from having any responsibility for client money and/or insurer money in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm. This order takes effect from the date of issue of this Notice.

1.2 Mr Radford agreed to settle at an early stage of the Authority's investigation. Mr Radford therefore qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £669,531 on Mr Radford.

2. SUMMARY OF REASONS

2.1 On the basis of the facts and matters described below, during the period 14 January 2005 to 12 August 2013 (the "Relevant Period"), Mr Radford breached Statements of Principle 6 and 7 in his capacity as a CF1 director at One Call Insurance Services Limited ("One Call"). He lacked adequate understanding of the Client Money Rules. As such he failed to ensure that One Call protected client money in accordance with Principle 10 and the Client Money Rules.

2.2 One Call is an insurance intermediary, primarily selling motor and household insurance through price comparison websites. In January 2014, One Call had a significant customer base of approximately 230,000 and it was placing approximately 300-400 pieces of new business per day. One Call's business grew substantially during the Relevant Period; its turnover increased from £1.2 million in 2005 to approximately £30 million for the year ended 31 October 2013. Mr Radford has been a CF1 director and the majority shareholder at One Call since it was authorised by the Authority on 14 January 2005.

2.3 During the majority of the Relevant Period, until September 2011, Mr Radford was responsible for client money at One Call. He was required to ensure that One Call protected client money by complying with Principle 10 and the Client Money Rules. However, Mr Radford lacked adequate understanding of the Authority's requirements in relation to client money. In summary, this meant Mr Radford:

(1) failed to take reasonable steps to inform himself of the relevant regulatory requirements, in breach of Statement of Principle 6;

(2) failed, in his role as CF1 and Chief Executive of One Call, to respond adequately to warnings from One Call's external auditor that it may be in breach of the Client Money Rules, in breach of Statement of Principle 6;

(3) failed to take reasonable steps to ensure that One Call properly assessed the basis on which it held client money, and then failed to establish the necessary systems and controls to handle that client money in accordance with the Client Money Rules, in breach of Statement of Principle 7, including by failing to:

(a) ensure that effective risk transfer was in place across all of One Call's Terms of Business Agreements ("TOBAs");

(b) from 1 December 2009, recognise that monies advanced by a third party premium finance company for years two and three of an annual motor policy with a subsequent two-year renewal price guarantee should have been treated as client money; and

(c) ensure that One Call created and maintained adequate client money calculations; and

(4) as a result of (1) to (3), Mr Radford failed to ensure that One Call complied with the rules and requirements of the Client Money Rules. These failures may have arisen as a result of honest mistakes, but failures to comply with these rules mean client money was not adequately protected. The result was that from December 2009 One Call inadvertently then spent for its own benefit monies over and above those due to it in commission, fees and charges earned; resulting in a substantial client money deficit.

2.4 It appears that One Call inadvertently used sums from its client account to finance its own working capital requirements, make payments to directors, and, indirectly, to capitalise a connected company, One Insurance Limited ("OIL") (no allegation of wrongdoing is made against OIL). In January 2014, following Authority intervention, One Call calculated that deficit as being approximately £17.3 million.

2.5 Use of these sums may have provided One Call with a competitive advantage, because it did not have to raise the funds itself, and this may have enabled One Call to offer customers lower insurance prices than its competitors which did comply with the Client Money Rules.

Customers exposed to significant risk of loss

2.6 One Call's failings as regards client money exposed its customers to a significant risk of loss. The existence of a deficit meant, had One Call entered into insolvency proceedings, the available pool of client money would have been insufficient to refund T36 customers or pass on to insurers to effect customers' insurance policies for those small number of customers where effective risk transfer was not in place. For those small number of customers where risk transfer was not in place had motor insurance policies not been effected, these customers may have been left without compulsory insurance cover, thereby exposing them to the risk of being unable to claim on insurance they believed they held. Customers also faced the risk of having to buy their insurance again, and pay insurance premiums twice over.

2.7 One Call identified the deficit only after a visit by the Authority and was unable to repay it on the same day that the deficit was discovered. Following Authority intervention, One Call repaid the deficit.

Why Mr Radford's failures are so serious

2.8 Mr Radford failed to appreciate that One Call did not have effective risk transfer in place with all its insurers. In fact, a small number of the risk transfer agreements were ineffective. Mr Radford was oblivious to this because he did not take reasonable steps to ensure that all TOBAs contained effective risk transfer.

2.9 The Authority would expect such reasonable steps to have included comprehensive and regular reviews of One Call's TOBAs to confirm that the risk transfer provisions were effective. Instead, primarily on the basis of verbal assurances from new insurers that risk transfer would form part of the TOBA, Mr Radford considered that One Call had effective risk transfer in place with all insurers. However, it did not. Although some checks of the TOBAs were conducted, Mr Radford failed to identify that some TOBAs through which One Call placed a small volume of business did not provide effective risk transfer. Mr Radford should have ensured that the TOBAs provided for effective risk transfer. Where TOBAs do not provide for effective risk transfer, monies received from customers should be treated as client money in accordance with the Client Money Rules.

2.10 From 1 December 2009, Mr Radford also failed to recognise that the funds advanced to One Call by a third party premium finance provider, in respect of years two and three of the T36 Policies, was client money. When introducing a new product, Mr Radford, and other firms in a similar position, should take reasonable steps to ascertain whether these funds ought to be treated as client money. In fact, Mr Radford took no steps, mistakenly assuming these monies constituted a debt due to the third party premium finance provider by One Call.

