



« **BACK** Guernsey Financial Consultants Limited
 The Financial Services Commission (Bailiwick of
 Guernsey) Law, 1987, as amended (“the Financial
 Services Commission Law”)
 The Insurance Managers and Insurance
 Intermediaries (Bailiwick of Guernsey) Law, 2002, as amended (“the
 Insurance Managers and Insurance Intermediaries Law”)
 Guernsey Financial Consultants Limited (“GFC”)

On 27 February 2015 the Guernsey Financial Services Commission
 (“the Commission”) decided:

1. to impose a financial penalty of £42,000* under Section 11D of the
 Financial Services Commission Law on GFC and;
2. to make this public statement under Section 11C of the Financial
 Services Commission Law.

The Commission considered it reasonable and necessary to make these
 decisions having concluded that GFC and its Directors failed to fulfil the
 minimum criteria for licensing set out in Schedule 4 of the Insurance
 Managers and Insurance Intermediaries Law by not complying at all
 times with The Conduct of Business Rules (the “Rules”), The Code of Conduct for Authorised Insurance
 Representatives (the “AIR Code”), The Finance Sector Code of Corporate Governance (the “Corporate
 Governance Code”) and The Principles of Conduct of Finance Business (the “Principles”).

The background to these decisions:

Four routine on-site visits conducted at GFC between 2003 and 2012 identified issues requiring action
 to be undertaken to address deficiencies. In July 2012 GFC was visited by the Insurance Division as
 part of a thematic review of advice given by insurance intermediaries. As a result of the review, a
 further thematic visit was carried out to GFC by the Conduct Unit in October 2013. The visit
 identified a number of concerns with regard to treatment of clients, including the obtaining of
 adequate information from clients, the provision of written information to clients and the systems and
 controls for record keeping and corporate governance. The concerns arising from the visit were
 referred to the Enforcement Division.

As a result of its enquiries, the Commission found that:

- GFC failed to evidence that it obtained sufficient information about clients’ financial and personal
 circumstances to adequately assess their ability and willingness to take risks. As a result it was not
 possible to assess whether the recommended products were suitable for the client and would enable
 them to meet their objectives;
- GFC failed to evidence its research of the marketplace prior to making recommendations to
 clients. A high number of recommendations were made regarding a small number of product
 providers without sufficient evidence to demonstrate that other products had been considered;
- GFC was unable to demonstrate that explanations of products and the risks, charges and
 commission payments involved had been consistently provided in sufficient detail and in a way the
 client was likely to understand;
- GFC did not keep and properly maintain adequate accounting and other records of its business;
- Insufficient information was found on client files to demonstrate the rationale for early surrender
 and replacement of policies;
- In addition, the Commission had previously raised concerns with GFC on a number of occasions

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and over a significant period of time, regarding the lack of client information on file, the reasons for recommendations and the suitability of the products recommended but GFC failed to prevent such issues from recurring;

- the Board of Directors of GFC failed to effectively direct and supervise the affairs of the business and to implement effective compliance procedures.*

Mitigating Factors

At all material times, the directors of GFC were open and co-operative with the Commission and have assisted with its enquiries.

In reaching its decision, the Commission has taken into account that the directors of GFC have undertaken to arrange, in principle, for the transfer of its clients to another licensee, thereby maintaining the interests of the clients, having decided to voluntarily surrender its licence under the Insurance Managers and Insurance Intermediaries Law.

** With the agreement of the Commission, GFC has arranged for an independent third party review of its client files to be undertaken by a suitably qualified person. The cost of this review up to an amount of £30,000 will be deducted from the financial penalty payable. GFC agreed to settle at an early stage of the process and this has been taken into account by applying a discount in setting the financial penalty.*

Notice for clients

In the event that any clients of GFC may be concerned about their long-term insurance products, they should seek advice from a financial adviser before making a decision to sell as early encashment might not be the optimal choice for some products.

End of statement