
FINAL NOTICE

To: Reeds Motors Ltd

Address: 86 Welley Road
Wraysbury
Staines-upon-Thames
Berkshire
TW19 5EP

FRN: 737250

Dated: 18 November 2024

ACTION

1. For the reasons given in this Final Notice and pursuant to section 55J of the Act, the Authority has decided to cancel Reeds Motors Ltd ("the Firm")'s Part 4A permission to carry on regulated activities.
2. The Authority issued to the Firm the Decision Notice, which notified it that for the reasons given in this Final Notice, the Authority had decided to take the action specified above.
3. The Firm has not referred the matter to the Tribunal within 28 days of the date on which the Decision Notice was issued to it.
4. Accordingly, the Authority has today cancelled the Firm's Part 4A permission. The cancellation takes effect from the date of this Final Notice.

SUMMARY OF REASONS

5. On the basis of the facts and matters set out in this Notice, it appears to the Authority that the Firm is failing to satisfy the suitability Threshold Condition. Specifically, the Authority considers that the Firm is not a fit and proper person to conduct regulated activities having regard to all the circumstances, including:
 - a) the Firm's connection with Mr Harris, its sole director and approved person, who was convicted of a serious violent criminal offence for which he was sentenced to three years' immediate imprisonment in July 2022, and which he deliberately failed to disclose to the Authority;

- b) The Firm's deliberate failure to disclose Mr Harris's criminal conviction and its deliberate provision of false and misleading information to the Authority, in relation to an application by the Firm for Director B to be approved to perform the SMF29 function, in breach of Principle 1; and
 - c) the Firm's failure to notify the Authority of the criminal proceedings in respect of Mr Harris, and of Mr Harris's criminal conviction, as required under SUP 15.3.1R and in breach of Principle 11.
6. Further, it appears to the Authority that the Firm is failing to satisfy the appropriate resources Threshold Condition. Specifically, the Authority considers that the Firm does not have appropriate non-financial resources, in terms of the quality of its human resources, to carry on the regulated activities for which it holds Part 4A permission due to the lack of honesty and integrity of Mr Harris who remains the Firm's sole approved person.
7. The Authority considers that it is appropriate to take the cancellation action set out at paragraph 1 above in order to advance its consumer protection and integrity objectives (sections 1C and 1D of the Act).

DEFINITIONS

8. The definitions below are used in this Notice (and in the Annex):

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

"the Appropriate Resources Threshold Condition" means the Threshold Condition set out in paragraph 2D of Schedule 6 of the Act;

"the Authority" means the Financial Conduct Authority;

"CF8" means the Apportionment and Oversight function formerly required by the Firm pursuant to SUP10A.7R (no longer in force);

"COND" means the Threshold Conditions part of the Handbook;

"the Decision Notice" means the Decision Notice given to the Firm on 4 October 2024;

"Director B" means the second director of the Firm who was appointed on 22 July 2022 and resigned on 26 July 2023;

"EG" means the Enforcement Guide;

"the Firm" means Reeds Motors Ltd;

"the Firm's Part 4A permission" means the permission granted by the Authority to the Firm to carry on regulated activities under Part 4A of the Act;

"Mr Harris" means Mr Ari Harris;

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

"the Offence" means the offence of wounding/inflicting grievous bodily harm without intent, contrary to section 20 of the Offences Against the Person Act 1861, to which Mr Harris pleaded guilty on 29 July 2020;

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

"the RDC" means the Regulatory Decisions Committee of the Authority (see further under Procedural Matters below);

"SMF29" means the limited scope function of acting in the capacity of a person responsible for the apportionment function and/or oversight function set out in SUP 10C.4.3R as required under SYSC 4.4.5R;

"SYSC" means the Senior Management Arrangements, Systems and Controls section of the Handbook;

"the Suitability Threshold Condition" means the Threshold Condition set out in paragraph 2E of Schedule 6 to the Act;

"SUP" means the Authority's Supervision Manual;

"the Threshold Conditions" means the Threshold Conditions set out in Schedule 6 of the Act; and

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).

RELEVANT STATUTORY AND REGULATORY PROVISIONS

9. The statutory and regulatory provisions relevant to this Notice are set out in the Annex.

FACTS AND MATTERS

Reeds Motors Ltd and Mr Harris

10. The Firm was authorised on 18 March 2016 as a consumer credit firm with permission to carry on the regulated activities of credit broking, debt adjusting, and debt counselling. Mr Harris has been the sole director at the Firm since 1 December 2015 apart from the period between 22 July 2022 and 26 July 2023 when the Firm had two directors.
11. Mr Harris was approved by the Authority to perform the CF8 apportionment and oversight controlled function at the Firm from 18 March 2016 until 8 December 2019, and has been approved by the Authority to perform the SMF29 limited scope senior manager function at the Firm from 19 December 2019 to date. The Firm has no other approved persons.
12. Since 18 May 2023, as a consequence of the matters outlined below, the Firm has been subject to a requirement by which it has agreed not to undertake any regulated activity in relation to the offering of credit broking services to existing or new clients without the consent of the Authority.
13. On 29 July 2020, Mr Harris pleaded guilty in the Crown Court at Isleworth to an offence of wounding/inflicting grievous bodily harm without intent contrary to section 20 of the Offences Against the Persons Act 1861, following which, on 22 July 2022, he was sentenced to three years' immediate imprisonment, the judge having reduced the sentence which they would otherwise have imposed from four years' imprisonment, in recognition of his guilty plea.

The Firm's provision of false and misleading information

14. At the time of becoming authorised on 18 March 2016, the Firm was informed that an approved person must "...[c]ontinue to comply with the FCA's Fit and Proper test for

Approved Persons, set out in the FIT... Approved persons have a duty to report to the authorised firm and to the FCA any matter that may impact on their on-going fitness and propriety...". This ongoing reporting requirement is also set out in SUP 10C.14.18R in the Handbook. The Firm failed to notify the Authority of Mr Harris's criminal proceedings or subsequent conviction as required by SUP 15.3.1R and Principle 11 of the Principles.

15. On 7 October 2022, the Firm submitted an application to the Authority for Director B to be approved to perform the SMF29 function. Mr Harris signed the application form on behalf of the Firm.
16. On 19 December 2022, the Authority emailed the Firm asking, amongst other matters, why the Firm required a second SMF29 and also whether Mr Harris would be relinquishing his role. On 22 December 2022, the Firm sent a reply to the Authority purportedly written by Mr Harris as follows:

"I am currently overseas looking into a new business abroad, [Director B] is currently running the business and is also director and is the one that is to be performing the SMF29 Function, therefore please remove me as this and place [Director B] in my place.

17. There was some ongoing correspondence between the Firm and the Authority over the following few months, during which the Firm maintained the pretence that Mr Harris was abroad or "on the road", when he was in fact in prison serving his sentence for the Offence.
18. On 3 February 2023, a pre-arranged telephone call took place between the Authority's Authorisations department and Mr Harris, during which Mr Harris said that he was relinquishing his role as SMF29 because he had other businesses he was dealing with and would be running a property business in Iraq. At no point in this conversation (which took place whilst Mr Harris was in prison) did Mr Harris inform the Authority of his conviction or imprisonment.
19. On 24 February 2023, the Authority called Director B, who initially maintained that:

"Both of us are directors and running the business but [Mr Harris] will be traveling [sic] abroad and running a business that is why going forward it will be easier if I am the director and I have also been listed as a Director and completing duties while he is travelling back and forth and it is a matter of reaching someone."

20. Director B was then challenged by the Authority with a court record sheet which showed that Mr Harris had been convicted of the Offence and imprisoned. Director B then admitted the true position and stated that the reason that they had not disclosed the conviction was: (i) because it would mean that they "would have to cut all of their finance work"; and (ii) as a consequence of having taken bad advice. Whilst clearly remorseful, Director B confirmed in subsequent correspondence with the Authority, that they had agreed together with Mr Harris not to disclose his conviction and to provide the false account about him working overseas.

FAILINGS

21. Accordingly, it appears to the Authority that the Firm is failing to meet the suitability Threshold Condition due to its connection with Mr Harris, whom the Authority considers is not a fit and proper person due to his lack of honesty, integrity and reputation, as evidenced by the circumstances of the Offence, his conviction, his deliberate failure to disclose his conviction and imprisonment to the Authority, and his deliberate provision of false and misleading to the Authority.

22. Under Principle 1, the Firm is required to conduct its business with integrity. The Firm failed to act with integrity in relation to its dealings with the Authority, as demonstrated by its deliberate failure to disclose Mr Harris' conviction and imprisonment to the Authority, and by its directors acting together to deliberately provide false and misleading information to the Authority.
23. Under Principle 11, the Firm is required to deal with the Authority in an open and cooperative way and to disclose to the Authority appropriately anything relating to the Firm of which the Authority would reasonably expect notice. The Firm failed to disclose the criminal proceedings against Mr Harris and his subsequent criminal conviction to the Authority, as it should have done.
24. As Mr Harris is the Firm's sole director and approved person, the Authority considers that the Firm is failing to meet the appropriate resources Threshold Condition because it does not have appropriate non-financial resources, in terms of the quality of the human resources that the Firm has available to it.
25. For the reasons described above, the Authority considers that the Firm is failing to satisfy the suitability and appropriate resources Threshold Conditions and that it is appropriate to cancel the Firm's Part 4A permission to advance the Authority's consumer protection and integrity objectives.
26. For the reasons set out in this Notice, the Authority has cancelled the Firm's Part 4A permission.