2.11 Mr Radford's failure to seek advice or conduct a review of One Call's treatment of the T36 Policies is aggravated by the fact that in March 2012 One Call's external auditor queried whether the funds advanced to One Call for the T36 Policies might be client money. On the basis of those queries, Mr Radford should have taken steps to reconsider his views and check the correct position. The incorrect treatment of the T36 Policies could have been discovered and the size of the deficit, and therefore the risk to the customer, would have been remedied sooner.

2.12 Mr Radford therefore breached Statement of Principle 6 in his capacity as CF1 director of One Call, by failing to act with due skill, care and diligence, in failing to take reasonable steps to ensure he was familiar with the Client Money Rules and requirements, and failing to ensure that One Call thoroughly considered and acted upon warnings from its external auditor.

2.13 He also breached Statement of Principle 7 by failing to take reasonable steps to ensure that One Call properly identified the basis on which it held client money, and established the appropriate systems and controls so that it complied with Principle 10 and the Client Money Rules.

2.14 The Authority has decided to impose a financial penalty of £468,600 on Mr Radford for these breaches.

2.15 The nature of Mr Radford's failings leads the Authority further to conclude that he is not a fit and proper person to hold responsibility for client money and/or insurer money in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm.

2.16 This action supports the Authority's operational objectives of securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

3. DEFINITIONS

3.1 The definitions below are used in this Final Notice.

"Act" means the Financial Services and Markets Act 2000;

"Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"CASS" means the Client Assets section of the Handbook;

"CF1" means an individual approved by the Authority for the director controlled function;

"Client Money Rules" means Chapter 5 of CASS;

"DEPP" means the Decision Procedure and Penalties Manual section of the Handbook;

"EG" means the Enforcement Guide part of the Handbook;

"GISC" means the General Insurance Standards Counsel;

"Handbook" means the Authority's Handbook of rules and guidance;

"New Penalty Regime" means the Authority's new penalty regime, in force from 6 March 2010;

"OIL" means One Insurance Limited;

"Old Penalty Regime" means the Authority's old penalty regime, in force until 5 March 2010;

"One Call" or the "firm" means One Call Insurance Services Limited;

"Principles" means the Authority's Principles for Businesses;

"Relevant Period" means the period 14 January 2005 to 12 August 2013;

"Statements of Principles" means the Authority's Statements of Principle for Approved Persons;

"T36 Policies" has the meaning given to it in paragraphs 4.19 to 4.20; and

"TOBAs" means Terms of Business Agreements.

4. FACTS AND MATTERS

Background

One Call

4.1 One Call was established in 1995 by Mr Radford and operates as an insurance intermediary. It has been authorised and regulated by the Authority since 14 January 2005 and is permitted to hold and control client money only in respect of non-investment insurance contracts. Mr Radford has been approved by the Authority since 14 January 2005 as a CF1 director of One Call, is the Chief Executive, and is the person responsible for Insurance Mediation at One Call. He was also the director responsible for client money at One Call in the Relevant Period, from 14 January 2005 until September 2011. Mr Radford has been the majority shareholder in One Call since it was established.

4.2 As an insurance intermediary, One Call's business focussed on selling motor and household insurance to customers, primarily through price comparison websites. One Call received insurance premiums both directly from its customers and from a third party premium finance provider on behalf of the customer.

4.3 One Call's business grew substantially under the control of Mr Radford. One Call's turnover increased from £1.2 million in 2005 to approximately £30 million for the year ended 31 October 2013. By January 2014, One Call had a customer base of approximately 230,000 customers and was placing approximately 300-400 pieces of new business per day. Mr Radford's income from One Call's business during the Relevant Period was £1,764,503.

Client money requirements

4.4 Firms which hold money under a risk transfer agreement for an insurer must comply with the Client Money Rules and can only be exempt if they only conduct business under risk transfer. If a firm wishes to co-mingle, it must follow the Client Money Rules in relation to all money contained within the account. It must also obtain the insurer's agreement to co-mingle funds held under risk transfer and obtain the insurer's consent to its interests under the trust being subordinated to the interests of the firm's customers. A firm should never make advances of credit to itself out of a client money account.

Conduct in issue

4.5 During the Relevant Period Mr Radford was responsible for client money at One Call between January 2005 and September 2011. He was therefore personally responsible for ensuring that One Call complied with all regulatory requirements in respect of client money. Mr Radford was also the Chief Executive of One Call, and a CF1 director, and so was ultimately responsible for the business of One Call.

Statement of Principle 6

Failure to understand regulatory requirements

4.6 Prior to One Call's authorisation, One Call was authorised and regulated by the GISC, and was required to comply with the GISC's rules and requirements in relation to insurance mediation activity.

4.7 From 14 January 2005, One Call was required to comply with rules and requirements issued by the Authority, including the Client Money Rules. At this

time, Mr Radford was personally responsible for ensuring that One Call had appropriate and competent individuals in place, established appropriate systems and controls, and conducted its business in accordance with its new regulatory obligations.

4.8 Mr Radford did not fully understand the Client Money Rules. Mr Radford had been in the insurance business for a number of years. He was a member of the BIBA Motor Panel and attended BIBA training. However, he did not ensure his understanding of the Client Money Rules was adequate and comprehensive, given his responsibility for client money. For example, Mr Radford considered that guidance issued by the Authority regarding a firm's client money obligations was more aimed at individuals who, unlike him, were new to the industry. In response to whether he had read an Authority Client Money Guide, he commented that, he would have glanced at it but not read it in detail and commented that '*there were lots of documents coming through. I mean…and I wouldn't have got any work done if I'd have sat and read FCA documents all the time, but I believe that I was doing everything correctly*'.

