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## FINAL NOTICE

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To: **Mr Paramjit Singh Bali**  
**trading as Bali Financial Services**  
**56 Dungannon Chase**  
**Southend on Sea**  
**Essex**  
**SS1 3NJ**

Dated: **27 October 2006**

**TAKE NOTICE: The Financial Services Authority (“the FSA”) of 25 The North Colonnade, Canary Wharf, London E14 5HS gives you, Paramjit Singh Bali trading as Bali Financial Services Limited, final notice about a decision to cancel the permission granted to you to carry on regulated activities.**

### **1. ACTION**

- 1.1 The FSA gave you a Decision Notice on 27 September 2006 (the “Decision Notice”) which notified you that for the reasons given below and pursuant to Section 45 of the Act, the FSA had decided to cancel the permission granted to you pursuant to Part IV of the Act (“your Part IV permission”).
- 1.2 You were informed of your statutory right to make a reference to the Financial Services and Markets Tribunal, but you have not referred the Decision Notice to the Tribunal within 28 days of the date on which the Decision Notice was given to you. Accordingly the FSA has today cancelled your Part IV permission.

### **2. REASONS FOR ACTION**

- 2.1 On the basis of the facts and matters and conclusions described in the Warning Notice issued to you on 16 August 2006 (the “Warning Notice”) and in the Decision Notice, the FSA has concluded, on the basis of the facts and matters described below, that you are not fit and proper to be authorised due to your failure to meet Threshold Condition

4 (Adequate resources) and Threshold Condition 5 (Suitability) through your failure to comply with Principle 2 (Skill care and diligence), Principle 3 (Management and Control) and Principle 11 (Relations with Regulators) of the FSA's Principles for Businesses. In particular you have failed to demonstrate that you are able and would ever be able, willing and organised to organise your affairs responsibly and effectively to comply with the FSA's requirements under the regulatory system.

2.3 A copy of the relevant extract of the Warning Notice (which was attached to the Decision Notice) is attached to and forms part of this Notice.

### **3. IMPORTANT**

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

#### **Publicity**

3.2 Sections 391(4), 391(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 Final 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.

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

#### **FSA contact**

3.4 For more information concerning this matter generally, you should contact Chris Walmsley at the FSA (direct line: 020 7066 5894/fax: 020 7066 5895).

**Jonathan Phelan**  
**Head of Department**  
**FSA Enforcement Division**

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### **EXTRACT FROM WARNING NOTICE DATED 16 AUGUST 2006**

#### **2. REASONS FOR THE PROPOSED ACTION**

2.1 The FSA has concluded, on the basis of the facts and matters described below, that you are not fit and proper to be authorised due to your failure to comply with Principle 2 (Skill care and diligence), Principle 3 (Management and Control) and Principle 11 (Relations with Regulators) of the FSA's Principles for Businesses in that you have failed to demonstrate you were able and would ever be able, willing and organised to organise your affairs responsibly and effectively to comply with the FSA's requirements under the regulatory system.

- 2.2 In failing to meet the above requirements you have failed to satisfy the Threshold Conditions as set out in Schedule 6 to the Act (“the Threshold Conditions”).
- 2.3 In the opinion of the FSA,
- (1) you are not a fit and proper person having regard to all the circumstances including the nature of the regulated activities that you carry on, and your failure to ensure that your affairs are conducted soundly and prudently (Threshold Condition 5 - Suitability), and
  - (2) as a sole trader, you do not have adequate human resources, in terms of quality, in relation to the regulated activities that you carry on (Threshold Condition 4 – Adequate resources).
- 2.4 You failed to take reasonable care to organise and control your affairs responsibly and effectively, with adequate risk management systems. Specifically, you failed to organise and control your affairs in a way that would have enabled you to maintain up to date and accurate business records, and to identify and take action in respect of any unusual, suspicious or potentially fraudulent mortgage applications. These failures exposed you to the risk of being used for the purpose of committing financial crime (Principle 3).
- 2.5 You told the FSA’s investigators that you were the victim of deceit in respect of suspected fraudulent mortgage applications which, in the FSA’s view, given the apparent lack of sophistication of that deceit, emphasises your failure to organise and control your affairs responsibly and effectively (Principle 3).
- 2.6 You told the FSA’s investigators that, even if your systems and controls had been as you would have considered to be adequate, you would not have detected the potential fraud. We consider that your approach in terms of maintaining records of your business were so chaotic that it is unlikely that you would be able to organise and control your affairs responsibly and effectively to enable you to comply fully with regulatory requirements (Principle 3).
- 2.7 Two lenders will no longer conduct business with you because of the risks, such as the submission of fraudulent mortgage applications and risk in relation to money laundering posed to them by doing business with you.
- 2.8 You failed to notice anything suspicious about the same client submitting two mortgage applications on a first time buyer basis within the period of nine days. You also failed to notice anomalies and patterns in other clients’ mortgage applications. You also failed to take steps to confirm the identity of the person who was the source of business from these particular clients (Principle 2).
- 2.9 You failed on a number of occasions to deal with the FSA in an open and co-operative way by failing to provide the FSA, when asked to do so, with complete and accurate business records. Also, there are inconsistencies in your explanations to the FSA about the way you maintained your business records and for your failure to provide the FSA with complete and accurate records when asked to do so (Principle 11).

