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**FINAL NOTICE**

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To: **Mr Charles Palmer**

Individual ref: **CAL00004**

Address: **Andoversford Industrial Estate  
Andoversford  
Cheltenham  
Gloucestershire  
GL54 4LB**

Date: **24 February 2010**

**TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (“the FSA”) gives final notice about the imposition of a financial penalty:**

**1. PENALTY**

- 1.1. The FSA gave you, Charles Palmer (“Mr Palmer”), a Decision Notice (“the Decision Notice”) which stated that it had decided to impose a financial penalty of £49,000 in respect of breaches of Statements of Principle 5 and 7 of the FSA’s Statements of Principle and Code of Practice for Approved Persons (“APER”) between 6 April 2006 and 19 August 2008 (“the relevant period”).
- 1.2. You agreed to settle at an early stage of the FSA’s investigation and you therefore qualified for a 30 per cent (Stage 1) discount under the FSA’s executive settlement procedures. The FSA would have otherwise sought to impose a financial penalty of £70,000 on you. This action is proposed as an alternative to imposing a financial penalty on Financial Limited (“the Firm”).

## **2. REASONS FOR THE PENALTY**

- 2.1. The FSA imposed a financial penalty on you for failing to comply with APER Statements of Principle 5 and 7 in performing the significant influence functions of CF1 (Director) and CF8 (Apportionment and Oversight) at the Firm during the relevant period.
- 2.2. In summary, while performing the significant influence functions you failed to:
- (1) establish and maintain a clear and appropriate reporting structure to ensure that the Firm's senior managers understood and carried out their specific responsibilities to enable the Firm to oversee and monitor its appointed representatives and registered individuals ("Advisers") so that the Firm could be controlled effectively, in breach of APER Statement of Principle 5;
  - (2) take reasonable steps to ensure that the business of the Firm was organised so that, during a period of rapid expansion of the Firm's network of Advisers (under the business model that you established), it could be controlled effectively as it expanded, also in breach of APER Statement of Principle 5; and
  - (3) take reasonable steps to ensure that the Firm complied with the relevant requirements and standards in respect of advising on pension switching, in breach of APER Statement of Principle 7. As a result of the insufficiently robust compliance monitoring arrangements that you implemented, there was a risk that the Firm's Advisers would make would make personal recommendations which were not demonstrably suitable. The Firm made personal recommendations to customers in relation to 1,151 pension switches since A-Day (6 April 2006). In a number of sample files reviewed by the FSA, the files lacked the detail required to demonstrate that the advice given was suitable.
- 2.3. However, the FSA has considered that the failings identified in this case have been mitigated to a considerable extent by:
- (1) your decision to address the FSA's concerns by commissioning two past business reviews;
  - (2) your agreement to the appointment of a skilled person to validate the Firm's past business review and to take appropriate steps to ensure that customers are treated fairly; and
  - (3) your decision to make wide-ranging changes to the organisational, governance and compliance arrangements at the Firm to achieve high standards and ensure that customers are treated fairly.

## **3. RELEVANT STATUTORY AND REGULATORY PROVISIONS**

- 3.1. The relevant statutory provisions and regulatory requirements are attached at Annex A.

## 4. FACTS AND MATTERS RELIED UPON

### **Personal Pension Plans and Self-invested Personal Pension: thematic review**

- 4.1. On 6 April 2006 (“A-Day”), the government introduced changes to simplify the tax rules for personal and occupational pensions in the UK. In particular, limits to the amount that could be paid into a personal pension were removed, although there are still restrictions on the amount of tax-free payments that can be made. Additionally, A-Day provided alternatives to drawing a pension as an annuity. Following these changes many advisers reviewed their clients’ existing pension arrangements, leading to a significant increase in transfers into personal pension plans (“PPP”) and self invested personal pensions (“SIPP”).
- 4.2. In light of the significant growth in pension switches the FSA was concerned about the risk that consumers may have been switched into higher charging pensions with features or additional flexibility that they did not need. The FSA was also concerned about whether firms’ controls would be robust enough to detect and prevent unsuitable advice and ensure fair outcomes for customers.
- 4.3. In the summer of 2008, the FSA commenced Phase 1 of a thematic review of pension-switching advice, looking at pension switches made since A-Day, and at the firms’ management and oversight and compliance monitoring of this type of advice.
- 4.4. The FSA visited 30 firms and assessed 500 customer files and found that a quarter of the firms visited were assessed as providing unsuitable advice in a third or more of the cases sampled. In relation to the controls at the firms the FSA found that most firms were overly focused on procedural aspects rather than ensuring fair outcomes for customers.
- 4.5. In December 2008, the FSA published a report on the findings of phase 1 of the thematic project. The report stated that unsuitable advice had been found in 16% of cases reviewed.<sup>1</sup> The main reasons the files were assessed as unsuitable were as follows:
  - (1) the switch involved extra product costs without good reason;
  - (2) the fund(s) recommended were not suitable for the customer’s attitude to risk and personal circumstances;
  - (3) the adviser failed to explain the need for, or put in place ongoing reviews when these are necessary; and
  - (4) the switch involved loss of benefits from the ceding scheme without good reason.

