

FINAL NOTICE

To: **Craig Buchan**

Reference
Number: **CXB000090**

Date: **14 November 2024**

1. ACTION

1.1. For the reasons given in this Final Notice, the Authority hereby:

- (1) imposes on Craig Buchan a financial penalty of £6,037 pursuant to section 66 of the Act; and
- (2) makes an order prohibiting Mr Buchan from performing any function in relation to any regulated activities carried on by any authorised or exempt persons, or exempt professional firm pursuant to section 56 of the Act.

1.2 Mr Buchan agreed to resolve this matter and qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Mr Buchan also provided verifiable evidence that payment of the full amount of the financial penalty would cause him serious financial hardship. Were it not for Mr Buchan's financial hardship, and the settlement discount, the Authority would have imposed a financial penalty of £58,437 consisting of £6,037 disgorgement, and £52,400 as a punitive penalty.

2. SUMMARY OF REASONS

Background

- 2.1. Mr Buchan was a designated member of MedDen Financial Services LLP (**MedDen**), a limited liability partnership which was authorised and regulated by the Authority from 22 January 2008 to 16 August 2024. MedDen provided financial advisory services primarily to the medical and dental community, which included advice on investments, pensions, insurance, mortgages and home finance.
- 2.2. During the Relevant Period, Mr Buchan was approved by the Authority to perform the SMF 27 (Partner) and SMF 16 (Compliance Oversight) senior manager functions at MedDen under the Senior Managers Regime. Mr Buchan also had responsibility for Mortgage Credit Directive (MCD) Intermediation at MedDen. During the Relevant Period, MedDen had one other partner, Martin Cooke, who was approved to perform the SMF 27 (Partner) and SMF 17 (Money Laundering Reporting Officer) senior manager functions. Mr Cooke also had responsibility for Insurance Distribution.
- 2.3. On 1 February 2021, MedDen entered into creditors' voluntary liquidation. The Financial Services Compensation Scheme (**FSCS**) subsequently declared MedDen in default. As at 30 March 2023, the FSCS had upheld 35 claims against MedDen and had paid out approximately £2.28 million on those claims.

Mr Buchan's misconduct and the Individual Conduct Rules

- 2.4. On 14 December 2020, the Authority issued a First Supervisory Notice to MedDen (**the First Supervisory Notice**). Under the First Supervisory Notice, the Authority, exercising its own-initiative powers, imposed on MedDen an asset requirement (**the 2020 Asset Requirement**) pursuant to section 55L of the Financial Services and Markets Act 2000 (**the Act**).
- 2.5. Under the terms of the 2020 Asset Requirement, MedDen was not permitted, without the prior written consent of the Authority, to in any way dispose of, withdraw, transfer, deal with or diminish the value of its own assets. The 2020 Asset Requirement was imposed because the Authority was concerned that, amongst other things, MedDen:

- a) had two FOS awards made against it which it had not paid, and a number of additional complaints against it which were under consideration by the FOS;
- b) had inadequate Professional Indemnity Insurance (**PII**) cover in respect of some or all of its redress liabilities; and
- c) was breaching its capital resources requirement by failing to hold sufficient capital to meet liabilities excluded under its PII policy and FOS awards.

2.6. The Authority therefore considered that MedDen was failing, or likely to fail, to satisfy the Appropriate Resources and Suitability Threshold Conditions (set out in paragraphs 2D and 2E of Schedule 6 to the Act), and it was desirable to impose the 2020 Asset Requirement to secure an appropriate degree of protection for consumers by preventing MedDen from disposing of or dissipating its assets which could otherwise be used for the payment of redress to consumers.

2.7. On 15 and 21 December 2020, Mr Buchan transferred a total of £9,297 from MedDen's bank accounts across four separate transactions to accounts held by Mr Buchan and Mr Cooke. These transfers were made without the Authority's prior written consent, in direct contravention of the 2020 Asset Requirement (**the Unauthorised Personal Transfers**). A total of £4,647 was paid into a personal bank account in Mr Buchan's name, and £4,650 was paid into a personal bank account in Mr Cooke's name. The Unauthorised Personal Transfers resulted in MedDen's bank accounts holding no funds as at 21 December 2020 for the benefit of consumers.

