

22nd September 2014

Dear Complainant,

Your complaint against the UK Financial Services Regulator
Reference Number: FCA00022

Thank you for your letter of 18th August 2014. I am sorry for the delay in replying.

As the rules of the scheme under which I consider complaints can be found on our website at www.fsc.gov.uk, I do not intend to set them out below.

Your complaint

From your letter I understand that you allege that Insurer C is a cloned company. You add that you have provided what you say is documentary evidence to support this claim and are unhappy that the FCA will not accept and has, in your view, failed to act upon your assertions.

My position

I have now completed my review of the two investigation files which the regulator has passed to me. From this it is clear that the regulator has considered your concerns and has attempted on a number of occasions to explain the events which took place regarding the change of ownership of Insurer W, which later changed its name to Insurer C Insurance Ltd (CIL).

Whilst I understand that you are unhappy with the situation, it does not appear to me that the issue giving rise to your complaint is directly related to the regulator's actions, as it is the change of ownership of Insurer W which has caused the problems you are complaining about. As such, in accordance with paragraph 3.2 of the Complaints Scheme, as you do not appear to have been directly affected by the regulator's actions, I do not believe that your complaint is one which I can formally consider.

However, I hope that the information I have included below will help you to understand my decision.

- | | |
|-------------------------------|--|
| 1 st December 2001 | Regulation by the FSA starts. Insurer W and Insurer T are both regulated by the FSA. |
| August 2003 | Insurer S acquires the shares of Insurer W |
| 15 th May 2008 | Insurer W sells its renewal rights to Insurer T. |

- 31st August 2008 Insurer W closes to new business (i.e. it will not issue any new policies but will continue to deal with all policies which were in force as at 31st August 2008).
- 19th September 2008 Holding Firm CTC changes its name to Firm C.
- 28th October 2008 Insurer S enters an agreement, subject to the FSA's agreement, where it will sell its shares in Insurer W to Holding Firm C.
As Holding Firm C does not intend to conduct regulated activity itself, since regulated activity will be conducted by Insurer W, Holding Firm C is not (and is not required to be) regulated by the FSA.
- 22nd December 2008 The FSA approves the sale of Insurer W's shares to Firm C and the sale is completed.
- 27th March 2009 Insurer W changes its name to CIL.
- 30th October 2009 CIL transfers all policies incepted after 1st January 2008 to Insurer T.
- 21st November 2011 Insurer T, which has no link to CIL Ltd, adopts the trading name of Insurer WI.

From this it is clear that the owners of Insurer W have changed on two occasions between 2003 (when it was sold to Insurer S) and again in 2008 when its remaining assets were sold (to Holding Firm C). Before its sale to Holding Firm C, the ongoing viability of Insurer W appears to have been questioned. This is clear from the fact that Insurer W sold its renewal rights (i.e. once an existing policy ended the ability to offer a renewal) to Insurer T and that it closed to new business (i.e. it would not offer any new policies) from 31st August 2008.

The fact that a business may close to new or repeat business does not mean that the firm will close or liquidate immediately. Insurance firms have underlying assets which are used to cover any claims they receive and claims for injury can still be submitted several years after a policy has ended.

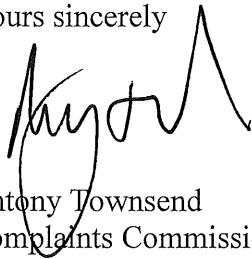
In this case, as the owners of Insurer W did not wish to continue to sell new business the renewal rights of all of its policies were sold to Insurer T on 15th May 2008. This sale only related to the renewal rights of policies and did not relate to policies which were in force at that time. Subsequently, on 31st August 2008, Insurer W went into what is known as 'run-off' which meant that it would administer (and meet any liabilities it may have on) the policies which were live or in force, but that it would not write any new business (or take on any new liabilities). I would add that Insurer S subsequently sold Insurer W (which included the existing live policies (including their liabilities) and the underlying assets of Insurer W) to Holding Firm C.

It was not until 30th October 2009 that CIL transferred all policies (and their liabilities) which started after 1st January 2008 to Insurer T.

Whilst I appreciate that you have suggested that Insurer S sold Insurer W to Insurer T on 26th February 2008, I have not seen anything to suggest that this was the case. As Insurer W was an authorised firm, the transfer of principal (owner) can only take place with the approval of the regulator under the provisions contained within Part VII of the Financial Services and Markets Act 2000. As the regulator did not grant approval for the transfer of the ownership of Insurer W until December 2008 (when it approved the transfer to Holding Firm C) I am unable to agree with you that CIL is a cloned firm.

I hope that my letter has clarified the position and reassured you about the validity of CIL.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Antony', with a large, sweeping flourish extending upwards and to the right.

Antony Townsend
Complaints Commissioner