
FINAL NOTICE

To: Michael Adam Goldman formerly trading as Goldman Group



IRN: MAG01132

Dated: 10 June 2010

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (the “FSA”) gives you, Michael Adam Goldman formerly trading as Goldman Group, final notice prohibiting you from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm.

1. ACTION

- 1.1. The FSA gave you, Mr Michael Adam Goldman, formerly trading as Goldman Group, a Decision Notice on 21 April 2010 (“the Decision Notice”) which notified you that it had decided to make an order pursuant to section 56 of the Act prohibiting you from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm (“the Prohibition Order”), because you are not a fit and proper person.
- 1.2. You did not refer the matter to the Financial Services and Markets Tribunal within 28 days of the date on which the Decision Notice was given to you. Accordingly the FSA

hereby makes an order, pursuant to section 56 of the Act, prohibiting you from performing any function in relation to any regulated activity carried out by an authorised person, exempt person or exempt professional firm. The Prohibition Order takes effect from 10 June 2010.

2. REASONS FOR THE ACTION

- 2.1. On the basis of the facts and matters summarised below, and set out in more detail at section 4 of the Warning Notice attached to the Decision Notice, the FSA concluded that you failed to meet minimum regulatory standards in terms of honesty and integrity, which includes an obligation to comply with the requirements and standards of the regulatory system and to be candid and truthful in all your dealings with the regulator.
- 2.2. The FSA has therefore decided to take the action for the reasons described in the Warning Notice, and to give this Final Notice. A copy of the relevant extract from the Warning Notice is attached to and forms part of this Final Notice.

3. DECISION MAKER

- 3.1. The decision which gave rise to the obligation to give this Final Notice was made by the Deputy Chairman of the Regulatory Decisions Committee.

4. IMPORTANT

- 4.1. This Final Notice is given to you in accordance with section 390(1) of the Act.

Publicity

- 4.2. Sections 391(4), 392(6) and 391(7) of the Act apply to the publication of information about the matter to which this Final Notice relates. Under those provisions, the FSA must publish such information about the matter to which this Notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.

- 4.3. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA Contact

- 4.4. For more information concerning this matter generally, you should contact Paul Howick at the FSA (direct line: 020 7066 7954).

**Tom Spender
Head of Department
FSA Enforcement and Financial Crime Division**

EXTRACT FROM WARNING NOTICE DATED 8 MARCH 2010

4. FACTS AND MATTERS RELIED ON

Background

4.1 You are a mortgage and insurance intermediary trading as Goldman Group (“Goldman”) and operating from Independent House, 215 Bury New Road, Manchester, M45 8GW. You were an approved person and, trading as Goldman, you are the authorised person. You therefore had dual regulatory capacity, irrespective of your single legal personality. On 18 November 2009, you applied to cancel your Part IV permission.

Your mortgage application

4.2 In March 2007, you submitted a personal joint mortgage application on behalf of yourself and another individual to Lender A through Goldman. On that application, you declared your self-employed income from your mortgage business to be £65,147.

4.3 According to records held by Her Majesty’s Revenue and Customs (“HMRC”), your earnings were in fact:

(1) £22,273 for the tax year to April 2006; and

(2) £18,912 for the tax year to April 2007.

4.4 The income that you declared to HMRC bears no relation to and is substantially less than the income figures that you declared on your mortgage application. You have failed to explain this difference.

Clients A and B

4.5 Clients A and B, who are closely related to you, applied for a residential remortgage with Lender A in June 2007. On the application, they stated that they were self-employed. You were the adviser on this case.

4.6 Client A declared income of £108,549 and Client B declared income of £104,292. Client A also declared an additional £32,000 of investment income.

4.7 According to records held by HMRC, Client A declared the following income:

(1) £17,112 for the tax year ended 5 April 2007; and

(2) £15,772 for the tax year ended 5 April 2008.

4.8 According to records held by HMRC, Client B declared the following income:

(1) £14,058 for the tax year ended 5 April 2007; and

(2) £13,583 for the tax year ended 5 April 2008.

4.9 Given the significant discrepancy between the level of income Clients A and B declared in their mortgage application and their actual income as declared to HMRC, as well as your close family relationship to Clients A and B, the FSA considers that

you must have known that it was highly unlikely that they were earning the high level of income stated in their mortgage application. The FSA therefore considers that you were knowingly involved in submitting the application based on false and misleading information.