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<sup>1</sup> FSA’s report on Quality of advice on pension switching dated December 2008.

- 4.6. In February 2009, the FSA published guidance on assessing the suitability of pension switches, setting out the standards the FSA expects in relation to pensions switches and the action firms should take to ensure that customers receive suitable advice.
- 4.7. The FSA wrote to over 4,500 firms to summarise our findings, to ask them to consider past and future sales in light of the findings and to take remedial action where necessary. Phase 2 of the thematic review began in the third quarter of 2009 and involved further assessments of firms to review the action they have taken, any firms that have not taken appropriate action may face further action.
- 4.8. The FSA required Financial to appoint a skilled person under section 166 of the Act in September 2008 to review the effectiveness of the Firm's corporate governance arrangements and systems and controls. The skilled person reported in December 2008 that the Firm had started to make improvements to the Firm's corporate governance and systems and controls. It also recommended the need for spot checking of regional managers as well as accompanied visits to identify any weaknesses which may be present.
- 4.9. In January 2009, following the completion of Phase 1 of the thematic project and the FSA's specific findings regarding Financial, the FSA commenced its investigation into your conduct.

### **Background**

- 4.10. The Firm is a network of appointed representatives and registered individuals ("Advisers") which has been authorised and regulated by the FSA since 1 December 2001.
- 4.11. From 1 December 2001 it was authorised to carry on the following regulated activities in relation to designated investment business:
  - (1) advising on investments (excluding pension transfers/opt outs);
  - (2) advising on pension transfers/opt outs;
  - (3) agreeing to carry on a regulated activity;
  - (4) arranging deals in investments; and
  - (5) making arrangements.
- 4.12. From 31 October 2004 it was authorised to carry on the following regulated activities in respect of regulated home finance:
  - (1) advising on regulated mortgage contracts;
  - (2) arranging regulated mortgage contracts; and
  - (3) making arrangements.

- 4.13. From 14 January 2005 it was authorised to carry on the regulated activity of dealing in investments as agent in respect of insurance mediation.
- 4.14. From 31 August 2006 it was authorised to carry on the following additional regulated activities in respect of designated investment business:
- (1) arranging safeguarding and administration of assets; and
  - (2) safeguarding and administration of assets.
- 4.15. From 6 April 2007 it was authorised to carry on the following additional regulated activities in respect of regulated home finance:
- (1) advising on a home purchase plan;
  - (2) advising on a home reversion plan;
  - (3) arranging (bringing about) a home purchase plan;
  - (4) arranging (bringing about) a home reversion plan;
  - (5) making arrangements for a home purchase plan; and
  - (6) making arrangements for a home reversion plan.

### **The Firm**

- 4.16. The Firm was established in 2001 and in 2003 became part of the Standard Financial PLC (“the Group”). The Group itself does not trade but acts as a holding company. The Group also consists of two other regulated firms. You are the CEO of the group and you are also a CF1 director for the three regulated entities. You owned shares in all these companies before they became part of the Group and currently you are the majority shareholder of the Group. You are and always have been the controlling mind behind the establishment and subsequent expansion of the Group.
- 4.17. The Firm provides a network for its Advisers to perform a broad range of financial services. The Firm was launched in 2002 with less than 26 appointed representatives and has become a network of 168 appointed representatives and 233 registered individuals. The Firm’s business model requires each member of the network to pay an annual fixed fee (rather than a percentage of their commission). Furthermore, commissions are paid directly to the Advisers so that they control the process themselves.
- 4.18. As the person approved to perform the controlled functions of CF1 and CF8 at the Firm during the relevant period, you were responsible for the day-to-day running of the Firm. You performed significant influence functions at the Firm and in practice you were responsible for:
- (1) the conduct of the whole of the business of the Firm;
  - (2) overseeing the establishment and maintenance of systems and controls; and

- (3) for dealing with the apportionment of significant responsibilities among the Firm's senior management in such a way that the business and affairs of the Firm could be adequately monitored and controlled by them.

