



Rt Hon George Hollingbery MP
Meon Valley Constituency
The Coach House
Worthy Park
Abbots Worthy
Hampshire
SO21 1AN

18 November 2010

Our Ref: Case No: 101102G

Your Ref: MM2126

Dear Mr Hollingbery,

Thank you for your further letter of 1 November addressed to our Chief Executive, Hector Sants, on behalf of your constituents Mr and Mrs Stamp of Apless Farm, Apless Lane, Hambledon, Waterlooville, Hants, PO7 4QX. Hector has asked me to reply.

In your letter, you set out a number of questions that Mr and Mrs Stamp have raised with you as a result of my letter to you of 4 October. For your information, Mrs Stamp has also written a separate letter to me dated 28 October, asking many of the same questions.

Allegation of an Incomplete Investigation

Mr and Mrs Stamp have queried whether the FSA sufficiently discussed the geared traded endowment product ("GTEP") with Integrity Financial Solutions Limited ("Integrity") and as a consequence you are concerned that we may have conducted an incomplete investigation. As you may expect, we do not accept this interpretation and consider that the investigation was thorough. I would like to highlight that prior to our investigation, the FSA's Small Firms and Contact Division ("SF&CD") visited Integrity's offices specifically to review its GTEP product and the advice it had given to its customers to invest in this product. Subsequently, as part of our investigation we took steps, including the following, to enable us to assess the product and the advice given by Integrity to customers further:

- obtained documents and information from Integrity relating to its GTEP advice (including 20 of the 58 direct customer files);
- conducted interviews with key individuals including Mr and Mrs Stamp; and
- carried out a visit to Integrity's premises to review certain aspects of its systems and controls in so far as these related to the GTEP product.

We do not therefore accept that we conducted an incomplete investigation.

Review of Industry Standards

Mr and Mrs Stamp have requested a copy of the FSA review of industry standards in the GTEP market. There was in fact no public summary document produced at the end of the

by the FSA itself

GTEP thematic review. However, for your information, I attach a template letter that was sent out in 2007, to many of the firms that were or had previously been active in the GTEP market. This industry communication gave the FSA's view on the good and bad sales practices that had been identified during the thematic review.

Numbers of Complaints

Mr and Mrs Stamp have asked how Integrity could be responsible for 75 GTEP claims, when it only advised 58 customers to invest in the GTEP product. The claims figures included in my letter were provided to the FSA by the Financial Services Compensation Scheme ("FSCS"). The FSCS has since confirmed that the number of claims received has now arisen to 80.

?!?! BUT FOR OTHER IFA FIRMS!!

In total, 678 retail customers invested in the Integrity GTEP product and FSCS is receiving claims against Integrity not only in relation to its GTEP advised sales, but also its role as product provider. In other words, we understand that a number of customers who have made claims against Integrity received advice not from Integrity itself but from a separate independent financial adviser. In such circumstances, the customer may have claims against the product provider Integrity and the relevant IFA adviser. It is important to understand that the claim numbers referred to are just the number of claims which the FSCS has received, not the number that merit compensation. The FSCS must assess the claims received against its compensation criteria.

Mr and Mrs Stamp have asked how many of the 23 complaints received by the Financial Ombudsman Service as at 17 December 2009, related to advice given by Integrity in respect of GTEPs. Of these 23 complaints, seven related to GTEPs sold by Integrity's own IFA practice.

No Network firms

Why Integrity was Investigated

Mr and Mrs Stamp have asked for an explanation as to why Integrity was investigated by us while other firms in the industry were not. The Integrity investigation arose from the GTEP thematic review carried out by SF&CD. The information gathered during the thematic review indicated that there were circumstances suggesting that Integrity had breached a number of the FSA's Principles for Businesses in relation to its GTEP sales. The FSA provided Integrity with a Memorandum of Appointment of Investigators dated 26 November 2007, which set out the reasons for the investigation. Integrity was not the only firm investigated for GTEP failings. We have published Final Notices in relation to the following firms for failures relating to the sale of GTEPs: Knowlden Titlow Financial Services Ltd, Derrick Hales Financial Planning Ltd and Garrison Finance Centre Limited.

Networks

I note that Mr and Mrs Stamp have asked whether any action has been taken against any IFA network members in relation to GTEP sales. As I confirmed in my previous letter, we have not conducted investigations into network members in relation to this issue. This is because the majority of GTEP products were sold by directly authorised firms.

Regulatory Decisions Committee

Rubbish
50/50

19 cases were set up as Network How can it not be part of this !!

Finally, Mr and Mrs Stamp have asked whether our findings in relation to the failings at Integrity can be independently assessed by the FSA's Regulatory Decisions Committee. It is important to note that Mr and Mrs Stamp were never personally under investigation and no finding which identifies and prejudices them as individuals has been published. It is clear that they disagree with the findings we made against Integrity, but this matter has been resolved via agreement with the Integrity's Liquidator following our designated settlement procedure, we see no basis for reopening this settlement.

I hope that this is helpful

Yours sincerely
Margaret Cole

Margaret Cole
Managing Director
Enforcement and Financial Crime Division