



06 June 2025

Final report by the Complaints Commissioner

Complaint number 202400693

The complaint

1. On 25 February 2025, you submitted a complaint to my office concerning the FCA's role in relation to Exchange 1, Firm C, and Firm A. You have requested that the FCA investigate these firms, take any appropriate regulatory action, and assist you in recovering funds lost as a result of fraud on Exchange 1's platform. In the event that recovery is not possible, you are seeking reimbursement of your losses from the FCA.

Outcome: Not upheld

Background

2. You allege you were scammed on 7 December 2023 into investing into a honeypot coin with a third counter party X whilst trading on Exchange 1. Consequently, you are unable to withdraw or transfer the funds you invested.
3. You contacted Exchange 1 but you say it has not been able to assist you as it claims it has no responsibility for your choice of investment.
4. Understandably, you are seeking ways to recover your funds, and as part of this process, you have also turned your attention to FCA regulated firms Firm C and Firm A. To be clear, the main cause of your loss is a honey pot scam perpetrated by a counterparty you traded with on Exchange 1 to purchase coins. Your concerns about Exchange 1, Firm C and Firm A are to establish if these companies are connected with, facilitated in some way or at least failed to prevent the honeypot scam to which you fell victim to, and if they did so, to what extent, if any, the FCA is responsible for your losses.

Analysis

The FCA in connection with Exchange 1

5. Exchange 1 is a global crypto currency exchange incorporated in the Seychelles and registered in Lithuania and Poland. It holds digital services provider licences in various countries but not in the UK. This entity is not licenced or regulated by the FCA as it is not performing regulated activities here. Its activities do not include “qualifying assets”. Exchange 1 promotes its services to UK customers. Its UK financial services promotions approver is Firm A as of 12 November 2024.

[The FCA is responsible for ensuring Exchange 1’s promotions are approved by an authorised person.] I have reviewed the file in relation to FCA’s oversight of this and, although, I am unable to share details, I am satisfied that their actions were reasonable. **Therefore, I do not uphold this aspect of your complaint.**

The FCA in connection with Firm C

6. The FCA have said that *“Firm C is an MLR registered entity since December 2021. It has permissions to conduct cryptoasset exchange services and to provide custody wallets for storing cryptoassets on behalf of customers.”*
7. You have stated that you believe Firm C (a provider of custody wallets for crypto assets) may have been involved in your losses. However, you have not explained the basis for this belief, nor indicated that you were ever a customer of the firm. Firm C has also stated that it has no involvement with Exchange 1—this was in response to your unsuccessful attempt to initiate legal proceedings against it. I note that the FCA reviewed the information you submitted regarding Firm C. While some details cannot be disclosed for confidentiality reasons, I can confirm that in my view, the FCA has appropriately considered the information you provided, and I do not find any failure in its oversight of Firm C, nor have I seen any evidence that Firm C was connected in any way to your losses. Accordingly, **I do not uphold this aspect of your complaint.** My conclusion is based on the information you and the FCA have made available to me. If you believe there is further relevant information that should be considered, I encourage you to share it directly with the FCA.

The FCA in connection with Firm A

8. Firm A is a UK regulated firm. It approves Exchange 1's UK financial services promotions as of 12 November 2024.
9. You have acknowledged that, at the time the scam occurred, Firm A was not the financial promotion approver for Exchange 1 in the UK, and therefore had no involvement in the events surrounding the fraud committed against you. You have also expressed concern that the FCA did not initially disclose when Firm A became Exchange 1's approver, and that this only became clear later in your correspondence with the FCA. You believe this delay implicates both Firm A and the FCA in wrongdoing related to your loss and prevented you from recovering your funds and resolving your legal disputes. While I sympathise with your situation, I do not agree that the timing of the FCA's disclosure is relevant to your case based on the evidence you have provided. Firm A was not involved in approving Exchange 1's financial promotions when you made your investment. Therefore, I find it reasonable to conclude, without more, that neither Firm A nor the FCA's oversight of Firm A contributed to your loss. Firm A became Exchange 1's UK approver on 12 November 2024—almost a year after your losses occurred in December 2023. Accordingly, **I do not uphold your complaint on this aspect.**

Other

10. It is likely that Exchange 1 would have been required to undertake The Know Your Customer (KYC) and Anti-Money Laundering (AML) checks by its host country regulator. You may have a legitimate grievance if it has not done so adequately in the case of counterparty X, which perpetrated the honeypot scam. If you have not already done so, I suggest you identify the host regulators (this may depend on where the alleged fraudulent trade took place) and write to them in order to determine if there are any options available to you with respect to this matter.
11. You have suggested that there is generally a need to "Improve communication and transparency for consumers dealing with crypto exchanges and affiliated payment providers". You did not refer this statement to the FCA so it has not had an opportunity to comment directly. However, the FCA's response to your

complaint provided you with information about its publications which stress the FCA's efforts to inform consumers about the evolving landscape of cryptoasset regulation and the associated risks. If you would like more information or make suggestions to the FCA on matters which are not covered in those publications, I suggest you write to the FCA directly in the first instance.

Furthermore, HM Treasury has recently announced the publication of draft legislation by the UK government concerning the regulation of cryptoassets. *"Under the new rules, crypto exchanges, dealers and agents will be brought into the regulatory perimeter... Crypto firms with UK customers will also have to meet clear standards on transparency, consumer protection, and operational resilience — just like firms in traditional finance."*¹ Additionally, The FCA has issued a consultation on regulation of cryptoasset trading platforms and the deadline for views is 13 June 2025.

My decision

12. In conclusion, while I sympathise with your situation, I do not consider your complaint about the FCA in relation to these three companies to be justified. This is because, firstly, Exchange 1 is not regulated by the FCA and in relation to its separate financial promotion activities, it acted reasonably. Further, you have not provided evidence—nor have I found any independently—that links Firm A and Firm C to your losses. As such, there is no basis to conclude that any failing in the FCA's oversight of those companies contributed to your losses. I therefore agree with the FCA's position and do not uphold your complaint. I also do not believe the FCA should reimburse you.
13. I am sorry, but neither the FCA nor I can assist you in recovering your losses. I have made some suggestions above about options open to you to explore, in order to be helpful, however I suggest you take independent advice in order to fully understand your options.

¹ <https://www.gov.uk/government/news/new-cryptoasset-rules-to-drive-growth-and-protect-consumers>

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