
FIRST SUPERVISORY NOTICE

To: **Falcon Financial Solutions Ltd**

Reference Number: **918276**

Address: **109 George Lane
London
E18 1AN**

Date: **28 January 2022**

1 ACTION

1.1 For the reasons given in this First Supervisory Notice, and pursuant to sections 55J(2)(a)(ii) of the Act, the Authority has decided to vary with immediate effect the Part 4A permission granted to Falcon by removing the following regulated activities:

- 1) Secondary credit broking; and
- 2) Agreeing to carry on a regulated activity.

1.2 The effect of the Variation is that Falcon no longer has permission to conduct any regulated activities.

2 REASONS FOR ACTION

Summary

2.1 The Authority has concluded, on the basis of the facts and matters described below that, that it is appropriate to exercise its power under sections 55J(1)(a) and (c) of the Act to vary Falcon's permission because it is failing, or is likely to fail, to satisfy the Suitability Threshold Condition and to advance the Authority's consumer protection objectives (section 1C of the Act).

2.2 The Authority has identified serious concerns relating to Falcon in that its conduct appears to demonstrate that it is not fit and proper and poses a significant risk of harm to consumers. Specifically:

- 1) Falcon appears to be linked to firms that the Authority has taken regulatory action against, either through the imposition of requirements or variation of permissions to stop them conducting regulated activities, including:
 - a) Cavendish to whom the Authority issued a First Supervisory Notice on 2 August 2021 for carrying out investment activities outside the scope of its permissions and misleading investors over the extent of its regulated status. Information filed on Companies House records that Cavendish's director is a shareholder of Falcon.
 - b) Sentor to whom the Authority issued a First Supervisory Notice on 8 September 2021 for facilitating investments in companies that the Authority has warned about for engaging in unauthorised business. Information filed on Companies House records that Falcon and Sentor share a common associate who is also connected to Renaissance. Falcon and Sentor's respective directors also have a linked history through a previous company.
 - c) Grosvenor to whom the Authority issued a First Supervisory Notice on 30 November 2021 due to its apparent links to firms that the Authority has warned about for undertaking unauthorised business, and for providing misleading information about its controllers and intended business at authorisation. Information filed on Companies House records that Falcon and Grosvenor share a common shareholder.
 - d) Renaissance to whom the Authority issued a First Supervisory Notice on 7 December 2021 due to its connections to firms that may not be fit and proper, and for failing to provide accurate information about its controllers and intended business at authorisation. Information filed on Companies House records that Falcon and Renaissance share a common associate who is also connected to Sentor.

Given Falcon's apparent links to other firms that also appear to share further connections, there are serious concerns that Falcon may be seeking to misuse its regulated status as a credit broker to take advantage of consumers.

- 2) Falcon is failing to deal with the Authority in an open and cooperative way:
 - a) Falcon has stated that it is not currently trading. However, it has failed to respond to the Authority's requests for information about its future plans for use of its credit broking permissions.
 - b) The Authority is unclear on the identity of Falcon's director. Falcon has failed to respond to the Authority's requests to provide proof of identity for its director.
 - c) Apart from an initial response where it provided misleading information, Falcon has failed to respond to three follow-up information requirements issued under section 165 of the Act requiring clarity on its links to other firms and about its business activities and plans. Falcon has also not answered or returned any calls from the Authority.

2.3 The Authority considers that Falcon is failing, or is likely to fail, to satisfy the

Suitability Threshold Condition (paragraph 2E of Schedule 6 to the Act) because of its apparent connections to firms that have been the subject of regulatory actions (as summarised at 2.2.(1)), and potential breach of Principle 11 (Relations with regulators) of the Authority's Principles for Businesses (as summarised at 2.2(2)). The Authority considers that Variation of Falcon's permission with immediate effect is desirable to protect consumers.

3 DEFINITIONS

3.1 The definitions below are used in this First Supervisory Notice:

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

"the Authority" means the Financial Conduct Authority;

"Cavendish" means Cavendish Incorporated Ltd;

"DEPP" means the Decision Procedure and Penalties Manual in Authority's online handbook of rules and guidance (as in force from time to time);

"Fabcourt" means Fabcourt Developments Limited;

"Falcon" means Falcon Financial Solutions Ltd;

"Grosvenor" means Grosvenor Associates Ltd;

"Handbook" means the Authority's online handbook of rules and guidance (as in force from time to time);

"Part 4A permission" means permission to conduct regulated activities, granted by the Authority under Part 4A of the Act;

"Renaissance" means Renaissance Advisory Ltd;

"Sentor" means Sentor Solutions Commercial Ltd;

"SMF" means senior management function;

"Texmoore" means Texmoore Limited;

"Threshold Conditions" are the minimum requirements that firms need to meet in order to be authorised and to continue carrying on regulated activities as set out in Schedule 6 to the Act;

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

"Variation" means the variation of Falcon's Part 4A permission set out in paragraph 1.1. above.

4 FACTS AND MATTERS

Background

4.1 Falcon was incorporated on 9 December 2019. It was authorised on 13 January 2020 as a limited permission credit broker with secondary broking permission. Falcon is not permitted to hold client money.

- 4.2 Falcon has one approved person who holds the SMF29 limited scope function. According to Companies House records he is the sole director and significant controller of Falcon.

Failings and risks identified

Falcon's links to other firms

- 4.3 Falcon and its director appear to have connections to firms that the Authority has taken regulatory action against. These firms were all authorised as limited permission credit brokers. The Authority has either imposed requirements or varied the permissions of these firms to stop them conducting regulated activities.

Links to Cavendish

- 4.4 The Authority issued a First Supervisory Notice to Cavendish on 2 August 2021 for:
- 1) Failing to conduct its affairs in an appropriate manner having due regard to the interests of consumers. Cavendish made misleading statements to consumers to influence their investment decisions and provided investment services outside the scope of its permitted regulated activities.
 - 2) Failing to comply with requirements imposed by the Authority. Cavendish did not provide accurate information to the Authority about issues impacting its business or respond to the Authority's communications.

- 4.5 Information filed on Companies House records that Cavendish's director is a shareholder of Falcon. On 25 January 2021, Falcon filed on Companies House a confirmation statement. This listed Cavendish's director as a shareholder of Falcon as at 8 December 2020.

Links to Sentor

- 4.6 The Authority issued a First Supervisory Notice to Sentor on 8 September 2021 for:
- 1) Facilitating consumer investments in Texmoore and Fabcourt, companies that the Authority has warned about for engaging in unauthorised business. Sentor provided investment services beyond its permissions and misled consumers about its regulated status.
 - 2) Failing to comply with requirements imposed by the Authority. Sentor provided misleading information about its involvement with Texmoore and Fabcourt, and failed to respond to the Authority's further communications.
- 4.7 Information filed on Companies House shows that Falcon and Sentor share a common associate. According to Companies House records Individual A is the Company Secretary of Falcon. On 26 January 2021, Sentor filed on Companies House a confirmation statement. This listed Individual A as a shareholder of Sentor as at 11 November 2020. Individual A is also connected to Renaissance (see below).
- 4.8 Falcon and Sentor's respective directors also have a linked history through a previous company. According to Companies House records, Sentor's director was associated with Firm A from 6 February 2020 as the director until 10 March 2020

and the significant controller until 23 March 2020. Falcon's director became the significant controller of Firm A on 1 March 2020, when Sentor's director was still Firm A's director and significant controller.

Links to Grosvenor

- 4.9 The Authority issued a First Supervisory Notice to Grosvenor on 30 November 2021 due to:
- 1) Its apparent links to firms that may not be fit and proper and which the Authority has warned about for undertaking unauthorised business, including Texmoore and Fabcourt.
 - 2) Failing to engage with the Authority in an open and cooperative way. Grosvenor provided misleading information about its controllers and intended business at authorisation and failed to respond to the Authority's information requirements.
- 4.10 Information filed on Companies House records that Falcon and Grosvenor share a common shareholder. On 25 January 2021, Falcon filed on Companies House a confirmation statement. This listed Individual B as a shareholder of Falcon as at 8 December 2020. Grosvenor's confirmation statement filed with Companies House on 24 May 2021 also lists Individual B as a shareholder as at that date.

Links to Renaissance

- 4.11 The Authority issued a First Supervisory Notice to Renaissance on 7 December 2021 due to:
- 1) Its apparent connections to firms that may not be fit and proper and which the Authority has taken regulatory action against, including Grosvenor.
 - 2) Failing to deal with the Authority in an open and cooperative manner. Renaissance provided inaccurate information about its controllers and intended business at authorisation and did not respond to the Authority's communications seeking clarity on its business model and activities.
- 4.12 Information filed on Companies House shows that Falcon and Renaissance share a common associate. According to Companies House records Individual A as the Company Secretary of Falcon. On 2 May 2021, Renaissance filed on Companies House a confirmation statement. This listed Individual A as a shareholder of Renaissance as at that date. Individual A is also connected to Sentor (see above).

Falcon's response to the Authority's initial information requirement

Falcon's response regarding its links to other firms

- 4.13 On 3 December 2021, the Authority wrote to Falcon setting out concerns that it appeared to be connected to Sentor and may be conducting investment related activities without relevant permissions. The Authority required Falcon to clarify whether it had any links to Sentor, Texmoore, Fabcourt and other firms of concern. The Authority also separately requested Falcon to provide its availability for a video meeting to discuss its response.
- 4.14 Falcon responded by email on 4 December 2021 stating that it had no connections to Sentor, Texmoore, Fabcourt, Cavendish and Grosvenor.

- 4.15 Following Falcon's failure to revert to the Authority's email of 6 December 2021, which repeated the request for Falcon to provide its availability to attend a video meeting, the Authority wrote to Falcon on 10 December 2021 setting out the links it had established between Falcon and its director to Sentor, Cavendish and Grosvenor. Supervision also informed Falcon that it had recently taken regulatory action against Renaissance.
- 4.16 In the letter of 10 December 2021, the Authority required Falcon to explain why it had failed to disclose accurately its links to the firms and also to clarify whether it had any connections to Renaissance. Falcon was warned that it would be an offence to provide false or misleading information in purported compliance with the Authority's information requirement.
- 4.17 Falcon has provided no explanation for the information which appears to contradict its claim of having no connections to Sentor, Cavendish and Grosvenor. Falcon did not respond to the Authority's letter of 10 December 2021 or subsequent information requirements (see below) about its links to other firms.

Falcon's response regarding the use of its credit broking permissions

- 4.18 In the Authority's letter of 3 December 2021, Falcon was also required to describe its current business model, and confirm whether it undertook any credit broking activity and had used its credit broking permissions in the last 12 months.
- 4.19 In response to both questions, Falcon stated in its email on 4 December 2021 that it has never traded and does not currently trade. It did not provide any further details about its business model or activities, or when it was likely to start trading and undertake credit broking activity.
- 4.20 Falcon submitted a Regulatory Report for the year ended 31 December 2020. This indicated that it had generated total revenue of £11,935, including £6,420 from credit related activities. Falcon has not previously informed the Authority that it ceased trading after it was authorised on 13 January 2020, and the Regulatory Report appears to contradict the claim that it has never traded.
- 4.21 In order to ascertain the appropriateness of Falcon remaining authorised, the Authority wrote to Falcon on 10 December 2021, requiring its future plans for use of its credit broking permissions and the timescale it anticipated doing so. The Authority highlighted that Falcon may wish to submit an application to cancel its authorisation if it does not intend to use its permissions in the next three months.
- 4.22 Falcon did not respond to the Authority's letter of 10 December 2021 or subsequent information requirements (see below) on whether it intends to use its credit broking permissions, and the Authority has received no cancellation application from Falcon.

Falcon's response regarding the identity of its director

- 4.23 On 3 December 2021, the Authority wrote to Falcon setting out concerns that it appeared to be connected to Sentor through a potentially associated company with a similar name. According to Companies House records for Firm B, Falcon's director was its significant controller between 1 November 2019 and 1 June 2020, and a director from 1 June 2020 until 31 January 2021. In Falcon's response email on 4 December 2021, it stated that its director did not consent

to being a director of Firm B and had applied to have his details removed from Companies House records.

- 4.24 The Authority has separately received information indicating that Falcon's director sought to open an account with a third party but was unable to pass the identity verification process. It is alleged that he attempted three times to pass the checks by using a fake photo instead of supplying a "selfie" that was required.
- 4.25 Given the indications that the identity of Falcon's director may have been misused, the Authority has sought to verify that he is a genuine individual. In the Authority's emails on 10 December 2021, 15 December 2021 and 20 December 2021, Falcon was asked to provide its availability for a video meeting, as well as proof of identity for its director in the form of:
- 1) A current photo identification (such as a passport or driving licence).
 - 2) A selfie taken after receipt of the emails or later with a hand-held written note with the date on which the photo was taken.
- 4.26 The Authority remains unclear on the identity of Falcon's director. Falcon has failed to respond to the Authority's requests for a video meeting and to provide proof of identity for its director. The Authority has also attempted to contact Falcon's director by telephone on five occasions using two different contact numbers but has been unable to reach him. The Authority has been unable to see or speak to Falcon's director directly to verify his identity.

Further information requirements to Falcon

- 4.27 On 3 December 2021, the Authority sent Falcon an initial information requirement under section 165 of the Act for information about its links to a list of firms, business model and activities, with a response deadline of 8 December 2021. This was sent to its postal address as recorded on the Financial Services Register. The accompanying email also asked Falcon to provide its availability for a video meeting on 8 or 9 December 2021. Falcon responded by email on 4 December 2021 denying any involvement with the firms and indicating that it was not trading. Falcon did not respond to the request for a video meeting.
- 4.28 On 6 December 2021, the Authority emailed Falcon to acknowledge receipt of its response and asking again for its availability to attend a video meeting on 8 or 9 December 2021. Falcon did not respond to this request.
- 4.29 On 10 December 2021, the Authority sent Falcon a follow up information requirement under section 165 of the Act to obtain clarity on its response of 4 December 2021. This was sent to Falcon's postal address and email address. The Authority set a response deadline of 14 December 2021 and explained the potential consequences of not responding, including cancellation of Falcon's permission. The email also requested Falcon to confirm its availability for a video meeting between 13 and 15 December 2021. No response was received.
- 4.30 On 15 December 2021, the Authority sent Falcon a second follow up information requirement under section 165 of the Act. This was sent to its postal address and email address. This stated that the Authority had not received a response to the previous information requirement and was requiring the same information again. The Authority also drew attention to the consequences of failure to reply without reasonable excuse and set a response deadline of 17 December 2021. The email also asked Falcon to indicate its availability to attend a video meeting

on 20 December 2021. No response was received.

- 4.31 On 20 December 2021, the Authority sent a third follow up information requirement to Falcon under section 165 of the Act. This was sent to its postal address and email address. This letter repeated that the Authority had not received a response to the previous two information requirements and was requiring the same information again. It reiterated the consequence of failure to comply and set a response deadline of 23 December 2021. The email also requested Falcon to provide its availability for a video meeting on 23 or 24 December 2021. No response was received.
- 4.32 The Authority has attempted to call Falcon on five occasions through the phone number listed on the Financial Services Register and mobile number given in its authorisation application for its director, twice on 16 December 2021, once on 4 January 2022 and twice on 5 January 2022. On each occasion, there was no answer from Falcon and the calls were forwarded to voicemail. On two occasions, the Authority left a message with contact details and asking for a call back. Falcon did not return these calls. The number listed for Falcon's director did not connect and registered as unavailable.
- 4.33 In addition, the Authority has asked Falcon to provide its availability to attend a video meeting on five occasions. Falcon did not respond to these requests.

5 CONCLUSION

- 5.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

Analysis of failings and risks

Failure to comply with the Threshold Conditions

- 5.2 The Authority has serious concerns about Falcon's compliance with the Threshold Conditions. The Authority considers that Falcon is failing, or is likely to fail, to satisfy the Suitability Threshold Condition because:
- 1) Falcon appears to have connections to four firms that may not be fit and proper:
 - a) Information filed on Companies House records that Cavendish's director is a shareholder of Falcon.
 - b) Information filed on Companies House records that Falcon and Sentor share a common associate who is also connected to Renaissance. Falcon and Sentor's respective directors also have a linked history through a previous company.
 - c) Information filed on Companies House records that Falcon and Grosvenor share a common shareholder.
 - d) Information filed on Companies House records that Falcon and Renaissance share a common associate who is also connected to Sentor.
 - 2) Falcon is not engaging with the Authority in an open and cooperative manner or complying with the Authority's requirements in potential breach of Principle 11 (Relations with regulators):

- a) It did not notify the Authority when it ceased trading and has failed to provide information about its future plans for use of its credit broking permissions.
- b) It has failed to respond to the Authority's requests to provide proof of identity for its director.
- c) It provided misleading information in response to the Authority's questions about its links to other firms and has failed to respond to three further information requirements issued under section 165 of the Act seeking clarity on its response.

5.3 As a result of these matters, it appears to the Authority that Falcon:

- 1) Is connected to firms that have been the subject of regulatory actions (sub-paragraph (a) of paragraph 2E of Schedule 6 to the Act).
- 2) Has not complied, and is not complying, with requirements imposed by the Authority in the exercise of its functions relating to the provision of information (sub-paragraph (d) of paragraph 2E of Schedule 6 to the Act).

The Authority's operational objective of consumer protection

5.4 The Authority's operational objective of consumer protection requires the Authority to ensure an appropriate degree of protection for consumers (section 1C(1) of the Act). Falcon may be part of a network of firms that obtained authorisation for credit broking but have been conducting, or intending to conduct, investment activities beyond the scope of their permissions which could expose consumers to the risk of significant loss.

5.5 Falcon has links to Cavendish and Sentor. These firms have engaged in investment activities without relevant permissions and misled consumers about the extent of their regulated status. Falcon also appears to be connected to Grosvenor and Renaissance. They have been the subject of regulatory action due to their apparent links to firms the Authority has warned about for engaging in unauthorised business or which may not be fit and proper, and for failing to provide accurate information about their controllers and intended business at authorisation. Given Falcon's apparent links to these firms, there are serious concerns that Falcon may also be seeking to misuse its regulated status as a credit broker to take advantage of consumers.

5.6 In addition, Falcon appears to have misled the Authority about its links to the firms and has failed to engage with the Authority to provide information to confirm the identity of its director and clarify its activities. Falcon's actions to date cast serious doubts on its ability and willingness to observe regulatory requirements and demonstrate that it poses a significant risk of harm to consumers.

5.7 On the basis of the facts and matters set out, it appears to the Authority that it is desirable to exercise the power under section 55J(1)(c)(i) of the Act in order to advance the consumer protection objective.

Timing and duration of the Variation

5.8 The Authority considers it is necessary to impose the Variation to take immediate effect given the seriousness of the risks and the need to protect consumers. The

Authority has identified the following concerns:

- 1) Evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations (EG 8.3.3(3)).
- 2) Circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the Threshold Conditions (EG 8.3.3(4)).

5.9 The Authority will consider the full circumstances of each case when it decides whether an urgent variation is appropriate. The Authority has identified the following relevant factors:

- 1) The nature and extent of any false or inaccurate information provided by the firm (EG 8.3.4(3)).
- 2) The seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct that breach (EG 8.3.4(4)).
- 3) The impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers (EG 8.3.4(9)).

5.10 The Authority considers that it is necessary for the Variation to remain in place indefinitely.

6 PROCEDURAL MATTERS

Decision-maker

6.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.3.7G and DEPP 4.1.7G.

6.2 This First Supervisory Notice is given to Falcon under section 55Y(4) and in accordance with section 55Y(5) of the Act.

6.3 The following statutory rights are important.

Representations

6.4 Falcon has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). Falcon may also request to make oral representations but the Authority will only consider this in exceptional circumstances according to DEPP 2.3.1AG. The deadline for providing written representations and notifying the Authority that Falcon wishes to make oral representations is 11 February 2022 or such later date as may be permitted by the Authority. Any notification or representations should be sent to David Watkins (david.watkins@fca.org.uk) and the SPC Decision Making Secretariat (SPCDecisionMakingSecretariat@fca.org.uk).

The Tribunal

6.5 Falcon has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. The Tax and Chancery Chamber is part of the Tribunal which, amongst other things, hears references arising from decisions of the

Authority. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, Falcon has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.

- 6.6 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of Falcon and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: utt@hmcts.gsi.gov.uk).
- 6.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website: <http://www.justice.gov.uk/forms/hmcts/tax-and-chancery-upper-tribunal>
- 6.8 Falcon should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to David Watkins (david.watkins@fca.org.uk) and the SPC Decision Making Secretariat (SPCDecisionMakingSecretariat@fca.org.uk).

Confidentiality and publicity

- 6.9 Falcon should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).
- 6.10 Falcon should note that section 391(5) of the Act requires the Authority, when the First Supervisory Notice takes effect, to publish such information about the matter to which the notice relates as it considers appropriate.

Authority contacts

- 6.11 For more information concerning this matter generally, contact David Watkins (david.watkins@fca.org.uk).
- 6.12 Any questions regarding the executive procedures decision-making process should be directed to the SPC Decision Making Secretariat (SPCDecisionMakingSecretariat@fca.org.uk).

Annex

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1B of the Act include securing an appropriate degree of protection for consumers (section 1C).
2. Section 55J of the Act allows the Authority to vary the Part 4A permission of an authorised person if it appears to the Authority that the authorised person is failing, or likely to fail to satisfy the Threshold Conditions (section 55J(1)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55J(1)(c)(i)). This power is referred to as the Authority's own-initiative power.
3. Section 55Y(3) of the Act allows a variation of permission imposed under the own-initiative power to take effect immediately (or on a specified date) only if the Authority, having regard to the ground on which it is exercising its own-initiative power, reasonably considers that it is necessary for the variation to take effect immediately (or on that date).
4. Section 391 of the Act provides that:

"[...]

 - (5) *When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.*
 - (6) *The [Authority] may not publish information under this section if in its opinion, publication of the information would be...unfair to the person with respect to whom the action was taken (or was proposed to be taken), prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.*
 - (7) *Information is to be published under this section in such manner as the [Authority] considers appropriate."*
5. The Threshold conditions represent the minimum standards which a firm is required to satisfy, and continue to satisfy, in order to be given and to retain a Part 4A permission. They are set out in Part 1B of Schedule 6 to the Act.
6. The Suitability Threshold Condition in paragraph 2E of Schedule 6 to the Act stated 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 complying, the manner of that compliance."*

RELEVANT REGULATORY PROVISIONS

The Principles for Businesses

7. The Principles for Business (PRIN) are a general statement of the fundamental obligations of firms under the regulatory system. PRIN 1.1.2R provides that they derive their authority from the Authority's rule-making powers as set out in the Act and reflect the statutory objectives. The Principles are set out at PRIN 2.1.1.
8. Principle 11 (Relations with regulators) is of particular relevance. This provides that a firm must deal with its regulators in an open and cooperative way and must disclose to the Authority appropriately anything relating to the firm of which that regulator would reasonably expect notice.

The Threshold Conditions

9. The section of the Handbook entitled Threshold Conditions (COND) gives guidance on the Threshold Conditions. COND 1.2.3G provides that the Authority may exercise its own-initiative powers under either section 55J or section 55L of the Act if, among other things, a firm is failing to satisfy any of the Threshold Conditions or is likely to do so.
10. COND 2.5.1AUK reflects the provisions of the Act (Paragraph 2E of Schedule 6) to the effect that a firm must be a fit and proper person having regard to all the circumstances. These include the firm's connection with any person (COND 2.5.1AUK(1)(a) and whether the firm has complied and is complying with the Authority's requirements (COND 2.5.1AUK(1)(d)).
11. COND 2.5.4G(2) provides examples of the kind of general considerations the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, the Suitability Threshold Condition. These include, but are not limited to, whether the firm conducts its business with integrity and in compliance with proper standards, has a competent and prudent management, and can demonstrate that it conducts its affairs with the exercise of due skill, care and diligence.

The Enforcement Guide

12. The Authority's approach in relation to its own-initiative powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
13. EG 8.1.1 reflects the provisions of section 55J of the Act by stating that the Authority may use its own-initiative power to vary an authorised person's Part 4A permission where, amongst other factors, 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)).
14. EG 8.2.1 states that when the Authority considers how it should deal with a concern about a firm, it will have regard to its statutory objectives and the range of regulatory tools that are available to it. It will also have regard to the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve (EG 8.2.1(2)).
15. EG 8.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the Authority may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the Authority will seek to agree with a firm those steps the firm must take to

address the Authority's concerns. However, where the Authority considers it appropriate to do so, it will exercise its formal powers under section 55J of the Act to vary a firm's permission to ensure such requirements are met. This may include where, amongst other factors, the Authority has serious concerns about a firm, or about the way its business is being or has been conducted (EG 8.2.3(1)), or is concerned that the consequences of a firm not taking the desired steps may be serious (EG 8.2.3(2)).

16. EG 8.3.1 states that the Authority may impose a variation of permission so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the variation to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
17. EG 8.3.2 states that the Authority will consider exercising its own-initiative power as a matter of urgency where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.
18. EG 8.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include one or more of four listed characteristics, these include: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; 2) information indicating that a firm's conduct has put it at risk of being used for the purposes of financial crime, or of being otherwise involved in crime; 3) evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations; and 4) circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the threshold conditions.
19. EG 8.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-exhaustive list of factors the Authority may consider, these include: the nature and extent of any false or inaccurate information provided by the firm (EG 8.3.4(3)); and the seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct the breach (EG 8.3.4(4)).
20. EG 8.3.4(9) includes the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers. The Authority will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives.