
FIRST SUPERVISORY NOTICE

To: Trekfree Associates Limited
Of: 56a Coleman Road, London SE5 7TG
Date: 12 March 2008

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (“the FSA”) has taken the following action:

1. ACTION

- 1.1. For the reasons listed below and pursuant to section 45 of the Financial Services and Markets Act 2000 (“the Act”), the FSA has decided to vary the permission granted to you, Trekfree Associates Limited (“Trekfree”), pursuant to Part IV of the Act (“Trekfree’s permission”) by removing all regulated activities with immediate effect.

Accordingly, Trekfree's permission no longer includes the following regulated activities:

- (1) advising on regulated mortgage contracts;
- (2) agreeing to carry on a regulated activity;
- (3) arranging regulated mortgage contracts; and
- (4) making arrangements with a view to regulated mortgage contracts.

2. REASONS FOR ACTION

Summary

- 2.1. The FSA has concluded, on the basis of the facts and matters described below, that Trekfree is failing, and will continue to fail, to satisfy the threshold conditions set out in Schedule 6 to the Act ("the Threshold Conditions") in that the FSA is not satisfied that Trekfree is a fit and proper person having regard to all the circumstances.
- 2.2. Trekfree's conduct has not met the requirements of the FSA's Principles for Businesses. Specifically, Trekfree has failed to comply with Principle 1, which provides that a firm must conduct its business with integrity, and Principle 11 which provides that a firm must deal with its regulator in an open and co-operative way, and must disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice. Furthermore, Trekfree is failing, and is likely to continue to fail, to conduct its business with integrity and in compliance with proper standards (Threshold Condition 5 – Suitability).
- 2.3. Trekfree used a customer's ("Customer A") identification documents to obtain a mortgage, without the customer's knowledge or consent. In support of the mortgage application, purportedly for Customer A, Trekfree sent the lender a false accountant's certificate prepared by a Samuel Ajiboye who was the company secretary of Trekfree at that time.
- 2.4. The FSA is satisfied, based on a witness statement made by Customer A and other information, that Customer A did not apply for the mortgage and did not require such

a mortgage and has no association with the property that was purchased using his identity.

- 2.5. In the period since 22 February 2005, Trekfree submitted to mortgage lenders at least 11 other applications that included false income and employment details, eight of which were supported by false identification documents, including passports and driving licences.
- 2.6. Trekfree then failed repeatedly to co-operate with the FSA's investigation, by failing to comply with requests for information and documents and by failing to attend for interview to answer questions.
- 2.7. Trekfree also failed to notify the FSA that it had been removed from a lender's panel of intermediaries.
- 2.8. The FSA considers, on the basis of its serious concerns about Trekfree and the ongoing risk that it poses, that it is necessary in support of the FSA's financial crime, consumer protection and market confidence objectives for the action specified above to take immediate effect.

3. RELEVANT STATUTORY PROVISIONS AND OTHER REGULATORY PROVISIONS

- 3.1. The FSA's regulatory objectives, established in section 2(2) of the Act, include consumer protection and the reduction of financial crime.
- 3.2. By section 45 of the Act, the FSA is authorised:
 - (1) to vary an authorised person's permission, where the authorised person is failing or is likely to fail to satisfy the Threshold Conditions; and
 - (2) to vary such permission by removing a regulated activity from those for which the permission is given.
- 3.3. Section 53(3) of the Act allows such a variation to take effect immediately if the FSA reasonably considers that it is necessary for the variation to take effect immediately.

- 3.4. Threshold Condition 5, in Schedule 6 to the Act, states that you must satisfy the FSA that you are a fit and proper person having regard to all the circumstances, including your connection with any person, the nature of the regulated activity that you carry on and seek to carry on and the need to ensure that your affairs are conducted soundly and prudently.

The FSA's policy for exercising its own-initiative power to vary a Part IV permission

- 3.5. In exercising its power to vary a Part IV permission, the FSA must have regard to guidance published in Enforcement Guidance (“EG”). The main considerations in relation to the action specified above are set out below.
- 3.6. Paragraph 8.5(1) of EG indicates that the FSA will consider varying a firm’s Part IV permission in support of its enforcement function in circumstances where it has serious concerns about a firm, or about the way its business is being or has been conducted, including where it appears that the firm is failing or is likely to fail to satisfy the threshold conditions relating to one or more of its regulated activities because, for example, the firm is not fit and proper because it has not conducted its businesses in compliance with high standards.
- 3.7. Paragraph 8.7(1) and 8.7(2) of EG indicate that the FSA will consider exercising its own initiative power as a matter of urgency where the information available to it indicates serious concerns about the firm or its business which need to be addressed immediately and where 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.
- 3.8. Paragraph 8.8 of EG gives examples of situations that will give rise to such serious concerns which 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 the firm has submitted to the FSA inaccurate or misleading that information so that the FSA 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.

Guidance concerning the relevant Threshold Conditions

COND 2.5 - Threshold Condition 5: Suitability (paragraph 5, Schedule 6 to the Act)

- 3.9. Paragraph 2.5.1D reproduces the relevant statutory provision that the person concerned must satisfy the FSA that he is a fit and proper person having regard to all the circumstances, including, among other things, the need to ensure that his affairs are conducted soundly and prudently.
- 3.10. Paragraph 2.5.4G(2)(a) requires the FSA, when forming its opinion as to whether an authorised person is conducting its affairs soundly and prudently, to have regard to relevant matters, including whether it conducts its business with integrity and in compliance with proper standards.
- 3.11. Paragraph 2.5.4G(3) requires the FSA only to take into account relevant matters which are significant in the context of the suitability of the firm.
- 3.12. Paragraph 2.5.6G permits the FSA, when forming its opinion as to whether an authorised person is conducting its business with integrity and in compliance with proper standards, to have regard to relevant matters, including whether:
 - (1) the firm has been open and co-operative in all its dealings with the FSA and is ready and willing to comply with the requirements and standards under the regulatory system (COND 2.5.6G(1)); and

- (2) whether the firm has contravened any provisions of the Act or the regulatory system, which includes the threshold conditions and the FSA Principles and other rules (COND 2.5.6G(4)).

Relevant Principles for Businesses

- 3.13. Principle 1 requires that a firm must conduct its business with integrity.
- 3.14. Principle 11 requires that a firm must deal with its regulators in an open and co-operative way, and must disclose to the FSA anything relating to the firm of which the FSA would reasonably expect notice.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. Trekfree is a mortgage broker based at 56A Coleman Road, London, SE5 7TG.
- 4.2. Trekfree became authorised on 22 February 2005 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 regulated mortgage contracts; and
 - (4) making arrangements with a view to regulated mortgage contracts.
- 4.3. Erinma Didi Jordan (sole Director) and Samuel Adebayo Ajiboye (a former Director and Secretary) each hold a 50% shareholding in Trekfree.
- 4.4. Trekfree completed 34 mortgage sales between May 2005 and December 2006 and only one mortgage sale in 2007 (during Q1), and the FSA has concerns about at least a third of them.

Background

- 4.5. The FSA received information from a lender that mortgage applications submitted by Trekfree may have been supported by false documents. A number of those applications were declined and the lender removed Trekfree from its panel.
- 4.6. The lender also provided information on an application submitted by Trekfree where the applicant claimed that the mortgage had completed without his knowledge.

Submission of mortgage applications containing false information

- 4.7. The FSA reviewed a sample of Trekfree files submitted to four different lenders. It found that one customer, Customer A, had purportedly obtained a £241,604 mortgage through Trekfree to purchase a property (“the Property”) in August 2006.
- 4.8. According to the application submitted by Trekfree in the name of Customer A, he had been self employed for the previous five years, he was a home owner with no dependants looking to move to the property to be mortgaged, and he intended to let out his existing property.
- 4.9. This mortgage application was supported by the following documents:
 - (1) an accountant’s certificate, prepared by Samuel Ajiboye of Samuel Chesterfield & Co, in which it was stated that Customer A was the proprietor of an Afro-Caribbean food wholesaler, with net profit of £68,716 in 2006;
 - (2) a copy of Customer A's passport certified as a true copy of the original by Trekfree on 28 August 2006;
 - (3) a copy of Customer A's Council Tax bill for June 2006 certified as a true copy of the original by Trekfree on 28 August 2006; and
 - (4) a rental valuation of Customer A's current property.
- 4.10. Trekfree’s file for this mortgage application also contained an acceptance of an offer purportedly signed and dated by Customer A on 25 September 2006.

4.11. When interviewed by the FSA, Customer A made the following statements:

- (1) he had never heard of, or had any dealings with, Trekfree or its mortgage adviser Didi Jordan;
- (2) he had never applied for a mortgage with that particular lender;
- (3) he had never applied for a mortgage on the property to be mortgaged;
- (4) during August 2006, when the application was submitted, he was living in a rented property with his partner and four children, was employed full time by a local authority (on a salary significantly different to the profit figure referred to above), and had never owned or worked for an Afro-Caribbean food wholesaler;
- (5) the personal and employment details on the mortgage application were therefore false;
- (6) he had never seen the accountant's certificate before, it had not been produced for him, and the information contained in it was false;
- (7) he had never heard of or had any dealings with the accountant Mr Samuel Ajiboye;
- (8) he had never seen the mortgage application form and did not sign it;
- (9) in September 2005, he had a number of meetings with an estate agent who had asked him to provide copies of his passport, utility bills and a council tax bill, and had been charged £1,000 up front for her services but she did not find him a property;
- (10) the copies of his passport and council tax bill were true copies that he had given to the estate agent in 2005, but he did not give these documents to anyone in support of a mortgage application and had never seen the certification of the documents by Trekfree;
- (11) he had never arranged for a valuation of the property he lived in and therefore the lettings valuation on file is false; and

(12) when he received the lender's offer letter of September 2006, he contacted the lender to explain that he had not applied for this mortgage and he asserted that he did not sign any documents relating to the mortgage application.

4.12. The FSA checked the authenticity of the identification documents and other supporting information relied on in support of 11 other mortgage applications. The FSA found that:

- (1) three applications were supported by false driving licences;
- (2) four applications were supported by false passports;
- (3) one application was supported by a false utility bill; and
- (4) all 11 of the applications included false income and employment details.

Failure to co-operate with the FSA

4.13. Trekfree repeatedly failed to co-operate with the FSA's investigation.

- (1) On 17 September 2007, the FSA served a notice of appointment of investigators to Trekfree at the last address notified to the FSA. No response was received from Trekfree so the FSA sent out a copy of the notice on 1 October 2007.
- (2) On 11 October 2007, the FSA e-mailed Trekfree asking it to contact the FSA as a matter of urgency. No response was received.
- (3) On 12 October 2007, the FSA sent Trekfree a letter compelling it to provide 13 client files by 26 October 2007. Trekfree failed to produce these documents.
- (4) On 29 October 2007, the FSA sent a reminder letter compelling Trekfree to provide these documents by 6 November 2007. Trekfree failed to produce the required documents.

- (5) On 7 November 2007, the FSA sent a further reminder letter compelling Trekfree to provide the documents by 14 November 2007. Trekfree did not reply.
- (6) On 29 October 2007, the FSA sent a letter to Trekfree compelling its sole director, Erinma Didi Jordan, to attend for interview at the FSA's offices at 10am on 14 November 2007.
- (7) Erinma Didi Jordan failed to attend for interview. The FSA rescheduled the interview and on 14 November 2007 the FSA's investigators visited Trekfree's premises to deliver an interview letter compelling Erinma Jordan to attend for interview at 10am on 21 November 2007. The domestic property from which Trekfree conducts its business appeared to be inhabited but no one answered the door to the FSA's investigators.
- (8) Erinma Didi Jordan failed to attend again for interview and, on 21 November 2007, the FSA sent a final request by post to attend for interview at 10am on 30 November 2007. Erinma Didi Jordan failed to attend.

5. CONCLUSIONS

5.1. The facts and matters described above lead the FSA, having regard to its regulatory objectives, which include the protection of customers and the reduction of financial crime, to the following conclusions.

- (1) Trekfree used false information and documents to obtain a mortgage from a lender in the name of Customer A without his knowledge or consent. This submission was supported by a false accountant's certificate prepared by Samuel Ajiboye who was the company secretary of Trekfree at that time. It has therefore contravened Principle 1.
- (2) Trekfree has also failed repeatedly to be open and co-operative with the FSA by failing to: comply with requests for information and documents, attend for interview to answer questions and notify the FSA that it had been removed from a lender's panel, in contravention of Principle 11.

5.2. These matters are material in relation to Trekfree's permitted regulated activities and it is therefore failing and likely to continue to fail to satisfy Threshold Condition 5 (Suitability).

5.3. The FSA has therefore concluded that the exercise of its own-initiative power to vary the Trekfree's Part IV permission, by removing all regulated activities, with immediate effect, is an appropriate response to these concerns.

6. DECISION MAKER

6.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by the Regulatory Decisions Committee.

7. IMPORTANT

7.1. This First Supervisory Notice is given to you in accordance with section 53(4) of the Act. The following statutory rights are important.

The Tribunal

7.2. You may refer this matter to the Financial Services and Markets Tribunal ("the Tribunal"). Under section 133 of the Act, you have 28 days from the date you were sent this Supervisory Notice to refer the matter to the Tribunal or such other period as specified in the Tribunal Rules or as the Tribunal may allow. A reference to the Tribunal is made by way of a written notice signed by you and filed with a copy of this Notice. The Tribunal's address is: 15-19 Bedford Avenue, London WC1B 3AS (telephone 020 7612 9700). The detailed procedures for making a reference to the Tribunal are contained in section 133 of the Act and the Tribunal Rules.

7.3. You should note that the Tribunal Rules provide that at the same time as filing a reference notice with the Tribunal, you must send a copy of the notice to the FSA. Any copy notice should be sent to Chris Walmsley at the FSA, 9th Floor, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Representations

- 7.4. You have the right to make written and oral representations to the FSA (whether or not you refer this matter to the Tribunal). If you wish to make written representations you must do so by 17 April 2008 or such later date as may be permitted by the FSA. Written representations should be made to the Regulatory Decisions Committee and sent to Jane Horncastle, Regulatory Decisions Committee Professional Support Services. The Regulatory Decisions Committee Professional Support Services' address is: 25 The North Colonnade, Canary Wharf, London E14 5HS. If you wish to make oral representations, you should inform Jane Horncastle on or before 25 March 2008.

Access to evidence

- 7.5. Section 394 of the Act does not apply to this Supervisory Notice.

Confidentiality and publicity

- 7.6. You should note that this Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining advice on its contents). You should also note that section 391 of the Act requires the FSA when the Supervisory Notice takes effect, to publish such information about the matter as it considers appropriate.

FSA contacts

- 7.7. If you have any questions regarding the procedures of the Regulatory Decisions Committee, you should contact either Jane Horncastle (direct line: 020 7066 3200/fax: 020 7066 3201) or Jackie Noonan, RDC Support Services (direct line: 020 7066 3074/fax: 020 7066 1015).
- 7.8. For more information concerning this matter generally, you should contact Chris Walmsley at the FSA (direct line: 020 7066 5894) of the FSA.

Tim Herrington
Chairman, Regulatory Decisions Committee