4.9 Mr Radford ran the business of One Call in accordance with his knowledge of the historic GISC regulatory requirements. The Client Money Rules are, however, different. Mr Radford did not take reasonable steps to inform himself of these requirements. His failure to do this means he breached Statement of Principle 6 as he failed to exercise due skill, care and diligence in his role as the director responsible for client money.

Inadequate handover of the client money role

4.10 In September 2011, Mr Radford transferred sole responsibility for client money to another individual at One Call. However, this handover was inadequate. In breach of Statement of Principle 6, Mr Radford trained that individual to carry out processes in exactly the same manner in which he had carried them out and so the same mistakes persisted.

Failure to act adequately on warnings from One Call's external auditor

4.11 In March 2012, during One Call's first ever statutory audit, One Call's auditor queried with individuals at One Call, including Mr Radford, the treatment of the T36 Policy money. The auditor said he could not '*see anything to suggest that the monies received on the three-year price fix are not client monies per the FSA rules'.* In responding to One Call's auditor, Mr Radford failed to consider the validity of his

own view on the T36 Policy money. He responded to maintain One Call's position without reviewing whether One Call's treatment of the T36 Policy money was correct, or seeking advice from an independent professional. One Call's auditor subsequently agreed with Mr Radford's position. Accordingly, One Call continued to fail to identify that years two and three of the T36 Policies should have been treated as client money.

4.12 In April 2012, following the audit of One Call's accounts for the year ended 30 June 2011, One Call's auditor informed One Call that *'there has been a historic lack of compliance with the FSA's client money rules and client money audit rules'*. Mr Radford and the board of One Call discussed these matters with the auditor and made some changes to its processes. However, they did not seek any advice as to the issues the auditor had raised. Mr Radford was therefore aware of indications that his understanding of One Call's client money position may not have been correct and that One Call may not be as compliant as he had previously believed.

4.13 In June 2013, following an audit of One Call's accounts for the year ended 31 October 2012, One Call's auditor informed One Call that *'we understand that the firm has informed the FSA to say that risk transfer agreements are in place and therefore no client money audit has been performed. Transfer of risk agreements were not in place for all insurers and we therefore recommend that specific advice is taken as to whether a client money audit is required'*. Although a meeting was arranged to discuss the audit letter this did not occur and neither One Call, nor Mr Radford, responded to the auditor about this statement. Mr Radford, as the Chief Executive and CF1 director of One Call, should have ensured that it did. Further, this statement from the auditor directly conflicted Mr Radford's own view that One Call operated under effective risk transfer, and so it was incumbent on him to clarify this position. It was only in August 2013 after reconsidering his position in response to an Authority email that Mr Radford raised concerns with the Authority and stated that *'perhaps there has been some misinterpretation of client money rules, and if we are honest, we're not sure now whether we should have a client money audit or not'*.

4.14 Mr Radford's repeated failure to adequately investigate and respond to One Call's auditor, or ensure that One Call acted on those warnings, demonstrate a serious lack of due skill, care and diligence on those occasions, in breach of Statement of Principle 6.

Statement of Principle 7

Inadequate assessment of risk transfer

4.15 It was Mr Radford's responsibility to ensure that One Call established robust systems and controls for assessing whether effective risk transfer was indeed in place. However, he failed to do this.

4.16 Mr Radford personally established a number of relationships with insurers with which One Call did business under TOBAs. When conducting business with a new insurer, Mr Radford sought verbal assurances as to whether risk transfer would form part of a TOBA but did not take reasonable steps to ensure the risk transfer was effective. Mr Radford said *'I would tend to have a look at it and sign it back and we'd, you know, we'd be quite happy if the insurer had said that you've got risk transfer, then we were happy with that.'*

4.17 This was inadequate for Mr Radford to be sure that One Call had effective risk transfer in place with all insurers during the Relevant Period. Mr Radford should have, for example, checked each TOBA he signed thoroughly, including when entering into a new relationship, varying the existing relationship or amending any of the terms. Where Mr Radford had delegated those duties, in order to competently carry out his role as the director responsible for client money, Mr Radford should have taken reasonable steps to satisfy himself that the individual reviewing those TOBAs was properly assessing them for risk transfer. The systems and controls that Mr Radford did put in place for checking risk transfer were deficient and remained so until after the Authority's visit identified deficiencies in One Call's TOBAs.

4.18 As a result of Mr Radford's failure to take reasonable steps to implement adequate systems and controls, in breach of Statement of Principle 7, One Call failed to identify that it had placed a small volume of insurance business under TOBAs which did not provide for effective risk transfer. This meant that One Call should have held these sums as client money in accordance with the Client Money Rules.

Failure to assess the T36 Policies

4.19 From the start of the Relevant Period, One Call sold its clients annual insurance policies. In December 2009, One Call commenced a trial of selling to its renewals customers annual motor policies with a 'three year price guarantee' alongside its other annual policies, known internally as the "T36 Policies". The trial was

successful and therefore in mid-2010 One Call commenced selling T36 Policies to appropriate customers.