## **Conduct in issue**

### ***Senior management oversight***

- 4.19. You were the sole director of the Firm from 2001 to 2003. You appointed the first person at the Firm to perform the controlled function of CF10 (Compliance Oversight) in 2003. Subsequently you made two further appointments to the board in 2004 and 2005. This remained the structure of the board of directors until December 2007, prior to the FSA visit in April 2008.
- 4.20. During the period in which the Firm rapidly expanded and up to 2008, in the opinion of the FSA, the Firm had in place inadequate system and controls. You failed to discharge your responsibilities appropriately in respect of setting the governance arrangements and apportioning compliance resources to maintain effective control over the quality of advice given by advisers.
- 4.21. The Firm's corporate governance structure that you established was informal and its reporting lines were unclear. Senior management did not have clear defined roles and often performed ad hoc tasks as and when they arose. Although informal management meetings took place and challenges were made, these were not always recorded, as they formed part of daily contact between members of the senior management team. This leads the FSA to conclude that, prior to 2008, senior management did not have a clear apportionment of responsibilities, and that left the Firm open to the risk of the quality of pension switching advice not being adequately controlled and monitored.
- 4.22. Under the governance arrangements you established, there was little or no senior management engagement and challenge of the quality of pension switching advice made to customers within the network. There was inadequate management information and insufficient monitoring by senior management of the suitability of pension transfer cases which would be highly profitable for the members.
- 4.23. By August 2008, the Firm informed the FSA that it recognised, in principle, that there was a risk of unsuitable pension switching advice which needed to be mitigated by a more robust approach to compliance and file checking. The Firm made significant improvements to its corporate structure from September 2008, commensurate with the increasing size and complexity of management and control of the business.
- 4.24. The Firm experienced significant growth in the last six years. The number of Advisers expanded rapidly. You failed to increase the number of compliance and support staff employed by the Firm during the same period in a way which was commensurate with the growth of the network. While, clearly, the FSA is not seeking to prescribe ratios of Advisers to compliance and support staff, it is clear from the table below that the network expanded rapidly but that the non-sales support staff remained fairly constant until 2007.

Year	No of Appointed representatives	No of Staff
2003	26	24
2005	70	27
2007	100	30
2008	168	40

- 4.25. In the third quarter of 2007, for example, the Firm only visited 23% of its network of Advisers for compliance monitoring among other general purposes.
- 4.26. You did not recruit adequate staff or put in place effective systems and controls to cope with the demands of the expanding business.
- 4.27. You failed to allocate responsibility to any particular senior manager for carrying out risk assessments of the business arrangements and systems and controls until the end of 2008. In the relevant period, senior management was more concerned with the operational effectiveness of the Firm than with ensuring compliance with regulatory rules across the network.

***Recruitment, training and monitoring of appointed representatives and registered individuals***

- 4.28. The Firm recruited the majority of its Advisers by word of mouth and through referrals from existing Advisers.
- 4.29. According to the Firm's training and competence procedures, as part of the initial training, Advisers received a 'daily trainer' e-mail which contained a quiz on various topics such as regulation, investment and taxation. However, the quiz was not mandatory and the Firm did not provide any additional support to its Advisers. The firm provided training seminars but attendance was not compulsory and the Firm did not maintain records of attendees. You did not ensure that the Firm was properly organised to assess the level of engagement of its members or proactively manage training and competence requirements and gaps across the network. However, an automated response provided Advisers with the correct answer, which could be queried using an email service provided by the Firm.
- 4.30. You failed to ensure that the Firm retained appropriate records to demonstrate how it had carried out the training, supervision and monitoring of members of the network. Furthermore, the FSA found insufficient evidence that the Firm had assessed all members' potential ongoing training needs or that it had completed formal reviews to ensure that the Advisers' training needs were appropriately met.
- 4.31. The Firm operated a technical helpline to provide support to members of the network. You failed to ensure that the Firm maintained records of calls to the technical helpline to ensure that any competence issues were highlighted during the telephone conversations. Consequently, it was impossible for the Firm to perform any trend analysis regarding the competence and training needs of its Advisers. Any

competence reviews which took place were conducted on an ad hoc basis and not formally documented or reported to you.