PROCEDURAL MATTERS

27. This Final Notice is given to the Firm under section 390(1) of the Act. The following paragraphs are important.

Decision maker

28. The decision which gave rise to the obligation to give this Final Notice was made by the RDC. The RDC is a committee of the Authority which takes certain decisions on behalf of the Authority. The members of the RDC are separate to the Authority staff involved in conducting investigations and recommending action against firms and individuals. Further information about the RDC can be found on the Authority's website:

<https://www.fca.org.uk/about/committees/regulatory-decisions-committee-rdc>.

Publicity

29. 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 Authority must publish such information about which this Final Notice relates as the Authority considers appropriate.
30. 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 the Firm or prejudicial to the interest of consumers or detrimental to the stability of the UK financial system.
31. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority Contacts

32. For more information concerning this matter generally, the Firm should contact Danielle Stuart at the Authority (direct line: 020 7066 0185 / email: Danielle.stuart@fca.org.uk).

Jeremy Parkinson
Enforcement and Market Oversight Division

ANNEX

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives, set out in section 1B(3) of the Act, include protecting and enhancing the integrity of the UK financial system (section 1D of the Act).
2. The Authority is authorised by section 55J of the Act to cancel an authorised person's Part 4A permissions, where it appears to the Authority that an authorised person is failing, or is likely to fail, to satisfy the Threshold Conditions.
3. Paragraph 1A(2) of Schedule 6 of the Act states that, for the purposes of Schedule 6 of the Act, the "non-financial resources" of a person include, amongst other things, the human resources that the person has available.
4. The Appropriate Resources Threshold Condition set out in Part 1B(2D) of Schedule 6 of the Act provides, in relation to a person ("A") carrying on, or seeking to carry on regulated activities which do not include a PRA-regulated activity, that:

"(1) The resources of a person ("A") must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.

[...]

(4) The matters which are relevant in determining whether A has appropriate nonfinancial resources include–

- (a) the skills and experience of those who manage A's affairs;
 - (b) whether A's non-financial resources are sufficient to enable A to comply with-
 - i. requirements imposed or likely to be imposed on A by the Authority in the exercise of its functions; or
 - ii. any other requirement in relation to whose contravention the Authority would be the appropriate regulator for the purpose of any provision of Part 14 of the Act.
5. The Suitability Threshold Condition set out in Part 1B(2E) of Schedule 6 of the Act provides, in relation to a person ("A") carrying on or seeking to carry on regulated activities which do not consist of or include a PRA-regulated activity that:

"A must be a fit and proper person having regard to all the circumstances, including-

- (a) A's connection with any person;

[...]

(d) whether A has complied and is complying with requirements imposed by the [Authority] in the exercise of its functions, or requests made by the [Authority], relating to the provision of information to the [Authority] and, where A has so complied or is so complying, the manner of that compliance"

RELEVANT REGULATORY PROVISIONS

6. In exercising its power to cancel a firm's Part 4A permissions, the Authority must have regard to the regulatory requirements and guidance published in the Handbook and in regulatory guides, such as EG. The main considerations relevant to the action specified in this Warning Notice are set out below.

The Threshold Conditions

7. COND sets out guidance on the Threshold Conditions.
8. COND 1.2.1 sets out that the Threshold Conditions represent the minimum conditions to which the Authority is responsible, which a firm is required to satisfy, and continue to satisfy, in order to be given and to retain a Part 4A permission.
9. COND 1.2.3G reproduces the relevant statutory provision that the Authority may exercise its own-initiative powers to cancel an authorised person's Part 4A permission, if a firm is failing to satisfy any of the Threshold Conditions, or is likely to fail to do so.

COND 2.4: Guidance on the Appropriate Resources Threshold Condition

10. COND 2.4.1AUK reproduces the relevant statutory provisions that the resources of a person concerned must be appropriate in relation to the regulated activities that person carries on or seeks to carry on, and that the matters which are relevant in determining whether such a person has appropriate non-financial resources includes whether that person's nonfinancial resources are sufficient to enable it to comply with the requirements imposed or likely to be imposed on it by the Authority in the course of the exercise of its functions.
11. COND 2.4.2G(2) provides that the Authority will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including, nonfinancial resources and means of managing its resources, an example of which includes human resources.