4.20 These T36 Policies operated as three separate annual contracts with no obligation on the customer to renew from one year to the next. Accordingly, customers who purchased this policy entered into a contract which had the option to renew that contract for two further years at the same price. This 'option to renew' guaranteed customers that their insurance premiums would not increase on renewal and would remain the same for a period of three years, provided that there was no change in the customers' circumstances.

4.21 These policies were sold by One Call and were predominantly underwritten by a connected company, OIL. OIL is based in Malta, and passports into the UK. Mr Radford is the Managing Director of OIL, and ultimately owns it.

4.22 Upon inception of the year one policy, a third party premium financing company, as part of its commercial agreement with One Call, advanced One Call with three years' worth of premiums upfront to support the three individual annual policies in advance of receiving the premium from the customer.

4.23 At the same time, the third party premium finance provider entered into a parallel credit agreement with the customer to collect the advanced premium in monthly or periodic instalments. One Call also offered clients premium finance through its own internal premium finance arrangements, although this represented a small proportion of its premium finance business.

4.24 If a customer cancelled a T36 Policy part way through a particular year, or the customer was in default, or chose not to renew their T36 Policy for the following year, under the agreement with the premium financing company One Call was required to pay back to the premium financing company any outstanding amount under the customer's credit agreement. This included obtaining a premium refund from the insurer and applying this to the outstanding balance.

4.25 However, One Call should have held all the money for years two and three it received from the third party premium finance company as client money in accordance with the Client Money Rules, as it was money received in the course of or in connection with One Call's insurance mediation activity. It was not money received under a contract for insurance.

4.26 Mr Radford, who was the person responsible for client money at the onset of the T36 Policies in December 2009, failed to recognise this distinction and the fact that the advanced premiums for years two and three of the T36 Policies should have been treated as client money and appropriately segregated under the Client Money Rules. Mr Radford failed to take any reasonable steps to ascertain whether his (mistaken) understanding of these monies was correct. For example, he did not seek any advice as to the validity of this position or conduct enquiries himself to establish the position. Consequently, Mr Radford failed to take reasonable steps to establish any systems and controls to ensure that One Call handled these monies in accordance with the Client Money Rules, in breach of Statement of Principle 7.

Failure to undertake client money calculations

4.27 Mr Radford, arising from his lack of adequate understanding of the Client Money Rules, caused One Call to fail to perform adequate client money calculations while he was responsible for client money in order to determine whether One Call's client money resource was at least equal to its client money requirement.

4.28 From January 2005 until 2009, One Call undertook regular calculations before it paid the insurers. Mr Radford thought that these calculations were sufficient to determine its requirement for client money. However, they did not comply with the Client Money Rules. For example, the calculation did not compare One Call's client money requirement with its resource. Although some changes were made in 2010 to record monies in the Client Money Bank Account, items were not fully reconciled in the records which One Call maintained and the calculations therefore continued to be non-compliant.

4.29 These deficiencies may have resulted in One Call being unable to determine whether there was sufficient excess for money to be transferred to the office account. Had Mr Radford performed compliant calculations - or ensured such calculations were performed - the deficit of £17.3 million would have been identified much earlier, or would not have occurred in the first place.

Consequences for One Call

4.30 As a result of Mr Radford's lack of knowledge and inaction, One Call did not apply the protections afforded by the Client Money Rules to its client money between 14 January 2005 and 30 September 2014 and therefore breached Principle 10 and the Client Money Rules, including CASS 5.5.3R, 5.5.5R and 5.5.63R. One Call only rectified its regulatory position following a visit from the Authority in December

2013. Mr Radford therefore breached Statement of Principle 7 by failing to take reasonable steps to ensure that One Call complied with the relevant rules and requirements of the Client Money Rules.

4.31 From 2010, One Call frequently withdrew sums of money, which included client money, from the client money account following its calculations of commissions, fees and charges earned on the premiums received. These withdrawals included substantial amounts of client money that One Call was not entitled to. These monies were used inadvertently to fund:

(1) its own working capital requirements;

(2) payments to its directors; and

(3) indirectly, the ongoing capital to a connected company, OIL (no allegation of wrongdoing is made against OIL).

4.32 Use of these sums may have provided One Call with a competitive advantage because it did not have to raise the funds itself and this may have enabled One Call to offer customers lower insurance prices than its competitors which who did comply with the Client Money Rules. Due to Mr Radford's lack of understanding about the status of money One Call was receiving, adequate client money calculations were not performed either by him during the Relevant Period or by his appointed replacement after this point. Those calculations should have been performed in accordance with the Client Money Rules prior to the withdrawals. The absence of those calculations meant One Call was unable to properly assess whether or not the amounts left in the client account were sufficient to meet One Call's obligations to its clients or whether the withdrawals generated a deficit on the client money account.

4.33 It has not been possible to calculate when the Client Money Bank Account was first put into a deficit by One Call's withdrawals. It has also not been possible to calculate to what extent One Call continued to maintain a deficit on the client account throughout the Relevant Period, or whether any of the payments in paragraph 4.31 above consisted entirely of client money. However, following a visit by the Authority in December 2013, One Call calculated that it had a deficit of approximately £17.3 million (as at January 2014) in its Client Money Bank Account, which it was unable to repay on the same day that the calculation was performed, in breach of CASS 5.5.63R(1)(b)(i). Following Authority intervention, One Call repaid the deficit.