2.8. In addition, Mr Buchan failed to properly engage with the Authority immediately prior to issue of the First Supervisory Notice to MedDen and in relation to the Authority's enquiries after the First Supervisory Notice was issued. In particular, Mr Buchan failed to engage adequately with the Authority in relation to the Authority's concerns in early December 2020, which resulted in the 2020 Asset Requirement being imposed on MedDen, and then throughout the rest of December 2020 until February 2021, in that he did not:

- a) respond adequately to numerous information requests sent to him by the Authority; and

- b) failed to make himself available for a call with the Authority despite numerous requests to do so.
- 2.9. Mr Buchan also failed to cooperate with the Authority throughout the course of the investigation in relation to the Unauthorised Personal Transfers. In particular, Mr Buchan:
- a) refused to attend an interview with the Authority, despite being compelled to do so; and
 - b) did not respond adequately to numerous information requirements issued to him during the investigation.
- 2.10. As part of his role at MedDen, Mr Buchan was required to comply with Individual Conduct Rule 1, which provided that he must act with integrity. As a result of the matters referred to in paragraphs 2.4 to 2.7 above and set out more fully in this notice below, the Authority considers that Mr Buchan acted with a lack of integrity in breach of Individual Conduct Rule 1.
- 2.11. The Authority has concluded that Mr Buchan recklessly transferred funds from one of MedDen's accounts to his own and Mr Cooke's own personal bank accounts, and was reckless as to the fact that those transfers were in breach of the terms of the 2020 Asset Requirement. These Unauthorised Personal Transfers had been made and received in breach of the 2020 Asset Requirement, however Mr Buchan took no steps to return the funds, nor to alert the Authority to the fact that the terms of the 2020 Asset Requirement had been breached.
- 2.12. The Unauthorised Personal Transfers made by Mr Buchan resulted in the dissipation of assets which the Authority had sought to safeguard by imposing the 2020 Asset Requirement on MedDen (including for the benefit of consumers who were due redress for financial losses suffered as a result of advice provided by MedDen) and therefore risked causing further harm to consumers. Mr Buchan also obtained a direct financial benefit by putting his own financial interests above those of consumers whom he knew were due redress from MedDen. The Authority therefore considers that during the Relevant Period Mr Buchan acted recklessly and with a lack of integrity in breach of Individual Conduct Rule 1.

Sanction

- 2.13. Acting with integrity is a fundamental requirement upon any approved person, including senior managers. Given the nature of the failings described in this notice, the Authority considers that Mr Buchan is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm.
- 2.14. The Authority hereby makes an order prohibiting Mr Buchan from performing any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm pursuant to section 56 of the Act.
- 2.15. In addition, The Authority considers that the nature and seriousness of Mr Buchan's misconduct and breaches warrant the imposition of a significant financial penalty. Mr Buchan provided verifiable evidence that the imposition of a financial penalty would cause him serious financial hardship. Had it not been for his reduced financial circumstances, the Authority would have proposed a financial penalty of £58,437 on Mr Buchan pursuant to section 66 of the Act for his breach of Individual Conduct Rule 1 during the Relevant Period (which includes a 30% discount as Mr Buchan agreed to resolve the matter under the Authority's executive settlement procedures). Instead, the Authority hereby imposes a financial penalty of £6,037 on Mr Buchan.

3. DEFINITIONS

- 3.1. The definitions below are used in this Notice:

"the 2019 Asset Requirement" means the asset restriction contained within the Voluntary Requirement imposed on MedDen by the Authority (by agreement) under section 55L(5)(a) of the Act on 3 April 2019;

"the 2020 Asset Requirement" means the asset restriction contained within the First Supervisory Notice imposed on MedDen on 14 December 2020;

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

"the Authority" means the Financial Conduct Authority;

“Mr Buchan” means Craig Buchan;

“the Centaur Bond” means the Centaur Fixed Income Bond, a bond which was issued by Centaur Group Finance Ltd and listed on the Bermuda Stock Exchange;

“Mr Cooke” means Martin Cooke;

“Code of Conduct” means the Code of Conduct (COCON), of the Handbook;

“DEPP” means the Authority’s Decision Procedure and Penalties Manual;

“EG” means the Authority’s Enforcement Guide;

“FIT” means the Fit and Proper test for Employees and Senior Personnel, part of the Handbook;

“the FOS” means the Financial Ombudsman Service;

“the FSCS” means the Financial Services Compensation Scheme;

“the First Supervisory Notice” means First Supervisory Notice dated 14 December 2020;

“the Handbook” means the Authority’s Handbook of rules and guidance;

“MedDen” means MedDen Financial Services LLP;

“PII” means professional indemnity insurance;

“the Relevant Period” means from 15 December 2020 to 21 December 2020;

“the Threshold Conditions” means the threshold conditions set out in Schedule 6 to the Act;

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber); and

“the Unauthorised Personal Transfers” means the sum of £9,297 which Mr Buchan transferred out from one of MedDen’s bank accounts without the Authority’s prior written consent, in direct contravention of the 2020 Asset Requirement, to personal accounts held by Mr Buchan and Mr Cooke across four separate transactions on 15 and 21 December 2020.

4. FACTS AND MATTERS

MedDen

- 4.1. MedDen is a limited liability partnership and has been authorised and regulated by the Authority from 22 January 2008 to 16 August 2024.
- 4.2. On 1 February 2021, MedDen entered creditor’s voluntary liquidation. On 27 May 2021, the FSCS declared MedDen in default, which allowed consumers who had been advised by MedDen and who believed they were owed compensation as a result to make a claim to the FSCS.

Mr Buchan

- 4.3. Mr Buchan has worked in the financial services industry since 2001. He became an LLP Designated Member of MedDen on 30 August 2007, together with Mr Cooke.
- 4.4. During the Relevant Period, Mr Buchan was approved by the Authority to perform the SMF27 (Partner) and SMF 16 (Compliance Oversight) senior manager functions at MedDen. Mr Cooke was also approved by the Authority to perform the SMF27 (Partner) and SMF 17 (Money Laundering Reporting Officer) senior manager functions at MedDen during the Relevant Period.

The Authority’s prior engagement with MedDen

MedDen’s entry into the 2019 Asset Requirement in 2019

- 4.5. The Authority visited MedDen in November 2018. After carrying out a review of customer files, the Authority was concerned that there were significant issues with MedDen's advice process, resulting in unsuitable advice being provided by MedDen to its customers regarding investments into the Centaur Bond.
- 4.6. Due to the Authority's concerns, on 3 April 2019, MedDen applied to the Authority on a voluntary basis for the imposition of an asset requirement pursuant to section 55L of the Act, namely the 2019 Asset Requirement. Under the 2019 Asset Requirement, MedDen was required not to in any way dispose of, deal with, or diminish the value of any assets (whether in the United Kingdom or elsewhere) without the prior consent of the Authority, but was able to deal with or dispose of assets in the ordinary and proper course of business.
- 4.7. In June 2020, the Authority agreed to lift the 2019 Asset Requirement because, amongst other things, MedDen was seeking to address the concerns that had resulted in the 2019 Asset Requirement being imposed through a sale of the business. As a condition for agreeing to lift the 2019 Asset Requirement, the Authority specifically requested that MedDen notify the Authority should one or both of the following occur:
- a) any consumer complaints made against MedDen relating to the Centaur Bond were referred to the FOS; and/or
 - b) there was no prospect of MedDen being sold after a period of 3 months.

Imposition of the 2020 Asset Requirement on MedDen

- 4.8. In November 2020, the Authority became aware that the FOS had received complaints from customers against MedDen relating to the Centaur Bond and that MedDen had not notified the Authority about these complaints, despite this being one of the conditions for the Authority lifting the 2019 Asset Requirement. Additionally, MedDen had breached its capital resources requirement by failing to hold sufficient capital to meet the excess payable on, and claims excluded by, its PII policy and any FOS decisions made against it.
- 4.9. On 14 December 2020, the Authority issued a First Supervisory Notice to MedDen, which imposed an asset requirement pursuant to section 55L of the Act on MedDen (namely, the 2020 Asset Requirement). The First Supervisory Notice was

issued because the Authority had concerns about the FOS complaints which had been made in respect of MedDen, its inadequate PII in respect of redress liabilities, and its breach of its capital resources requirement. The Authority therefore considered that MedDen was failing, or likely to fail, to satisfy the Threshold Conditions, including the Appropriate Resources Threshold Condition and the Suitability Threshold Condition.

- 4.10. The 2020 Asset Requirement required that MedDen could not, without the prior written consent of the Authority, in any way dispose of, withdraw, transfer, deal with or diminish the value of any of its own assets.