- 4.32. Apart from an annual compliance visit, the other main proactive communication the Firm had with its members was its newsletters which were informal in nature and not, in the FSA's view, of a professional standard. At one stage, the Firm described its approach as "We have a *laid back approach to compliance: all members are experienced IFAs*". Even though the FSA has heard representations from you that such a description does not accurately reflect the Firm's commitment to a common sense approach to compliance, there was a risk that members of the network would be adversely influenced or wrongly interpret the Firm's communications as evidence of a culture in which insufficient regard was paid to complying with requirements aimed at treating customers fairly.

#### ***Monitoring and compliance checking***

- 4.33. The Firm developed an in-house software system called Phossil to enable it to monitor the activities of Advisers. All the business undertaken by the members of the network was uploaded on to the Phossil system.
- 4.34. Following each sale individual advisers were required to input the type of business conducted and the level of commission obtained. The system then risk rated each type of business giving it a score of "one", "two" or "three", the latter indicating the highest risk. Each adviser would be given a score and this score would depend on the risk level of the business written by the member.
- 4.35. As part of its monitoring process and to ensure suitability of advice the Firm said that it conducted reviews of one in eight files reviews. However it accepted that:
- (1) until July 2008 no management information was formally disseminated to record the number of files being reviewed in a particular month or to demonstrate how the file checkers were making their assessments; and
  - (2) until January 2008 there was no system in place to review the quality of the file checking.
- 4.36. You performed significant influence functions 1 and 8 during the relevant period. You were ultimately responsible for ensuring that the recruitment, training and monitoring of Advisers was carried out in accordance with the Firm's internal policies and procedures and to ensure that the Firm was satisfied that its Advisers were fit and proper at the point of joining the network and thereafter. You were also responsible for ensuring compliance with internal policies and procedures, for the quality and effectiveness of the compliance arrangements, and for ensuring that the Firm complied in the widest sense with regulatory requirements.

#### ***FSA's pension switching thematic review findings and follow up remedial work***

- 4.37. As part of the 2008 thematic review of the quality of advice on pension switching, CRD reviewed 24 client files taken from three of Financial Limited's appointed



representatives, of which 17 cases were assessed as posing a risk of consumer detriment. The main issues of concern were:

- (1) little or no evidence of client need to transfer out of the existing scheme-client could incur additional charge and/or exposes additional risk with no clear benefit;
- (2) insufficient evidence to demonstrate that the Firm had adequately considered clients' attitude to risk in all cases;
- (3) inadequate, incomplete or a lack of cost comparisons between ceding and receiving schemes;
- (4) inadequate disclosure in the suitability reports of the impact of transfer on future retirement income; and
- (5) little or no explanation of the need for and availability of ongoing investment advice.

4.38. The Firm then voluntarily reviewed 101 of 963 pension transfers, with a single file assessed for each Adviser who had conducted a pension transfer in the period. The files were scored out of 10 with a score of 7 to 10 out of 10 passing, a score of 5 to 6 out of 10 passing with development needs and a score of less than 4 out of 10 failing.

4.39. Of the 101 files reviewed:

- (1) 25 Advisers passed and these individuals are permitted to advise on pension switching but they have to attend a pension switching workshop;
- (2) 55 Advisers passed with development, and they have to attend a pension switching workshop and achieve a consistent 7+ out of 10 on pension switching business;
- (3) 21 Advisers failed and they have to attend training sessions on their developmental points and have all of their pension switching business checked until they achieve consistent results of 7+ out of 10; and
- (4) additionally, for those Advisers that failed, Financial Limited reviewed a further 20% of past business on pension transfers and, if further problems are identified, this would be extended to 100% of all past pension switching business.

#### ***Mitigating factors***

4.40. Since December 2007 the Firm has taken a series of steps to revise its corporate governance structure, systems and controls and sales processes which have served to mitigate the seriousness of these failings and of the risks posed to customers.

4.41. On 17 October 2008 the Firm also agreed to the appointment of a skilled person under section 166 of the Act ("the Report") to review the revised system and controls, sale

process and corporate governance implemented by the Firm. The Report highlighted the positive changes made by the Firm which included:

- (1) revising the structure of the Board of Directors (“the Board”) for the Firm which included the recruitment of one non-executive and company secretary;
- (2) creating four sub-committees of the Board with delegated responsibility for establishing, overseeing and maintaining systems and control of the Firm to the Executive Directors and four sub-committees. Responsibility has been apportioned clearly and effectively so that each committee has a clear defined role of what function it performs within the Firm;
- (3) revising the structure of the compliance department by introducing the role of Regional Managers, who are responsible for assessing and providing ongoing support and training to the AR’s;
- (4) revising the induction training for new file checkers to ensure that they reach the competency standards expected by the FSA;
- (5) revising the competency and training regime, by making it mandatory for all file checkers to partake in a competency assessment and training given to any or all staff who failed in their assessment ; and
- (6) revising Phossil so that the scoring system is in line with the standard expected by the FSA.