4.34 In the event that One Call became insolvent and a primary pooling event occurred, the client money that it held at the time would have been pooled and then distributed among customers in proportion to the amount they paid to One Call. For the small number of customers who did not have the benefit of risk transfer, this may have meant, for example, customers having to pay again for their insurance. These customers may also have been left without compulsory insurance cover, thereby exposing them to the risk of being unable to claim on insurance which they believed they held.

4.35 These same customers were also likely to have been exposed to significant delays in receiving any funds back from One Call due to the deficiencies and lack of clarity in the risk transfer provisions in a number of the TOBAs. It is possible that these deficiencies could have only been resolved through litigation to determine who bore the risk with regards to certain TOBAs, and therefore which customers were due money from the client money account. Although no actual detriment crystallised because One Call was able to pay all customers' premiums to the insurer when they fell due, customers' interests still faced serious and significant risks.

5. FAILINGS

5.1 The regulatory provisions relevant to this Final Notice are referred to in Annex A.

5.2 By reason of the facts and matters described above, during the Relevant Period, Mr Radford, in his capacity as a CF1 director at One Call, breached Statement of Principle 6 as he failed to act with due care, skill and diligence in his role as CF1 director and Chief Executive of One Call. As a result One Call failed to provide adequate protection for client monies for which it was responsible. In particular, Mr Radford failed to:

(1) take reasonable steps to ensure that key functions were adequately resourced, that relevant staff had adequate knowledge of client money, including the requirements of the Client Money Rules, and that suitable individuals were responsible for all aspects of One Call's business. Specifically, Mr Radford assumed responsibility for client money at One Call during the Relevant Period, but failed to take reasonable steps to acquire the knowledge and skills necessary to discharge this responsibility. He failed adequately to consider any communications from the Authority and believed his understanding of the former regulatory regime would suffice. When he passed this responsibility on, he trained his replacement in the ways he had

undertook the role and his replacement made the same mistakes he did. The result was that Mr Radford caused One Call to breach the Client Money Rules; and

(2) adequately act on and investigate warnings received from One Call's external auditor. This was particularly serious, given that those warnings directly conflicted with Mr Radford's own knowledge of, and involvement in, One Call's client money systems and controls. In those instances, Mr Radford took inadequate steps to consider whether the auditor's view was the correct one, and whether his own view, which contradicted the auditor's, was incorrect. In addition, despite One Call's auditor raising a query that the T36 Policies may have been client monies, he never sought independent advice on this point. On those occasions, Mr Radford, in his role as CF1 director, was careless as to One Call's compliance with the Client Money Rules.

5.3 During the Relevant Period, Mr Radford also breached Statement of Principle 7, in his capacity as CF1 director of One Call, by failing to take reasonable steps to ensure that One Call complied with the relevant rules and requirements of the Client Money Rules. In particular, he caused One Call to breach Principle 10, and to fail to comply with the Client Money Rules. For example, Mr Radford failed to:

(1) establish and maintain systems and controls at One Call so that it could properly identify the basis upon which it held client money. Specifically, Mr Radford failed to ensure that all TOBAs were thoroughly reviewed to confirm that they contained effective risk transfer provisions;

(2) take reasonable steps to ascertain whether insurance premiums advanced by a third party premium finance provider in respect of years two and three of certain of the T36 Policies should have been treated as client money, such that Mr Radford could then establish effective systems and controls at One Call to control and manage client money. However, Mr Radford took no such reasonable steps. Mr Radford should have sought advice on this point - or should have ensured the Board obtained advice on this point - when One Call commenced selling these policies. Because no reasonable steps were taken to establish if the T36 Policies were client money, monies received were not afforded the protections required by the Client Money Rules; and

(3) ensure that One Call created and maintained adequate client money calculations, which resulted in One Call transferring from its Client Money Bank Account substantial sums of client money which it was not entitled to.

5.4 The Authority considers that the circumstances described above are such that Mr Radford is not fit and proper to have any responsibility for client money and/or insurer money in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm. This includes but is not limited to performing functions that an individual designated as a manager with responsibility for overseeing an insurance intermediary firm's day to day compliance with the Client Money Rules, would perform.

5.5 Mr Radford has since overseen heavy investment by One Call in additional directors and its systems and controls. A recent report by a skilled person observed there had been widespread improvements in the Firm's governance framework, finance function and CASS controls environment.

6. SANCTION

6.1 In determining the financial penalty, the Authority has had regard to its policy on the imposition of financial penalties which is set out in Chapter 6 of DEPP and forms part of the Authority's Handbook.

6.2 On 6 March 2010, the Authority's new penalty framework came into force. Mr Radford's misconduct covers a period across 6 March 2010. Significant proportions of Mr Radford's misconduct occurred under both the Old Penalty Regime and the New Penalty Regime. The Authority has therefore assessed the financial penalty under both regimes, as set out below.

Old Penalty Regime

6.3 The period of Mr Radford's breach for the purposes of calculating the financial penalty under the Old Penalty Regime is the period from 14 January 2005 to 5 March 2010. References to DEPP in these paragraphs relate to DEPP as at 5 March 2010.

6.4 The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring approved individuals who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant

behaviour (DEPP 6.1.2G). The Authority considers that a financial penalty would be an appropriate sanction in this case, given the serious nature of the breaches, the significant risks created for customers of One Call and the need to send out a strong message of deterrence to others.

6.5 DEPP 6.5.2G sets out, as guidance, a non-exhaustive list of factors that may be relevant in determining the level of the penalty. The Authority considers that the following are particularly relevant in this case.

Deterrence (DEPP 6.5.2G(1))

6.6 The financial penalty will deter Mr Radford from further breaches of regulatory rules and Statements of Principle. In addition it will promote high standards of regulatory conduct by deterring other approved individuals from committing similar breaches and demonstrating generally the benefit of compliant behaviour.

The nature, seriousness and impact of the breach (DEPP 6.5.2G(2))

6.7 The Authority has had regard to the seriousness of the breaches committed by Mr Radford, including the nature of the requirements breached, the number and duration of the breaches and whether the breaches revealed serious or systemic weaknesses of the management systems or internal controls.

6.8 Mr Radford's breaches are particularly serious because his failings persisted over a significant period of time and directly led to One Call breaching the Client Money Rules and Principle 10, which placed customers at risk of financial loss and being left uninsured. This resulted in a significant deficit of approximately £17.3 million in One Call's client money account. Mr Radford's failings demonstrate a complete lack of understanding of the regulatory requirements prevailing at the time and serious and systemic weaknesses in the firm's management and procedures relating to dealing with client money over a prolonged period of time.

The extent to which the breach was deliberate or reckless (DEPP 6.5.2G(3))

6.9 The Authority considers Mr Radford acted negligently, but not recklessly or deliberately.

The size, financial resources and other circumstances of the person on whom the penalty is to be imposed (DEPP 6.5.2G(5))

6.10 There is no evidence to suggest that Mr Radford is unable to pay a financial penalty.

Conduct following the breach (DEPP 6.5.2G(8))

6.11 Mr Radford has been open and co-operative with the Authority since the breaches, and client money deficit were identified. One Call has also rectified the substantial deficit in its client account to ensure that no customers were harmed as a result of its actions.

Other action taken by the Authority (DEPP 6.5.2G(10))

6.12 In determining the level of financial penalty, the Authority has taken into account penalties imposed by the Authority on other approved persons for similar behaviour.

6.13 The Authority, having regard to all the circumstances, considers the appropriate level of financial penalty to be £140,000 before any discount for early settlement. After an early settlement discount, the penalty is £98,000.

New Penalty Regime

6.14 DEPP 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals in non-market abuse cases.

Step 1: disgorgement

6.15 Pursuant to DEPP 6.5B.1G, at Step 1 the Authority seeks to deprive an individual of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.16 The Authority has not identified any financial benefit that Mr Radford derived directly from the breach in connection with regulated activities.

6.17 Step 1 is therefore £0.

Step 2: the seriousness of the breach

6.18 Pursuant to DEPP 6.5B.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. That figure is based on a percentage of the individual's relevant income. The individual's relevant income is the gross amount

of all benefits received by the individual from the employment in connection with which the breach occurred, and for the period of the breach.

6.19 The Authority considers Mr Radford's relevant income for this period to be £1,764,503. These figures include loans received by Mr Radford from a Remuneration Trust in use by One Call.

6.20 In deciding on the percentage of the relevant income that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 40%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on individuals in non-market abuse cases there are the following five levels:

Level 1 – 0%

Level 2 – 10%

Level 3 – 20%

Level 4 – 30%

Level 5 – 40%

6.21 In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. The Authority considers the following factors to be relevant.

(1) Impact of the breach

6.22 In not handling client money in accordance with the Client Money Rules, resulting in a significant client money deficit at One Call, Mr Radford put customers at risk of significant losses where their policies were not covered by risk transfer. Had One Call not been able to meet its liabilities to insurers, those customers not covered by risk transfer faced a risk of their policy being voided unless they paid directly for their insurance or risk becoming uninsured. If a customer is left uninsured, then the customer might also face being unable to make a claim – this could have left

customers distressed at times when they may have been more vulnerable, for example due to an accident.

6.23 As at February 2014 (shortly after the deficit was discovered), One Call had approximately 230,000 policies in place.

6.24 Mr Radford's failings did not have an adverse effect on markets.

(2) Nature of the breach

6.25 The Client Money Rules are fundamentally important to the protection of client money and assets. The breaches by One Call of the Client Money Rules occurred over a significant and prolonged period of time, and were only brought to light following a visit by the Authority in December 2013. Mr Radford's breaches are particularly serious because his failings persisted over a significant period of time and directly led to One Call breaching the Client Money Rules and Principle 10, which placed customers at risk of financial loss and being left uninsured.

(3) Whether the breaches were deliberate or reckless

6.26 There is no evidence to suggest that the breaches by Mr Radford were deliberate or reckless, but were negligent. However, in placing himself in charge of client money, Mr Radford failed to ensure that the person responsible for client money at One Call had the requisite knowledge and skills such that One Call could conduct its business in compliance with the Client Money Rules. Further, Mr Radford did not recognise the risk presented by the T36 Policies and did not, for example, seek any advice as to whether the T36 Policies monies should be treated as client money.

6.27 The breaches were not intentional and there was no attempt by Mr Radford to conceal the breaches.

6.28 Mr Radford did not fail to act with integrity or abuse a position of trust and has not previously been disciplined by the Authority.

6.29 Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 30% of £1,764,503.

6.30 Step 2 is therefore £529,531.

Step 3: mitigating and aggravating factors

6.31 Pursuant to DEPP 6.5B.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.32 The Authority does not consider there are any relevant factors which aggravate or mitigate the breach. The Step 3 figure is therefore £529,531.

Step 4: adjustment for deterrence

6.33 Pursuant to DEPP 6.5B.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the individual who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.34 The Authority considers that the Step 3 figure of £529,531 represents a sufficient deterrent to Mr Radford and others, and so has not increased the penalty at Step 4.

6.35 Step 4 is therefore £529,531.

Step 5: settlement discount

6.36 Pursuant to DEPP 6.5B.5G, if the Authority and the individual on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the individual reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.37 The Authority and Mr Radford have reached a settlement agreement at Stage 1.

6.38 Step 5 is therefore £370,671.

Total penalty

6.39 Having applied the frameworks set out in DEPP under the Old Penalty Regime and the New Penalty Regime, the Authority therefore imposes a financial penalty on Mr Radford of £669,531 (£140,000 under the Old Penalty Regime and £529,531 under the New Penalty Regime) for breaches of Statement of Principles 6 and 7.

6.40 When applying a 30% settlement discount to both penalties, the total financial penalty under both regimes totals £468,600.

Prohibition

6.41 The Authority has had regard to the guidance in Chapter 9 of EG and considers it is appropriate and proportionate in all the circumstances to prohibit Mr Radford from having any responsibility for client money and/or insurer money in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm.

7. PROCEDURAL MATTERS

Decision maker

7.1 The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

7.2 This Final Notice is given under, and in accordance with, section 390 of the Act.

Manner of and time for Payment

7.3 The financial penalty must be paid in full by Mr Radford to the Authority by no later than 13 September 2018, 14 days from the date of the Final Notice.

If the financial penalty is not paid

7.4 If all or any of the financial penalty is outstanding on 13 September 2018, the Authority may recover the outstanding amount as a debt owed by Mr Radford and due to the Authority.

Publicity

7.5 Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.6 The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.7 For more information concerning this matter generally, contact Angus Griffin (direct line: 0207 066 2646) of the Enforcement and Market Oversight Division of the Authority.

Bill Sillett

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT STATUTORY PROVISIONS

1.1 The Authority's operational objectives, set out in section 1B(3) of the Act, include the consumer protection objective.

1.2 Section 56 of the Act provides that the Authority may make an order prohibiting an individual from performing a specified function, any function falling within a specified description or any function, if it appears to the Authority that the individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person, exempt person or exempt professional person. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description, or all regulated activities.

1.3 Section 66 of the Act provides that the Authority may take action against a person if it appears to the Authority that he is guilty of misconduct and the Authority is satisfied that it is appropriate in all the circumstances to take action against him. A person is guilty of misconduct if, while an approved person, he has failed to comply with a statement of principle issued under section 64 of the Act, or has been knowingly concerned in a contravention by a relevant authorised person of a relevant requirement imposed on that authorised person.

2. RELEVANT REGULATORY PROVISIONS

Principles for Businesses

2.1 The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's rule making powers set out in the Act.

2.2 Principle 10 states:

"*A firm must arrange adequate protection for clients' assets when it is responsible for them*".

Statements of Principle and Code of Practice for Approved Persons

2.3 The Authority's Statements of Principle have been issued under section 64 of the Act.

2.4 Statement of Principle 6 states:

"An approved person performing an accountable significant-influence function must exercise due skill, care and diligence in managing the business of the firm for which he is responsible in his accountable function".

2.5 Statement of Principle 7 states:

"*An approved person performing an accountable significant-influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his accountable function complies with the relevant requirements and standards of the regulatory system*"

The Authority's policy for exercising its power to make a prohibition order

2.6 The Authority's policy in relation to prohibition orders is set out in Chapter 9 of EG.

2.7 EG 9.1.1 states that the Authority may exercise this power where it considers that, to achieve any of its regulatory objectives, it is appropriate either to prevent an individual from performing any functions in relation to regulated activities or to restrict the functions which he may perform.

The Authority's policy for imposing financial penalties

2.8 Chapter 6 of DEPP sets out the Authority's statement of policy with respect of imposition and amount of financial penalties under the Act.

Client Money Rules

2.9 CASS sets out the requirements relating to holding client assets and money.

2.10 Set out below are the relevant extracts from CASS:

(1) **CASS 5.2.7G** Principle 10 (Clients' assets) requires a firm to arrange adequate protection for clients' assets when the firm is responsible for them. An essential part of that protection is the proper accounting and handling of client money. The rules in CASS 5.1 to CASS 5.6 also give effect to the

requirement in article 4.4 of the Insurance Mediation Directive that all necessary measures should be taken to protect clients against the inability of an insurance intermediary to transfer premiums to an insurance undertaking or to transfer the proceeds of a claim or premium refund to the insured.

(2) **CASS 5.2.1G** If a *firm* holds *money* as agent of an *insurance undertaking* then the *firm's clients* (who are not *insurance undertakings*) will be adequately protected to the extent that the *premiums* which it receives are treated as being received by the *insurance undertaking* when they are received by the agent and claims *money* and *premium* refunds will only be treated as received by the *client* when they are actually paid over. The *rules* in *CASS 5.2* make provision for agency agreements between *firms* and *insurance undertakings* to contain terms which make clear when *money* should be held by a *firm* as agent of an undertaking. *Firms* should refer to *CASS 5.1.5 R* to determine the circumstances in which they may treat *money* held on behalf of *insurance undertakings* as *client money*.

(3) **CASS 5.4.1G**

(1) *CASS 5.4* permits a *firm*, which has adequate resources, systems and controls, to declare a trust on terms which expressly authorise it, in its capacity as trustee, to make advances of credit to the *firm's clients*. The *client money* trust required by *CASS 5.4* extends to such debt obligations which will arise if the *firm*, as trustee, makes credit advances, to enable a client's *premium* obligations to be met before the *premium* is remitted to the *firm* and similarly if it allows claims and *premium* refunds to be paid to the *client* before receiving remittance of those *monies* from the *insurance undertaking*.

(2) *CASS 5.4* does not permit a *firm* to make advances of credit to itself out of the *client money* trust. Accordingly, *CASS 5.4* does not permit a *firm* to withdraw *commission* from the *client money* trust before it has

received the *premium* from the *client* in relation to the *non-investment insurance contract* which generated the *commission*.

(4) **CASS 5.4.4R** A *firm* may not handle *client money* in accordance with the *rules* in this section unless each of the following conditions is satisfied:

(1) the *firm* must have and maintain systems and controls which are adequate to ensure that the *firm* is able to monitor and manage its *client money* transactions and any credit risk arising from the operation of the trust arrangement and, if in accordance with *CASS 5.4.2 R* a *firm* complies with both the rules in *CASS 5.3* and *CASS 5.4*, such systems and controls must extend to both arrangements;

(2) the *firm* must obtain, and keep current, written confirmation from its auditor that it has in place systems and controls which are adequate to meet the requirements in (1);

(3) the *firm* must designate a *manager* with responsibility for overseeing the *firm's* day to day compliance with the systems and controls in (1) and the *rules* in this section;

(4) the *firm* (if, under the terms of the non-statutory trust, it is to handle *client money* for *retail customers*) must have and at all times maintain capital resources of not less than £50,000 calculated in accordance with *MIPRU 4.4.1 R*; and

(5) in relation to each of the *clients* for whom the *firm* holds *money* in accordance with *CASS 5.4*, the *firm* must take reasonable steps to ensure that its *terms of business* or other *client agreements* adequately explain, and obtain the *client's* informed consent to, the *firm* holding the *client's money* in accordance with *CASS 5.4* (and in the case of a *client* which is an *insurance undertaking* (when acting as such) there must be an agreement which satisfies *CASS 5.1.5A R*).

(5) **CASS 5.5.1G** Unless otherwise stated each of the provisions in *CASS 5.5* applies to *firms* which are acting in accordance with *CASS 5.3* (Statutory trust) or *CASS 5.4* (Non-statutory trust).

(6) **CASS 5.5.2G** One purpose of *CASS 5.5* is to ensure that, unless otherwise permitted, *client money* is kept separate from the *firm's* own *money*.

Segregation, in the event of a *firm's* failure, is important for the effective operation of the trust that is created to protect *client money*. The aim is to clarify the difference between *client money* and general creditors' entitlements in the event of the *failure* of the *firm*.

(7) **CASS 5.5.3R** A *firm* must, except to the extent permitted by *CASS 5.5*, hold *client money* separate from the *firm's money*.

(8) **CASS 5.5.5R** A *firm* must segregate *client money* by either:

(1) paying it as soon as is practicable into a *client bank account*; or

(2) paying it out in accordance with *CASS 5.5.80 R*.

(9) **CASS 5.5.6G** The *FCA* expects that in most circumstances it will be practicable for a *firm* to pay *client money* into a *client bank account* by not later than the next *business day* after receipt.

(10) **CASS 5.5.63R**

(1) A *firm* must, as often as is necessary to ensure the accuracy of its records and at least at intervals of not more than 25 *business days*:

(a) check whether its *client money* resource, as determined by *CASS 5.5.65 R* on the previous *business day*, was at least equal to the *client money* requirement, as determined by *CASS 5.5.66 R* or *CASS 5.5.68 R*, as at the close of business on that day; and

(b) ensure that:

(i) any *shortfall* is paid into a *client bank account* by the close of business on the day the calculation is performed; or

(ii) any excess is withdrawn within the same time period unless *CASS 5.5.9 R* or *CASS 5.5.10 R* applies to the extent that the *firm* is satisfied on reasonable grounds that it is prudent to maintain a positive margin to ensure the calculation in (a) is satisfied having regard to any unreconciled items in its business ledgers as at the date on which the calculations are performed; and

(c) include in any calculation of its *client money* requirement (whether calculated in accordance with *CASS 5.5.66 R* or *CASS 5.5.68 R*) any

amounts attributable to *client money* received by its *appointed representatives*, *field representatives* or other agents and which, as at the date of calculation, it is required to segregate in accordance with *CASS 5.5.19 R*.

(2) A *firm* must within ten *business days* of the calculation in (a) reconcile the balance on each *client bank account* as recorded by the *firm* with the balance on that account as set out in the statement or other form of confirmation used by the bank with which that account is held.

(3) When any discrepancy arises as a result of the reconciliation carried out in (2), the *firm* must identify the reason for the discrepancy and correct it as soon as possible, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and those of the *firm*.

(4) While a *firm* is unable to resolve a difference arising from a reconciliation, and one record or a set of records examined by the *firm* during its reconciliation indicates that there is a need to have a greater amount of *client money* than is in fact the case, the *firm* must assume, until the matter is finally resolved, that the record or set of records is accurate and either pay its own *money* into a relevant account or make a withdrawal of any excess.