Breach of the 2020 Asset Requirement

- 4.11. On 15 December 2020, Mr Cooke acknowledged receipt of the First Supervisory Notice to the Authority via email, copying in Mr Buchan. Despite being aware of the terms of the 2020 Asset Requirement, Mr Buchan used his online banking credentials acting recklessly to make the following transfers without the Authority's prior written consent (i.e. the Unauthorised Personal Transfers):

- a) on 15 December 2020 (the day after the 2020 Asset Requirement was imposed), £3,500 was transferred from MedDen's bank account to Mr Buchan's personal bank account;
- b) On 15 December 2020, £3,500 was transferred from MedDen's bank account to Mr Cooke's personal bank account;
- c) On 21 December 2020, £1,150 was transferred from MedDen's bank account to Mr Cooke's personal bank account; and
- d) On 21 December 2020, £1,147.36 was transferred from MedDen's Bank account Mr Buchan's personal bank account.

- 4.12. Mr Buchan did not report these occurrences to the Authority and has never returned any of these funds to MedDen and/or its liquidator. In particular Mr Buchan did not notify the Authority of the breaches at the point the Authority emailed Mr Cooke (and copied to Mr Buchan), reminding him of his obligations under the 2020 Asset Requirement and that funds could not be withdrawn without the Authority's written consent, a month later on 15 January 2021.

- 4.13. The Unauthorised Personal Transfers contravened the terms of the 2020 Asset Requirement and resulted in a total of £9,297.36 being transferred by Mr Buchan from MedDen's account for the direct benefit of Mr Buchan and Mr Cooke. The Unauthorised Personal Transfers resulted in none of MedDen's accounts holding any funds as at 21 December 2020, with the result that it had no funds available for the benefit of those of its customers who were due redress.

Mr Buchan's engagement with the Authority and degree of cooperation

- 4.14. Mr Buchan failed properly to engage with the Authority on a number of occasions, both:
- a) around the time of the First Supervisory Notice was issued and the 2020 Asset Requirement was imposed on MedDen; and
 - b) after the Authority had commenced an investigation in relation to Mr Buchan's potential misconduct in relation to the Unauthorised Personal Transfers.

Failure to engage with the Authority at the time of the First Supervisory Notice

- 4.15. During December 2020, Mr Buchan:
- a) failed to respond adequately or at all to a number of information requirements issued by the Authority, or provided inaccurate information in response to the same;
 - b) failed to make himself available for calls with the Authority despite numerous requests by the Authority for him to do so; and
 - c) Mr Buchan did not provide an explanation to the Authority at this time regarding the circumstances surrounding the Unauthorised Personal Transfers from MedDen's bank account in breach of the 2020 Asset Requirement.

Degree of cooperation with the Authority during the course of its investigation

4.16. Mr Buchan failed to cooperate with the Authority throughout the course of its investigation into potential misconduct surrounding the Unauthorised Personal Transfers. In particular, Mr Buchan:

- a) failed to respond adequately to numerous information requirements issued to him; and
- b) refused to attend an interview with the Authority either in person or remotely, despite being compelled to do so. Mr Buchan stated that he was of the view that he had told the Authority everything it needed to know and that he had nothing further to add.

5. FAILINGS

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

5.2. As part of his role at MedDen, Mr Buchan was required to comply with Individual Conduct Rule 1, which provided that he must act with integrity. By reason of the facts and matters set out above, Mr Buchan breached Individual Conduct Rule 1 in that he acted with a lack of integrity and recklessly.

5.3. In particular, Mr Buchan recklessly transferred funds from one of MedDen's accounts to his own personal account and to Mr Cooke's personal account, and was reckless as to the fact that those transfers were in breach of the 2020 Asset Requirement. The Unauthorised Personal Transfers made by Mr Buchan resulted in the dissipation of assets which the Authority had sought to safeguard by imposing the 2020 Asset Requirement on MedDen (including for the benefit of consumers who were due redress for financial losses suffered as a result of advice provided by MedDen) and therefore risked causing further harm to consumers. Mr Buchan also obtained a direct financial benefit by putting his own financial interests above those of consumers whom he knew were due redress from MedDen.

6. SANCTION

Financial Penalty

6.1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. 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

6.2. 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.

6.3. Mr Buchan derived a direct financial benefit from his breach of Individual Conduct Rule 1. In particular, the Unauthorised Personal Transfers that were made in breach of the 2020 Asset Requirement resulted in a total of £4,647 being paid directly to a bank account in Mr Buchan's name. The Authority therefore considers that Mr Buchan derived a direct financial benefit of £4,647 from his breaches in respect of the Unauthorised Personal Transfers made to him.

