

PAUL ANDREW STARMAN

FINAL NOTICE

SUMMARY OF THE MATTER TO WHICH THE NOTICE RELATES

Date of Issue: 20 December 2006

The FSA has refused an application made by Willow Financial Management ("Willow") under section 60 of the Financial Services and Markets Act 2000 ("Act") for the approval of Paul Andrew Starman ("Mr Starman") to perform the controlled function of Investment Adviser (CF21).

Mr Starman was approved as an investment adviser for his then employer Momentum Financial Services Limited ("Momentum") when the relevant provisions of the Act came into force from 30 November 2001 by virtue of his existing registration with the Personal Investment Authority as an adviser.

Mr Starman was suspended by Momentum on 20 August 2002 pending Momentum's further investigation in respect of a payment by a client company ("the first client") for advisory services in relation to its employees' pension plan which had been paid direct to Mr Starman and banked by him in his own bank account. Mr Starman resigned from his employment with Momentum while under suspension and declined to attend the disciplinary hearing on 4 September 2002.

At the disciplinary hearing it was concluded that had Mr Starman not have resigned, he would have been summarily dismissed for gross misconduct involving, among other matters, theft and dishonesty. In addition, it was concluded that Mr Starman had persistently sought to deceive Momentum regarding the first client's payment of the invoice, by taking over from Momentum's Finance Department the handling of what appeared to be a non payment by one of Momentum's clients, not pursuing the first client and then suggesting to Momentum that this invoice be written off as a bad debt.

Mr Starman had the right to appeal against the conclusions of the disciplinary hearing if he thought they were unfair but did not do so.

During the course of the further investigation after Mr Starman's resignation and the disciplinary hearing, it appears that Momentum became aware that Mr Starman had provided advisory services to the trustees of another pension scheme ("the second client") in relation to its winding up through his own company and was paid for these services. These services had

started shortly before Momentum's business had been acquired in August 2000 from its previous owners, by whom Mr Starman had then been employed, and continued during his employment with Momentum.

Letters and other documents written by Mr Starman in late 2000 and in 2001 and 2002 indicate that he was representing Momentum on work directly related to the winding up of the second client's scheme. However, by a letter dated 11 December 2001, purportedly signed by Momentum's Finance Director, the second client was advised that, due to an overlap of services between Momentum and the previous owners of the business, a new business, Clover Consultancy Limited ("Clover"), had been formed to provide services such as those required by the second client and Mr Starman was introduced as the second client's contact at Clover.

Clover had been incorporated by Mr Starman on 10 December 2001 and he was its sole director. On 12 December 2001 Mr Starman sent to the second client a contract authorising Clover to provide consultancy services. This contract was signed on behalf of the second client and dated 19 December 2001.

In early 2002, Clover invoiced and received payment from the second client for a total of £80,599 (plus VAT) for services rendered in connection with the winding up of the second client's scheme.

Throughout the period that the scheme was being wound up, Mr Starman was Momentum's employee. Momentum's Finance Director has stated that the 11 December 2001 letter was not written or signed by him or on his authority. Further he has denied that, contrary to Mr Starman's assertions, he ever gave Mr Starman authority to conduct work for either the first client or the second client alongside his duties as an employee of Momentum and to keep for himself any fees for those services.

Mr Starman informed the FSA that he could not explain the absence, save for the letter of 11 December 2001, of any contemporaneous documents from Momentum supporting his arrangement with the first and second clients.

Mr Starman confirmed he had received a bonus from Momentum which included an amount for the invoices raised.

On 18 April 2006, the Regulatory Transactions Committee of the FSA issued a Warning Notice to Mr Starman that it intended to refuse the application from Willow for his approval of the Controlled Function applied for.

Mr Starman made written and oral representations against the Warning Notice to the Regulatory Decisions Committee ("RDC") of the FSA on 9 August 2006. Having taken these representations into account, the RDC issued a Decision Notice refusing the application for Mr Starman's approval on 17 August 2006. In doing so, the FSA considered that, at the very least, there are fundamental and unresolved conflicts of evidence as to the true events surrounding Mr Starman's departure from his former employer Momentum.

Mr Starman did not exercise his right to refer this decision to the Financial Services and Markets Tribunal.

In the absence of a determination by a court or appropriate tribunal (which could have been the Financial Services and Markets Tribunal), which had had the opportunity to cross examine witnesses in relation to the conflicts of evidence, the FSA has concluded that it can not be satisfied that Mr Starman is a fit and proper person to perform the controlled function to which the application related.