Client C

- 4.10 Client C, who is also closely related to you and was employed by you, applied for a further advance on her existing mortgage with Lender A in June 2007. This case was signed off by you.
- 4.11 In the application, Client C declared a basic annual income before tax of £54,996 from Goldman Group. She did not declare any annual regular overtime, guaranteed bonus or commission income.
- 4.12 The notes on Goldman's file in relation to this application, which are dated 23 July 2007, stated that Client C had recently received a pay rise and that her basic salary was £30,000, with bonuses anticipated to be in the region of £15-20,000.
- 4.13 However, according to records held by HMRC, Client C declared the following income:
- (1) £25,248 for the tax year ended 5 April 2007; and
 - (2) no income for the tax year ended 5 April 2008.
- 4.14 Given that you employed Client C, you would have known that her basic annual income was significantly lower than that stated on her application. In addition, given the significant discrepancy between the level of income Client C declared in her mortgage application and her actual income as declared to HMRC, as well as your close family relationship to Client C, the FSA considers that you must have known, even if you were not her employer (which you were) that it was highly unlikely that she was earning the high level of income stated in her mortgage application. The FSA therefore considers that you were knowingly involved in signing off the application based on false and misleading information.

5. ANALYSIS OF MISCONDUCT AND PROPOSED SANCTIONS

Financial penalty

- 5.1 In using Goldman to submit mortgage applications on your own behalf and on behalf of others which you knew contained false and misleading information, you caused Goldman to breach Principle 1 of the FSA's Principles for Businesses (the "Principles") because it was not conducting its business with integrity. The FSA has therefore concluded that, while an approved person at Goldman, you were knowingly concerned in a contravention by Goldman of Principle 1 and that a financial penalty should be imposed on you, were it not for your financial circumstances.

- 5.2 In determining whether to impose a financial penalty and the appropriate level of any financial penalty, the FSA has had regard to the provisions of the Decision and Penalties Manual (“DEPP”). Prior to 28 August 2007, the FSA's policy in relation to financial penalties was contained in the Enforcement Manual (“ENF”). As the conduct described in this Warning Notice commenced before 28 August 2007, the FSA has also had regard to the relevant sections of ENF.
- 5.3 The FSA has had regard to the need to ensure that approved persons act with integrity and do not abuse their positions in the financial services industry, for example by obtaining mortgages based on false and misleading information. Mortgage fraud has contributed to the destabilisation of the lending market and the FSA must continue to deal robustly with this type of misconduct.
- 5.4 The FSA therefore considers that your conduct merits the imposition of a significant penalty to demonstrate to you and others the seriousness with which the FSA regards such behaviour.
- 5.5 The FSA considers that imposing such a financial penalty would support the FSA’s regulatory objectives of maintaining market confidence and reducing financial crime as you have demonstrated a lack of honesty and integrity in submitting mortgage applications for yourself and others containing false and misleading information.
- 5.6 In reaching this conclusion, the following factors have been taken into account.

Deterrence

- 5.7 The principal purpose of the imposition of a financial penalty is to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches and helping to deter other persons from committing similar breaches, as well as demonstrating generally the benefits of compliant business.

The nature, seriousness and impact of the breach

- 5.8. You have demonstrated a serious lack of integrity and your family and you have profited from your dishonest behaviour. As a result of your actions, the FSA considers that you pose a serious risk to lenders and customers and to confidence in the financial system.

The extent to which the breach was deliberate or reckless

- 5.9. The FSA considers that your actions were deliberate actions taken without concern for the risk posed to customers and lenders.

Whether the person on whom the penalty is to be imposed is an individual

- 5.10. The FSA recognises that the financial penalty that would have been imposed on you but for your financial circumstances would be likely to have a significant impact on

you as an individual, but it would have been considered to be proportionate in relation to the seriousness of the misconduct.

The size, financial resources and other circumstances of the person on whom the penalty is to be imposed

- 5.11. You were declared bankrupt on 2 November 2009.

Conclusion

- 5.12. Having regard to the factors outlined above, the FSA would have proposed imposing a financial penalty of £102,158 on you. This includes an element of disgorgement of benefit in the sum of £2,158, representing the fee that you received in relation to the fraudulent mortgage application that you submitted on behalf of Clients A and B. However, you were made bankrupt on 2 November 2009.

Prohibition order

- 5.13. The FSA has considered whether you are a fit and proper person. In doing so, the FSA has had regard to its regulatory requirements and relevant guidance. The FSA has concluded that your behaviour demonstrates a lack of honesty and integrity and that you are therefore not a fit and proper person to perform any functions in relation to regulated activities.
- 5.14. The seriousness of your misconduct means that if you continued to perform any functions you would pose a serious risk to the FSA's statutory objectives of maintaining confidence in the financial system, securing consumer protection and reducing financial crime.
- 5.15. The FSA therefore considers that it is necessary to make an order pursuant to section 56 of FSMA prohibiting you from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm.