



FIRST SUPERVISORY NOTICE

To: **Aaron Nickols trading as Warwick Finance**

FRN: **312720**

Of: **1st Floor
Elizabeth House
St. Marys Road
Hinckley
Leicestershire
LE10 1EQ**

Date: **4 February 2009**

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(1)(c) of the Financial Services and Markets Act 2000 (“the Act”), the FSA has decided to vary the permission granted to Aaron Nickols trading as Warwick Finance (“Warwick”) pursuant to Part IV of the Act (“Warwick’s permission”) by removing all regulated activities with

immediate effect. Accordingly, Warwick's permission no longer includes the following regulated activities:

- (a) advising on investments (except on Pension Transfers and Opt Outs);
- (b) advising on regulated mortgage contracts
- (c) agreeing to carry on a regulated activity;
- (d) arranging (bringing about) deals in investments;
- (e) arranging (bringing about) regulated mortgage contracts;
- (f) making arrangements with a view to regulated mortgage contracts; and
- (g) making arrangements with a view to transactions in investments.

2. REASONS FOR ACTION

Summary

- 2.1. The FSA has serious concerns about Warwick and has concluded that it is desirable to exercise its power under section 45(1)(c) of the Act in order to protect consumers or potential consumers of Warwick. In reaching this conclusion the FSA has taken account of the fact that that Warwick appears to have breached Principles 1, 6 & 11 of the FSA's Principles for Businesses ("the Principles").
- 2.2 The FSA has serious concerns that Warwick has breached Principle 1 (Integrity) of the FSA's Principles for Businesses ("the Principles") by:
 - (1) dishonestly making telephone calls to customers and querying the suitability of the existing product and the financial stability of the existing provider to persuade customers to cancel or sell existing policies and take out a new policy;
 - (2) dishonestly taking bank details from potential customers during telephone calls and taking out policies using these details without the customer's consent or knowledge; and

- (3) dishonestly making telephone calls to customers and claiming to be from the Halifax Bank of Scotland Group (“HBOS”) and using high pressure sales tactics to persuade customers to cancel or sell existing policies and take out a new policy.

2.3 Further the FSA has serious concerns that Warwick has breached Principle 6 (Customer’s Interests) of the Principles by:

- (1) making telephone calls to customers and without proper basis or reason, persuading customers to cancel or sell existing policies and take out a new policy;
- (2) making telephone calls to customers and querying the suitability of the existing product and the financial stability of the existing provider to persuade customers to persuade customers to cancel or sell existing policies and take out a new policy; and
- (3) taking bank details from potential customers during telephone calls and taking out policies using these details without the customer’s consent or knowledge.

2.4 The FSA also considers that Warwick has contravened Principle 11 (Relations with regulators) of the Principles by:

- (1) stating at compelled interview with the FSA that he, Aaron Nickols, was the only proprietor acting in a managerial capacity at Warwick, in full knowledge that his father Tony Nickols was, and still is, conducting the day-to-day affairs of Warwick. In light of this non-disclosure the FSA is concerned as to the involvement of Tony Nickols (who is currently the subject of an individual voluntary arrangement) in the business.

2.5 The FSA considers on the basis of these facts and matters, that it is necessary, in support of the FSA’s consumer protection objective for the action specified above to take immediate effect.

3. RELEVANT STATUTORY PROVISIONS AND OTHER REGULATORY PROVISIONS

- 3.1. The FSA's regulatory objectives, set out in section 2(2) of the Act, include the protection of consumers.
- 3.2. By section 45 of the Act, the FSA may:
 - (1) vary an authorised person's permission, where it is desirable to exercise that power in order to protect the interests of consumers or potential consumers; and
 - (2) vary such permission by removing one or more regulated activities from those for which the permission was 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 do so.

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

- 3.4. The FSA's policy for exercising its own initiative power to vary a Part IV permission is set out in Chapter 8 of the Enforcement Guide ("EG"). The main considerations in relation to the action specified above are set out below.
- 3.5. Paragraph 8.2 of EG states that, when it considers how it should deal with a concern about a firm, the FSA will proceed on the basis that a firm (together with its directors and senior management) is primarily responsible for ensuring the firm conducts its business in compliance with the Act, the Principles and other rules.
- 3.6. Where the FSA considers that it cannot rely on a firm taking effective action, or if the firm fails to comply with the FSA's reasonable request for it to take remedial steps, paragraph 8.4 of EG provides that the FSA will consider exercising its formal powers under section 45 of the Act to vary a firm's permission.
- 3.7. 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 appears not to be a fit and proper person because it has not conducted its business in compliance with high standards.

- 3.8. 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.
- 3.9. 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; and
 - (2) evidence the firm has submitted to the FSA inaccurate or misleading information so that the FSA becomes seriously concerned about the firm's ability to meet its regulatory obligations.

Relevant Principles

- 3.10. Principle 1 of the Principles states that a firm must conduct its business with integrity.
- 3.11. Principle 6 of the Principles states that a firm must pay due regard to the interests of its customers and treat them fairly.
- 3.12. Principle 11 of the Principles states that a firm must deal with its regulators in an open and cooperative way, and must disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. Warwick is a firm currently selling insurance products on a non-advised basis. Previously it sold mortgages on a non-advised basis. Its head office is in Hinckley, Leicestershire.
- 4.2 Warwick became authorised by the FSA on 31 October 2004 with the following permissions:
- (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 On the 14 January 2005 Warwick was granted the following additional permissions by the FSA:
- (1) advising on investments (except on Pension Transfers and Opt Outs);
 - (2) arranging (bringing about) deals in investments; and
 - (3) making arrangements with a view to transactions in investments.
- 4.4 Warwick is a firm operating as a sole trader. The application to the FSA states that that Warwick was under the control of Aaron Nickols.
- 4.5 The FSA appointed investigators into Warwick's mortgage business on 3 April 2008. This investigation commenced in relation to concerns expressed regarding its high pressurised sales tactics.

Sales tactics

- 4.6 Warwick's sales process appears to include a number of tactics which put consumers at risk. These include the issues set out above at paragraphs 2.2 and 2.3.

Concealment of information from the FSA

- 4.7 It has come to the FSA's attention that Aaron Nickols is not the controller of Warwick, but that his father, Tony Nickols, exercises full control over the business of the firm. This information was not disclosed to the FSA by Aaron Nickols and is information which the FSA would expect to receive. However, during the course of this investigation Aaron Nickols confirmed in a compelled interview that he is the proprietor who manages the firm.

5. CONCLUSIONS

- 5.1. As a result of the facts and matters set out above the FSA has serious concerns that Warwick has:

- (1) failed to conduct its business with integrity, in breach of Principle 1 through dishonest and high pressured sales tactics, taking payment for policies without the customer's consent, wrongfully stating that they are telephoning from HBOS and deliberate non-disclosure of information to the FSA;
- (2) failed to treat its customers fairly, in breach of Principle 6 through its high pressure sales tactics and by taking payment for policies without the customer's consent; and
- (3) failed to deal with the FSA in an open and co-operative way and disclose material information to the FSA, in breach of Principle 11 of the Principles, by deliberately concealing at a compelled interview with the FSA that Tony Nickols was, and still is, conducting the day-to-day affairs of Warwick.

- 5.2 In support of the FSA's consumer protection objective, the exercise of the FSA's own-initiative power to vary Warwick's permission with immediate effect is an appropriate and proportionate 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 Chairman of the Regulatory Decisions Committee.

7. IMPORTANT

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

Representations

- 7.2. 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 10 March 2009 or such later date as may be permitted by the FSA. Written representations should be made to the Regulatory Decisions Committee and sent to Husayn Rahman, 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 Husayn Rahman by 16 February 2009.

The Tribunal

- 7.3. 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.
- 7.4. 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 Paul Howick at the FSA, 4th Floor, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

Access to evidence

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

Third party rights

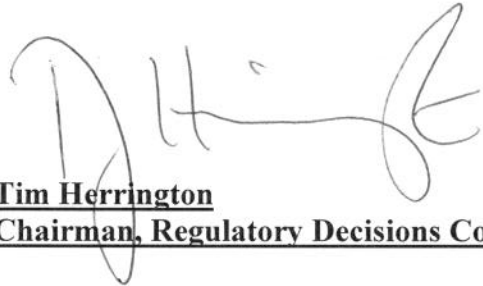
- 7.6. There are no third party rights.

Confidentiality and publicity

- 7.7. 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

- 7.8. If you have any questions regarding the procedures of the Regulatory Decisions Committee, you should contact Husayn Rahman (direct line: 020 7066 1072/fax: 020 7066 1073), Regulatory Decisions Committee Professional Support Services.
- 7.9. For more information concerning this matter generally, you should contact Paul Howick at the FSA (direct line: 020 7066 7954) of the FSA.



Tim Herrington
Chairman, Regulatory Decisions Committee