COND 2.5: Guidance on the Suitability Threshold Condition

12. COND 2.5.1AUK(1) reproduces the relevant statutory provision that a person concerned must be a fit and proper person having regard to all the circumstances, including, amongst other things:
 - that person's connection with any person (COND 2.5.1AUK(1)(a)); and
 - the need to comply with requirements imposed by the Authority in the exercise of its functions, or requests made by the Authority, relating to the provision of information to the Authority, and where a person has so complied or is so complying, the manner of that compliance (COND 2.5.1AUK(1)(d)).
13. COND 2.5.3G states that the emphasis of the Suitability Threshold Condition is on the suitability of the firm itself. However, in certain circumstances, the Authority may consider that the firm is not suitable because of doubts over the individual or collective suitability of persons connected with the firm.

14. COND 2.5.6G gives examples of the kind of particular considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, the Suitability Threshold Condition including, but not limited to:
- whether the firm has been open and co-operative in all its dealings with the Authority (Principle 11 (Relations with regulators)) and is ready, willing and organised to comply with the requirements and standards under the regulatory system in addition to other legal, regulatory and professional obligations; the relevant requirements and standards will depend on the circumstances of each case, including the regulated activities which the firm has permission, or is seeking permission, to carry on (COND 2.5.6G(1));
 - whether the firm has been convicted or is connected with a person who has been convicted, of any criminal offence; this must include, where provided for by the Rehabilitation Exceptions Orders to the Rehabilitation of Offenders Act 1974 or the Rehabilitation of Offenders (Northern Ireland) Order 1978 (as applicable), any spent convictions; particular consideration will be given to offences of dishonesty, fraud, financial crime or an offence under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking, other financial services, insolvency, consumer credit companies, insurance, consumer protection, money laundering, market manipulation and insider dealing, whether or not in the United Kingdom (COND 2.5.6G(2)); and
 - whether the firm has contravened, or is connected with a person who has contravened, any provisions of the Act or the regulatory system (which includes the Threshold Conditions, the Principles and other rules, the Statements of Principle, codes and guidance) (COND 2.5.6G(4)).

The Principles

15. The relevant principles for businesses are set out in PRIN 2.1.1R.
16. Principle 1 of PRIN (Integrity) requires a firm to conduct its business with integrity.
17. Principle 11 of PRIN (Relations with regulators) requires a firm to deal with its regulators in an open and co-operative way, and to disclose to the Authority appropriately anything relating to the firm of which the Authority would reasonably expect notice.

The Enforcement Guide

18. The Authority's policy in relation to exercising its enforcement powers is set out in EG, certain provisions of which are summarised below.
19. EG 8.1.1 provides that the Authority may use its own-initiative power to vary or cancel the Part 4A permissions of an authorised person under section 55J of the Act where:
- the person is failing or is likely to fail to satisfy the Threshold Conditions for which the Authority is responsible (EG 8.1.1(1)); or
 - it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).
20. EG 8.5.1(1) states that the Authority will consider cancelling a firm's Part 4A permissions using its own-initiative powers under section 55J of the Act in circumstances where the

Authority has very serious concerns about the firm, or the way its business is or has been conducted.

21. EG 8.5.2 provides examples of the types of circumstances in which the Authority may cancel a firm's Part 4A permission on its own initiative including material non-disclosure in an application for authorisation or approval or material non-notification after authorisation or approval has been granted. The information which is the subject of the non-disclosure or non-notification may also be grounds for cancellation (EG 8.5.2(2)).

The Supervision chapter of the Handbook ("SUP")

22. SUP 10C.14.18R provides:

"(1) If a *firm* becomes aware of information which would reasonably be material to the assessment of the fitness and propriety of an *FCA-approved SMF manager*, or of *candidate* to be one (see *FIT*), it must inform the *FCA* either:

- a. on Form D; or
- b. if it is more practicable to do so and with the prior agreement of the Authority, by email or fax:

as soon as practicable and, in any case, within seven business days."

23. SUP10C.14.21G provides that the duty to notify in SUP 10C.14.18R extends to any circumstances that would normally be declared when giving the information required for section 5 of Form A or matters considered in FIT 2.

24. SUP 15.3.1R requires that: "A *firm* must notify the [Authority] immediately it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or may occur in the foreseeable future:

(1) The *firm* is failing to satisfy one or more of the *threshold conditions*; or

(2) Any matter which could have a significant adverse impact on the *firm's* reputation; [...]"