6.4. The Authority charges interest on these benefits at 8% per annum.

6.5. Step 1 is therefore **£6,037** (inclusive of interest).

Step 2: Seriousness of the breach

6.6. 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. Where the breach lasted less than 12 months, or was a one-off event, the relevant income will be that earned by the individual in the 12 months preceding the end of the breach.

6.7. Mr Buchan's breaches lasted less than 12 months. Accordingly, Mr Buchan's relevant income for the purpose of Step 2 is that which he received during the period 22 December 2019 to 21 December 2020. The Authority considers Mr Buchan's relevant income for this period to be £64,098.

6.8. 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%

6.9. 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. Of these, the Authority considers the following factors to be relevant.

Impact of the breach

6.10. Although the benefit Mr Buchan gained from the breach was modest in value, these gains were at the expense of MedDen's customers who had been given poor advice by MedDen and were owed redress in respect of that advice (DEPP 6.5B.2G(8)(a) and (c)).

Nature of the breach

6.11. Mr Buchan's breach involved the contravention of the terms of the 2020 Asset Requirement which had been imposed by the Authority (DEPP 6.5B.2G(9)(a)).

6.12. Mr Buchan failed to act with integrity during the Relevant Period in that he recklessly caused money to be withdrawn from MedDen's bank account on two separate occasions, and was reckless as to whether doing so contravened the terms of the 2020 Asset Requirement (DEPP 6.5B.2G(9)(e)).

6.13. Mr Buchan was also an experienced industry professional, having worked in financial services since 2001 (DEPP 6.5B.2G(9)(j)).

- 6.14. In addition, the breaches were committed whilst Mr Buchan held a senior position at MedDen, namely the SMF27 (Partner) and SMF16 (Compliance Oversight) senior manager functions (DEPP 6.5B.2G(9)(k)).

Whether the breach was deliberate and/or reckless

- 6.15. The Authority considers that Mr Buchan recklessly transferred funds from one of MedDen's accounts to his own and Mr Cooke's accounts (obtaining a direct financial benefit from doing so) and was reckless as to whether doing so contravened the terms of the 2020 Asset Requirement (DEPP 6.5B.2(10)(a) and (b), (11)(a)).

Level of seriousness

- 6.16. DEPP 6.5B.2G(12) lists factors likely to be considered 'level 4 or 5 factors'. Of these the Authority considers the following factors to be relevant:

- a) Mr Buchan failed to act with integrity (DEPP 6.5B.2G(12)(d)); and
- b) as set in more detail in paragraphs 5.2 and 5.3 above, Mr Buchan committed the breach recklessly (DEPP 6.5B.2G(12)(g)).

- 6.17. DEPP 6.5B.2G(13) lists factors likely to be considered 'level 1, 2 or 3 factors'. The Authority considers that none of these apply.

- 6.18. Taking all of these factors into account, the Authority considers the seriousness of Mr Buchan's breach to be level 4 and so the Step 2 figure is 30% of £64,098.

- 6.19. Step 2 is therefore **£19,229**.

Step 3: Mitigating and aggravating factors

- 6.20. 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 disgorged at Step 1, to take into account factors which aggravate or mitigate the breach.

- 6.21. The Authority considers that the following factors aggravate the breach:

- a) Mr Buchan failed to bring the fact of the breaches in respect of the Unauthorised Personal Transfers promptly to the Authority's attention, including on being explicitly reminded of his obligations under the 2020 Asset Requirement by the Authority in January 2021 (DEPP6.5B.3(2)(a));
- b) Mr Buchan did not initially provide the Authority with an explanation for the Unauthorised Personal Transfer, however, when Mr Cooke (cc Mr Buchan) initially informed the Authority that he had not understood the scope of the 2020 Asset Requirement, Mr Buchan did not provide any assertion to the contrary. However, he later stated that the MedDen liquidator had advised that withdrawals of funds were permitted when no such advice had been provided (DEPP6.5B.3G(2)(b));
- c) Mr Buchan has taken no remedial steps since his breaches in respect of the Unauthorised Personal Transfers. He has not returned the funds which he received in knowledge of the 2020 Asset Requirement and has retained the improper personal benefit obtained (DEPP 6.5B.3G(2)(d));
- d) despite Mr Buchan being aware that Mr Cooke had informed the Authority that they would not move or dispose of any of MedDen assets, Mr Buchan proceeded to make the Unauthorised Personal Transfers on two separate occasions, in breach of the terms of the 2020 Asset Requirement (DEPP 6.5B.3G(2)(g)); and
- e) as set out in paragraph 4.15, Mr Buchan failed to engage with the Authority around the time of the First Supervisory Notice (including the 2020 Asset Requirement) was issued by:
 - i. failing to respond to information requirements; and
 - ii. failing to attend calls with the Authority (DEPP6.5B.3(2)(i)).
- f) as set out in paragraph 4.16, Mr Buchan failed to cooperate with the Authority's Enforcement investigation by:
 - i. failing to respond adequately to information requirements; and

ii. refusing to attend an interview (DEPP6.5B3(2)(i)).

6.22. The Authority considers that there are no factors that mitigate the breach.

6.23. Having taken into account the aggravating factors, the Authority considers that the Step 2 figure should be increased by **30%**.

6.24. Step 3 is therefore **£24,997**.

Step 4: Adjustment for deterrence

6.25. Pursuant to DEPP 6.5B.4G, if the Authority considers that 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.

6.26. The Authority considers that the Step 3 figure is unlikely to represent a sufficient deterrent to Mr Buchan and to others. The Authority has therefore decided to apply an uplift to the financial penalty to achieve credible deterrence. The Authority considers this to be appropriate given that the absolute value of the penalty is too small in relation to the seriousness, nature and impact of the breach to meet the Authority's objective of credible deterrence.

6.27. Taking the above into account, the Authority considers it appropriate to increase the Step 3 figure by a multiple of 3.

6.28. Step 4 is therefore **£74,991**.

Step 5: Settlement discount

6.29. 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 benefits calculated at Step 1.

- 6.30. The Authority and Mr Buchan reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.
- 6.31. Step 5 is therefore **£52,400** (rounded down to the nearest £100).

Serious financial hardship

- 6.32. Pursuant to DEPP 6.5D.1G, the Authority will consider reducing the amount of a penalty if an individual produces verifiable evidence that payment of the penalty would cause them serious financial hardship.
- 6.33. Mr Buchan has provided verifiable evidence that a financial penalty of £58,437 (i.e. the total of the Step 1 figure of £6,037 and the Step 5 figure of £52,400) would cause him serious financial hardship. The Authority therefore considers it appropriate to take Mr Buchan's financial position into account, and reduce the Step 5 figure to £0 for serious financial hardship, but does not consider it appropriate to allow Mr Buchan to retain the financial benefit he derived directly from his breach (DEPP 6.5D.2G(7)(a)). Therefore, the Authority does not consider it appropriate to reduce the Step 1 figure of £6,037 (inclusive of interest).

Penalty

- 6.34. The Authority therefore hereby imposes a total financial penalty of **£6,037** on Mr Buchan for breaching Individual Conduct Rule 1.

Prohibition Order

- 6.35. The Authority has the power to prohibit individuals under section 56 of the Act. The Authority's approach to exercising these powers is set out at Chapter 9 of the Enforcement Guide.
- 6.36. In considering whether to impose a prohibition order, the Authority has had regard to all relevant circumstances of the case. In particular, the Authority has considered Mr Buchan's fitness and propriety with regard to his integrity.
- 6.37. The Authority considers that Mr Buchan acted without integrity in that he recklessly transferred funds from one of MedDen's bank accounts and was reckless as to the fact that those transfers were in breach of the 2020 Asset

Requirement. Mr Buchan also personally benefited from his reckless misconduct. The breach of the 2020 Asset Requirement by Mr Buchan through the Unauthorised Personal Transfers resulted in the dissipation of assets which the Authority had sought to safeguard (including for the benefit of consumers who were due redress for financial losses suffered). However, Mr Buchan put his own financial interests above those of consumers whom he knew were due redress from MedDen. Where a senior manager fails to act with integrity and in a way that risks causing harm to consumers, there is a substantial risk of harm to the Authority's integrity and consumer protection objectives, as such conduct undermines confidence in the financial system and puts customers at risk.

- 6.38. Given the nature of the failings described in this Notice, the Authority considers that Mr Buchan is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised or exempt person or exempt professional firm. The Authority has decided that, to advance its integrity and consumer protection objectives, and given the risk posed to those objectives, it is appropriate and proportionate in all the circumstances to prohibit Mr Buchan from performing any such function.

7. PROCEDURAL MATTERS

- 7.1. This Notice is given to Mr Buchan under and in accordance with section 390 of the Act. The following statutory rights are important.

Decision maker

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

Manner and time for payment

- 7.3. The financial penalty must be paid in equal monthly instalments of £167.70 to the Authority for 36 months, starting with the first payment of £167.70 on 1 December 2024, and the final payment on or before 1 December 2027.

If the financial penalty is not paid

- 7.4. If all or any of the financial penalty is outstanding on 1 December 2027, the Authority may recover the outstanding amount as a debt owed by Mr Buchan and due immediately 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 Katie Jones at the Authority (direct line: 020 706 69720 /email: katie.jones@fca.org.uk).

Alison Walters

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

1 RELEVANT STATUORY PROVISIONS

- 1.1 The Authority's objectives are set out in Part 1A of the Act, and include the operational objective of securing an appropriate degree of protection for consumers (section 1C of the Act).
- 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 that 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 a person to whom, as a result of Part 20, the general prohibition does not apply in relation to that activity. 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 rules of conduct made by the Authority under section 64A 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

- 2.1 In exercising its power to make a prohibition order, the Authority must have regard to guidance published in the Handbook and in regulatory guides, such as EG. The main relevant considerations in relation to the action specified above are set out below.

Code of Conduct

- 2.2 The Authority's Code of Conduct (COCON) has been issued under section 64A of the Act.

- 2.3 COCON applies to the persons set out in COCON 1.1.2R. This includes an SMF Manager (which includes a designated senior management function as defined in the Handbook) of an Authority-authorized firm from 9 December 2019 onwards.
- 2.4 Individual Conduct Rule 1 (COCON 2.2.1R) states that you must act with integrity.

The Fit and Proper Test for Employees and Senior Personnel

- 2.5 The part of the Handbook entitled "The Fit and Proper test for Employees and Senior Personnel" (FIT) sets out the criteria that the Authority will consider when assessing the fitness and propriety of a candidate for a controlled function, including a designated senior management function, and may consider when assessing the continuing fitness and propriety of an approved person.
- 2.6 FIT 1.3.1G states that the Authority will have regard to a number of factors when assessing the fitness and propriety of a person. The most important considerations will be the person's honesty, integrity and reputation, competence and capability and financial soundness (FIT 1.3.1BG).

The Enforcement Guide

- 2.7 The Enforcement Guide (EG) sets out the Authority's approach to exercising its main enforcement powers under the Act.
- 2.8 Chapter 7 of EG sets out the Authority's approach to exercising its power to impose a financial a penalty.

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

- 2.9 The Authority's policy in relation to prohibition orders is set out in Chapter 9 of EG.
- 2.10 EG 9.1.1 states that the Authority may exercise the power to prohibit individuals who are not fit and proper from carrying out functions in relation to regulated activities where it considers that, to achieve any of its statutory 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.

2.11 EG 9.2 sets out the Authority's general policy on making prohibition orders. In particular—

(a) EG 9.2.1 states that the Authority will consider all relevant circumstances, including whether enforcement action should be taken or has been taken already against the individual by the Authority or other enforcement agencies;

(b) EG 9.2.2 states that the Authority has the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual's lack of fitness and propriety is relevant; and

(c) EG 9.2.3 states the scope of a prohibition order will depend on the range of functions which the individual concerned performs in relation to regulated activities, the reasons why he is not fit and proper and the severity of risk which he poses to consumers or the market generally.

2.12 EG 9.3.2 states that, when the Authority decides to make a prohibition order against an approved person and/or withdraw their approval, the Authority will consider all the relevant circumstances of the case. These may include, but are not limited to:

(a) whether the individual is fit and proper to perform functions in relation to regulated activities (noting the criteria set out in FIT 2.1, 2.2, and 2.3);

(b) the relevance and materiality of any matters indicating unfitness;

(c) the length of time since the occurrence of any matters indicating unfitness; and

(d) the severity of the risk which the individual poses to consumers and to confidence in the financial system.

DEPP

2.13 Chapter 6 of DEPP sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act. In particular the steps

to be followed for the imposition of penalties on individuals in non-market abuse cases are set out at Chapter 6.5B of DEPP.