## **5. SUMMARY OF MISCONDUCT**

5.1. The FSA concluded that the misconduct summarised above meant that you failed to comply with APER Statements of Principle 5 and 7, in that you failed to:

- (1) take reasonable steps to ensure that the business of Financial Limited was organised so that, as it expanded, it could be controlled effectively;
- (2) exercise due skill, care and diligence in certain key aspects of managing the business of Financial Limited as it expanded; and
- (3) take reasonable steps to ensure that Financial Limited complied with the relevant requirements and standards of the regulatory system in respect of advising on pension switching.

5.2. The FSA therefore imposed a financial penalty of £49,000 on you.

## **6. ANALYSIS OF SANCTION**

6.1. The FSA’s policy on the imposition of financial penalties is set out in Chapter 6 of the Decision Procedures and Penalties Manual (“DEPP”) which forms part of the FSA Handbook. When determining the appropriate level of financial penalty the FSA has also had regard to Chapter 13 of the Enforcement Manual (“ENF”), the part of the FSA’s Handbook setting out the FSA’s policy on the imposition of financial penalties which applied up to 28 August 2007.

- 6.2. The principal purpose of imposing a financial penalty is to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant behaviour.
- 6.3. The FSA will consider the full circumstances of each case when determining whether or not to take action for a financial penalty. The guidance sets out a non-exhaustive list of factors that may be of relevance in determining the level of financial penalty. In reaching its conclusion on the appropriate financial penalty in this case, the FSA considered the following factors:

*The nature, seriousness and impact of the breach in question:*

- (1) Although the FSA found no evidence that the conduct in issue was deliberate, we concluded that there was a significant risk to customers arising from the deficiencies in the monitoring of the quality of advice of members of the network in respect of pension switching recommendations, and this risk was identified by the FSA, not by the Firm or by you.
- (2) No clients appeared to have suffered any loss as a result of the breaches but the Firm agreed to an exercise by a third party to validate the quality and effectiveness of its past business review.

*Whether the person on whom the penalty is to be imposed is an individual:*

- (3) The FSA recognised that the financial penalty imposed on you is likely to have a significant impact on you as an individual.

*The size, financial resources and other circumstances of the person on whom the penalty is to be imposed:*

- (4) The FSA had no evidence to suggest that you will be unable to pay this penalty.

*The amount of benefit gained or loss avoided:*

- (5) While the FSA saw no evidence of a deliberate attempt by you to reduce management and compliance costs to increase profits, it is evident that the limited oversight of members of the network during a period of rapid expansion was not sufficient and the resources put into compliance monitoring were inadequate.

*Conduct following the breach:*

- (6) The FSA took into account your co-operation with the FSA's investigation.

*Disciplinary record and compliance history:*

- (7) The FSA took into account the fact that you have not been the subject of previous disciplinary action by the FSA.

6.4. Having considered all the circumstances set out above, the FSA determined that £70,000 (before any discount for early settlement) was the appropriate financial penalty to impose on you.

## **7. DECISION MAKER**

7.1. The decision which gave rise to the obligation to give this Final Notice was made on behalf of the FSA by Settlement Decision Makers for the purpose of the FSA's Decision Procedure and Penalties Manual.

## **8. IMPORTANT**

8.1. This Final Notice is given to you in accordance with section 390 of the Act.

### **Manner of and time for payment**

8.2. The financial penalty must be paid in full by you to the FSA by no later than 10 March 2010, 14 days after date of this Final Notice.

### **If the financial penalty is not paid**

8.3. If all or any of the financial penalty is outstanding on 15 March 2010 the FSA may recover the outstanding amount as a debt owed by you and due to the FSA.

### **Publicity**

8.4. 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 FSA must publish such information about the matter to which this Notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.

8.5. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

### **FSA contacts**

8.6. For more information concerning this matter generally, you should contact Chris Walmsley at the FSA (direct line: 020 7066 5894 ).

Tom Spender  
Head of Department  
Financial Services Authority

## **1. RELEVANT STATUTORY PROVISIONS, REGULATORY REQUIREMENTS AND GUIDANCE**

### **Statutory provisions**

- 1.1. The FSA's statutory objectives, set out in Section 2(2) of the Act, include the reduction of financial crime, maintaining confidence in the financial system and the protection of consumers.

### **Financial Penalty**

- 1.2. The FSA has the power, pursuant to section 66 of the Act, to impose a financial penalty of such amount as it considers appropriate where the FSA considers an approved person has failed to comply with a Statement of Principle issued under section 64 of the Act.
- 1.3. The Statements of Principle and Code of Practice for Approved Persons ("APER") set out the Statements of Principle in respect of approved persons and conduct which, in the opinion of the FSA, constitutes a failure to comply with them. They also describe the factors to be taken into account by the FSA in determining whether an approved person's conduct complies with a particular Statement of Principle.
- 1.4. APER 3.1.3G states that, when establishing compliance with, or breach of, a Statement of Principle, account will be taken of the context in which a course of conduct was undertaken, the precise circumstances of the individual case, the characteristics of the particular controlled function and the behaviour expected in that function. APER 3.1.4G states that an approved person will only be in breach of a Statement of Principle if they are personally culpable, that is, in a situation where their conduct was deliberate or where their standard of conduct was below that which would be reasonable in all the circumstances.
- 1.5. In this case, the FSA considers the most relevant Statements of Principle to be Statement of Principle 7 and Statement of Principle 5.
- 1.6. Statement of Principle 7 requires that an approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.
- 1.7. Statement of Principle 5 requires that an approved person performing a significant influence function take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function is organised so that it can be controlled effectively.
- 1.8. The FSA's approach to taking disciplinary action is set out in Chapter 2 of EG. In deciding to take the proposed action the FSA has also had regard to the appropriate provisions of ENF which was in force until 27 August 2007, and therefore during part of the Relevant Period. Imposing financial penalties and public censures shows that

the FSA is upholding regulatory standards and helps to maintain market confidence, promote public awareness of regulatory standards and deter financial crime. An increased public awareness of regulatory standards also contributes to the protection of consumers.

- 1.9. The FSA's policy on the imposition of financial penalties is set out in chapter 6 of DEPP which is a module of the FSA's Handbook of rules and guidance (and, previously, ENF). The principal purpose of imposing a financial penalty is to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant behaviour (DEPP 6.1.2G & previously ENF 13.1.2).
- 1.10. The FSA will consider the full circumstances of each case when determining whether or not to take action for a financial penalty. DEPP 6.2.1G (and previously ENF 12.3.3) sets out guidance on a non-exhaustive list of factors that may be of relevance in determining whether to take action for a financial penalty, which include the following:
  - (a) DEPP 6.2.1G(1) and previously EG 12.3.3(2): The nature, seriousness and impact of the suspected breach
  - (b) DEPP 6.2.1G(2) and previously 12.3.3(3): The conduct of the person after the breach
  - (c) DEPP 6.2.1G(3) and previously ENF 12.3.3(4): The previous disciplinary record and compliance history of the person
  - (d) DEPP 6.2.1G(4): FSA guidance and other published materials
  - (e) DEPP 6.2.1G(5) and previously ENF 12.3.3(5): Action taken by the FSA in previous similar cases
- 1.11. The FSA will consider all the relevant circumstances of a case when it determines the level of financial penalty. DEPP 6.5.2G sets out guidance on a non-exhaustive list of factors that may be of relevance when determining the amount of a financial penalty, which include:
  - (a) DEPP 6.5.2G(1): Deterrence
  - (b) DEPP 6.5.2G(2) and previously ENF 13.3.3(1): The nature, seriousness and impact of the breach in question;
  - (c) DEPP 6.5.2G(4) and previously ENF 13.3.3(3): Whether the person on whom the penalty is to be imposed is an individual;
  - (d) DEPP 6.5.2G(5) and previously ENF 13.3.3(3): The size, financial resources and other circumstances of the person on whom the penalty is to be imposed;
  - (e) DEPP 6.5.2G(6) and previously ENF 13.3.3(4): The amount of benefit gained or loss avoided;

- (f) DEPP 6.5.2G(8) and previously ENF 13.3.3(5): Conduct following the breach;
- (g) DEPP 6.5.2G(9) and previously ENF 13.3.3(6): Disciplinary record and compliance history;
- (h) DEPP 6.5.2.G(10) and previously ENF 13.3.3(7): Other action taken by the FSA;
- (i) DEPP 6.5.2G(12): FSA guidance and other published materials; and
- (j) DEPP 6.5.2G(13) and previously ENF 13.3.3(9): The timing of any agreement as to the amount of the penalty.