- 2.10 You told the FSA's investigators that you were too busy properly to update your records. You also said that you archived business records relating to mortgage applications submitted to one particular lender which had removed you from its panel because you were embarrassed by the lender's action. That suggested to the FSA's investigators that you had some knowledge at that time that you may have submitted fraudulent mortgage applications, which also makes your failure to produce complete and accurate records more serious (Principle 11).
- 2.11 You subsequently failed to volunteer to the FSA's investigators highly relevant information that came into your possession during the investigation.

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#### **4. FACTS AND MATTERS RELIED ON**

##### **Background**

- 4.1 You are the authorised person. You are a sole trader, and you have no employees. You have acted as a mortgage intermediary since March 1989 and conducted mortgage business mainly as an arranger and on a "non advised" sales basis.
- 4.2 You became authorised by the FSA on 31 October 2004 to carry on the following regulated activities in relation to regulated mortgage contracts:
- (1) advising on regulated mortgage contracts;
  - (2) agreeing to carry on a regulated activity;
  - (3) arranging (bringing about) regulated mortgage contracts; and
  - (4) making arrangements with a view to regulated mortgage contracts.
- 4.3 On 14 January 2005, you were granted permission to carry on the following additional regulated activities in relation to non-investment insurance contracts:
- (1) advising on investments (except on Pension Transfers and Pension Opt Outs);
  - (2) arranging (bringing about) deals in investments; and
  - (3) making arrangements with a view to transactions in investments.

## **Background to the investigation**

- 4.4 On 27 September 2005 the FSA received information from a mortgage lender (“**the Lender**”) concerning mortgage business submitted to it by you. Specifically, the lender had identified discrepancies in six mortgage cases submitted by you.
- 4.5 On 2 November 2005, the FSA notified you that it was planning to undertake a supervision visit on 17 November 2005 and that it would require access to your business records, including client files and training/compliance records. The FSA asked you to provide a copy of your business register detailing all mortgage transactions from November 2004.
- 4.6 On 14 November 2005, you provided the FSA with a copy of a Mortgage Log recording business written by you since November 2004. The Mortgage Log did not include mortgage business conducted by you with the Lender.
- 4.7 On 17 November 2005, the FSA visited your principal place of business. You provided the FSA with a document entitled “List of panel of lenders”. That list did not include the Lender. Also, you did not make any of the cases that you had submitted to the Lender available for inspection by the FSA. When the FSA then asked you during the visit about mortgage business that you had submitted to the Lender, you told the FSA that you had submitted between ten and 20 mortgage applications to the Lender, and that you needed more time to assemble the relevant records.
- 4.8 On 22 November 2005, when the FSA visited you again, you provided an updated Mortgage Log which included details of clients with whom you had conducted mortgage business through the Lender since November 2004. You also made available to the FSA some corresponding client files.
- 4.9 During the visit, and from additional information provided by the Lender, the FSA found that you had failed to disclose details of all the clients with whom you had conducted mortgage business since November 2004 through the Lender.
- 4.10 One further issue in particular caused the FSA to question whether you had been open and co-operative. You provided the FSA with access to a file for client A. The FSA had established that client A had submitted a separate mortgage application to another lender, through you, at around the same time. You did not provide the FSA with any details about client A’s second mortgage application until asked to do so by the FSA. You also failed to inform the FSA that you were removed from the Lender's panel and that of another lender too.
- 4.11 The FSA appointed investigators to consider circumstances suggesting concerns that you may have been involved in submitting mortgage applications which may have been fraudulent and as such, may have contravened the FSA's Principles for Businesses and as a result may be failing to satisfy the Threshold Conditions.

## **FSA's findings**

- 4.12 You failed to maintain an accurate business register and client database or any other such system to record and access client details from 31 October 2004 (**Principle 3**).

- 4.13 You failed to comply fully with requests by the FSA for information and access to all of your client files (**Principle 11**).
- 4.14 You failed to provide the FSA with an accurate and complete mortgage log and list of lenders when asked to do so (**Principle 11**).
- 4.15 You provided the FSA with incomplete and inaccurate information about the amount of mortgage business conducted and specifically in relation to mortgage applications submitted to the Lender (**Principle 2 and Principle 11**).
- 4.16 You did not make enquiries about the identity of a third party who introduced approximately 25 clients to you, and who was present at your meetings with some of those clients (**Principle 2**).
- 4.17 You said that you relied on lenders to carry out credit checks as you did not consider it to be your responsibility to do so (**Principle 2**).
- 4.18 You failed to maintain adequate records to enable you to identify suspicious, unusual or potentially fraudulent mortgage applications. Consequently, your business was used to submit potentially fraudulent mortgage applications to one or more lenders (**Principle 3**).
- 4.19 From a review of 12 of your client files, the FSA found issues including your apparent failure to notice that:
- (1) the same person (client A) had submitted two separate mortgage applications containing inconsistent information between the two applications within a period of nine days; and
  - (2) the same bank account details and contact addresses were used in mortgage applications from different clients introduced by the third party about whom you knew very little information (**Principle 2**).