PO-5362

Ombudsman's Determination

Applicant	Mr Alexander Toward
Scheme	Yorsipp Ltd Pension Scheme
Respondent	Yorsipp Trustees Ltd

Complaint Summary

Mr Toward complains that Yorsipp failed to carry out adequate due diligence in Professional Funding Services Ltd (**PFS**) before sanctioning his request in March 2011, to invest £40,000 of the SIPP fund in PFS by means of an unsecured loan. He also contends that Yorsipp did not subsequently monitor the performance and security of his investment in PFS and as a consequence of these shortcomings he has lost £40,000 in the SIPP.

Summary of the Ombudsman's Determination and reasons

The complaint should not be upheld against Yorsipp because the evidence falls short of establishing that injustice was caused to Mr Toward as a result of any failure on the part of Yorsipp to exercise due care and diligence in the conduct of business with him. I do not therefore consider Yorsipp should be liable for any loss in the value of the SIPP.

Detailed Determination

Material facts

1. Mr Toward was a client of the independent financial adviser (**IFA**), Stewart Asset Management Ltd (**SAML**), for over 20 years. SAML commenced wind up in November 2013, and is currently in liquidation.

2. Mr Brian Stewart and Ms Jacqueline Fowler were directors of SAML. They resigned in January 2013 and November 2012, respectively. Mr Stewart has held 14 directorships of which only two of them remain active.

3. Mr Toward established the SIPP through SAML by completing an application form (**the Form)** in December 2010.

4. The Form said that Mr Toward should study Yorsipp's Explanatory Guide for more details on the SIPP and also seek financial advice from the IFA before completing it.

5. By signing the Form, Mr Toward declared to Yorsipp that he agreed to be bound by the Trust Deed and Rules of the SIPP (**the Trust Deed**) and that he had received and read the Key Features of the SIPP. Yorsipp were the Trustees of the SIPP and its day to day administration was delegated to Yorsipp Ltd.

6. Paragraph 14 of the Trust Deed said that:

> "14. In exercising its investment powers under Clause 11 of this Trust Deed, the Scheme Trustee will act in accordance with any directions given by the relevant Member or any professional individual or body acting with the prior written authorisation of the Member, except that:
>
> 14.1. The Scheme Trustee may in its absolute discretion from time to time impose restrictions on particular classes or descriptions of investments or other transactions;
>
> 14.2 The Scheme Trustee shall not make or retain investment or enter into any transaction which would in the opinion of the Scheme Trustee breach the provisions of the Scheme or prejudice the Scheme's status as a Registered Pension Scheme…"

7. The Key Features stated, in particular, that an aim of the SIPP was to enable Mr Toward to make investment decisions with the IFA on how he would like to invest his pension savings. It also said that he should also regularly review his investment portfolio with the IFA.

8. In February 2011, Mr Toward notified Yorsipp that he wished to invest £40,000 of the SIPP fund as an unsecured loan to PFS for the purpose of funding commercial litigation. He also declared to Yorsipp that:

    - he had read and understood the PFS application form, PFS loan agreement and funder's insurance policy (relevant paragraphs of which have been reproduced in the Appendix below);

- he had sought independent financial advice from SAML about PFS;
- he qualified as a professional investor;
- he understood that his application was irrevocable; and
- Yorsipp had not given him any advice on this investment.

9. The directors of PFS included Mr Brian Stewart and Ms Jacqueline Fowler. Mr Stewart is the sole remaining active director of PFS. Ms Fowler resigned in February 2012.

10. By signing the PFS application form, Mr Toward declared to PFS that:

- the application was irrevocable;
- he had the financial ability to bear the economic risk of the investment; and
- he was a professional investor who had the knowledge and experience in financial and business matters to be capable of evaluating the merits of the investment.

11. The PFS loan agreement stated that until the loan was repaid in full, interest would be payable by PFS at 9% pa quarterly in arrears with the first payment due on 23 March 2010. It also said that if any payment was not paid when due, PFS should pay interest at 9% pa on such sum from the due date until the date payment is received.

12. After PFS entered Creditor's Voluntary Liquidation (**CVL**) in January 2013, Mr Toward sought legal assistance from Square One Law LLP (**SQ1 Law**) concerning the effect of this on the SIPP. In their letter dated 22 August 2013, SQ1 Law advised him as follows:

> "…SIPP providers are not in a position to provide financial advice on how to invest your assets or investments that you instruct them to make and they (Yorsipp) have therefore denied any accountability for your investments in PFS.
>
> Irrespective of this…Yorsipp do have a responsibility to be confident that the investment opportunities that are made available to SIPP members are bona fide investments. As a trustee of your pension scheme…they have a duty of care to you as a beneficiary, most particularly with regard to two matters:
>
> (1) to undertake appropriate due diligence to establish the integrity of the investment, before accepting instruction to invest; and
>
> (2) to ensure that the factual statements declared on behalf of you as investors were true and accurate
>
> PFS was an unregulated company and this was therefore a riskier investment, which should have triggered greater due diligence enquiries. It is evident that such due diligence was not carried out as any enquiries should have revealed the conflict of interest of Brian

> Stewart. Furthermore, it should be general practice for Yorsipp to have knowledge of the IFAs who advise their members and therefore they should have had an awareness of the other interests of Brian Stewart.
>
> Yorsipp should also undertake ongoing due diligence on accepted investments and have sufficient management information to understand how their SIPP is being used. It would therefore be reasonable to assume that they should have made ongoing investigations when additional investments were made by you… Appropriate enquiries do not appear to have been made at any stage.
>
> SIPPs predominantly invest in regulated markets and they should therefore have drawn your attention to the fact this was a riskier investment given that you were making a substantial investment into an unregulated product. As trustees, Yorsipp should have knowledge of your risk appetite and, in consideration of the above factors, should have raised concerns about investing in the product.
>
> I understand that the statement of affairs prepared by the liquidator has indicated that the best distribution to creditors of PFS is 67 pence per £, subject to the costs of winding up, but it could be a lot less than that if loan note holders establish priority and costs of the liquidation are substantial. Unfortunately, PFS was not subject to regulation by the Financial Conduct Authority (**FCA**). The difficulty therefore is that you are unable to bring any claim for compensation to the Financial Services Compensation Scheme (**FSCS**). Nor was there any insurance in place which might answer your claim. Your only option for financial redress from PFS is to await the distribution of assets from the liquidator.
>
> SAML advised you on the majority of the transactions. You were specifically advised by Brian Stewart who induced you into making substantial investments into PFS. As an IFA Brian Stewart had a fiduciary duty…to advise you on potential investments in accordance with your risk appetite. In normal circumstances, SAML and Brian Stewart personally would be the parties who you would pursue for your losses. Both are, however, we understand, insolvent and uninsured and SAML has not responded to the preliminary notice of claim (if it did it might have suggested there was still insurance cover).
>
> It is possible for you to make a claim for compensation against SAML to the FSCS. The FSCS as far as we are aware will only make a payment if they are the "last resort". It may be, therefore, that they will not make any compensatory award before the PFS liquidation is finished."

13. Mr Toward accepted the legal advice and complained to Yorsipp essentially for the reasons given above. In his letter, he also said that:

> "You will recall that you in fact phoned me in early December 2012 asking the whereabouts of Brian Stewart as you were unable to contact him. This raises the question why, when the interest was

> supposed to be paid in March 2012, did it take so long for you to become aware there was a problem. At no time did you advise this was a riskier investment and given that my wife and I invested a further £60,000 in October 2011, we would have had the opportunity to raise the matter with Brian Stewart regarding your concerns and it may have been possible to retrieve all our investment monies."

14. Yorsipp did not uphold Mr Toward's complaint.

15. In October 2013, the liquidators of PFS paid the costs to liquidate SAML of £5,000 using funds taken from PFS assets.

16. FSCS announced on 21 October 2013, that consumers who have lost money dealing with SAML (which they had recently declared in default) might be entitled to compensation from them and should consequently get in touch.

17. According to the liquidator's progress report covering the period from 4 January 2014 to 3 January 2015, the net value of the PFS assets was £11,399. It also showed that:

    - PFS had loaned monies totalling circa £6.8M to three different parties in order to fund certain litigious actions;
    - two of the cases had reached an unsuccessful conclusion and claims made to the relevant insurer;
    - the third case was still ongoing;
    - about £221K of the £6.8M had been recovered so far through the purchase of insurance cover;
    - they were experiencing difficulties getting the insurance companies to pay out the claims and have had to take legal action in some cases in order to try forcing them into paying; and
    - it was likely to take considerable time to resolve these matters.

Mr Toward's position

18. SAML instructed him to sign the Form in December 2010, after telling him that "it was normal procedure" to do so.

19. He first became aware that Mr Stewart and Ms Fowler were also directors of PFS only after PFS went into CVL in January 2013.

20. He does not consider himself to be a professional investor. After retiring in September 2005, because of ill health, he relied on SAML who he thought were "experts" in financial matters to provide him with financial advice which he acted upon. He has always been a low risk investor and was not aware that PFS was unregulated by the FCA at the time he invested in it.

21. Yorsipp did not carry out proper due diligence on PFS. He also disagrees with their stance that they were unaware of any problems in PFS until after receiving notification in December 2012, that it had gone into liquidation.

22. Mr B of Yorsipp attended the PFS creditors meetings held in January and June 2013, but left them prematurely before they had finished with total disregard for his circumstances.

23. His wife can confirm that Mr B telephoned him in early December 2012, asking for the whereabouts of Mr Stewart. When Mr Stewart visited them a few days later, they informed him of Mr B's call.

24. Yorsipp should provide a full explanation of the circumstances behind the departure of Mr B from their company.

Summary of Yorsipp's position

25. They could not give Mr Toward any advice on the suitability of the SIPP or his investment choices. This was made clear to him on both the Form and the PFS application form which he signed. Mr Toward is responsible for making his own investment decisions with the assistance of his IFA.

26. They reviewed Mr Toward's PFS investment in accordance with the requirements of the SIPP Rules. They considered taxation matters and whether there were any issues raised by the PFS documentation, in particular, the document entitled "PFS – The Offering" (relevant paragraphs reproduced in the Appendix below) which would prevent them from allowing Mr Toward to invest in PFS. Mr Toward received a copy of this document for his reference.

27. They carried out checks on the status and permissions of SAML based on the FCA's reference number (409845) shown on the Intermediary Agreement which SAML completed for them.

28. At the time Mr Toward made his investment in PFS, they were aware that Mr Stewart and Ms Fowler were directors of both SAML and PFS and also that PFS was not regulated by the FCA. They did not consider this to be an issue because Mr Toward had declared to them that he was a professional investor. Furthermore, his SIPP application and investment request in PFS were submitted to them via SAML, an authorised IFA, with whom they had an established business relationship. There was no consequently no reason for them to question the validity of Mr Toward's declaration and to point out that the PFS was unregulated to him.

29. Any failure to disclose a conflict of interest by Mr Stewart and Ms Fowler in PFS is an issue which Mr Toward should take up with them directly.

30. The 2009 Thematic Review focuses more on the relationship between the SIPP operator and intermediaries. Investment due diligence is not mentioned until the

2012 Thematic Review. (Pertinent paragraphs from both reviews can be found in the Appendix below).

31. They did review their business in light of the comments made in the 2009 Thematic Review. Their systems and controls allow them to monitor the types of business in place, including esoteric investments. They recorded the PFS investment as non-standard but it did not strike them as anomalous because they had SAML clients who did not invest in PFS. They decided that it would be inappropriate for them to request copies of suitability reports for potential investments.

32. They have no record of the telephone conversation which Mr Toward says took place the week prior to official notification that PFS had gone into liquidation on 20 December 2012.

33. According to the PFS loan agreement, loan interest can be paid late providing interest accrued on the amount outstanding until payment. They had no reason, therefore, to believe that there were any problems in PFS until receiving notification that PFS had entered CVL.

34. They have seen no evidence corroborating Mr Toward's allegation that they left the creditor's meetings in January and June 2013, early.

35. According to their records, they have seven members who invested in PFS on the advice of SAML between March 2010 and March 2011. Of these, three were existing Yorsipp members and four established their SIPPs with them shortly before investing in PFS. Five of these members' sole investment in their SIPPs was in PFS.

Conclusions

36. Mr Toward says that he is an inexperienced low risk investor and only made investment decisions based on the advice received from his IFA, SAML. A SIPP is a tax efficient and flexible way of saving for retirement. It is only for people who are reasonably sophisticated investors and want to control and actively manage their pension investment. It would therefore appear that Mr Toward has not understood the level of personal responsibility he has taken on and the SIPP may not have been appropriate for him.

37. Yorsipp recommend that any potential client should consider his/her position carefully, seeking independent financial advice, if necessary, about whether setting up a SIPP is in his/her best interests. Mr Toward did exactly that by seeking advice from SAML before doing so. In my view, SAML possibly failed to ensure the suitability of the SIPP as an investment product for Mr Toward when they sold it to him. It is not, however, my role to judge this because I am only looking at the actions of Yorsipp, as the SIPP trustee and provider.

38. It is important to understand where responsibility lies within the relationship between the IFA and the SIPP provider. SIPP providers can only offer guidance, help and support when looking at particular investments, especially those of a more esoteric

nature, but the responsibility for ensuring that the investment is appropriate and suitable lies with the IFA.

39. SIPPs offer plenty of choice to adventurous pension savers who want to invest outside the mainstream. Whether higher risk investment ideas may be considered suitable for a SIPP is up to the investor. If he/she has an IFA (such as Mr Toward had) and things go wrong, in my view, the IFA should be taking responsibility if their investment advice is established to be inappropriate.

40. Mr Toward says that he signed the Form and PFS application form without reading the declarations and provisions on them because he had trusted the advice given to him by SAML I cannot ignore the fact Mr Toward clearly signed agreements setting out the level of personal responsibility which he has taken on.

41. By signing the Form, Mr Toward had declared to Yorsipp that he had read the Trust Deed and agreed to be bound the provisions in them. I consider that the Trust Deed made it clear to Mr Toward that Yorsipp had to follow his investment instructions unless, in their opinion, by doing so HMRC rules would be breached. By signing the PFS application form, he confirmed that he was a professional investor who had sufficient financial and business acumen to be able to decide whether PFS was a suitable investment for his requirements. He also confirmed that he was aware that investing in PFS would be risky when he declared that he had the financial ability to bear any losses in this investment.

42. The criteria for accepting investments in SIPPs continue to evolve. Prior to April 2007, SIPPs had essentially been unregulated. It was only after this date that all SIPPs had to be authorised and regulated by the FCA (formerly the Financial Services Authority (**FSA**).

43. In December 2008, the FCA began a thematic review of SIPP operators to determine the extent to which they were adhering to their principles and rules.

44. The review, published in September 2009, recommended that SIPP providers should:

    - monitor and bear some responsibility for the quality and type of business introduced to them;
    - be responsible for the compliance aspects of individual SIPP advice;
    - routinely record and review the type and size of investments recommended by advisers; and
    - request copies of suitability reports

45. The failed investment in PFS was made by Mr Toward only after he had received and accepted the advice of SAML and also after the release of the FCA report on SIPPS in Septemberr 2009.

46. In my view, the checks which Yorsipp undertook (as summarised in paragraphs 26 to 28 above) were adequate to meet the requirements imposed on them by the FCA and HMRC for such investments at that time. In particular, by examining the document entitled “PFS – The Offering”, Yorsipp had studied the structure of the PFS investment and checked that the promotional literature matched the facts. They had also established how the SIPP would obtain a return on the investment, that PFS was trading, and who the directors of PFS were.

47. Having declared twice to Yorsipp that he was a professional investor, I consider it reasonable for them to have assumed that Mr Toward should have been able to ascertain himself that Mr Stewart and Ms Fowler (if not already disclosed by Mr Stewart) were directors of both SAML and PFS, from the information readily available on the internet . I am satisfied that Yorsipp did adequately review the PFS investment in order to try and protect Mr Toward’s interest and to ensure no unnecessary tax penalties were incurred.

48. I am also persuaded that Yorsipp reviewed their business in light of the findings of the 2009 Thematic Review and that they have robust systems and controls in place allowing them to monitor the investments made by their clients. Yorsipp say that they classified the PFS investment as non-standard but did not consider it to be anomalous because not all of their clients with SAML, as financial intermediary, had invested in PFS. In my opinion, this was a reasonable conclusion for Yorsipp to have reached.

49. Mr Toward alleges that if Yorsipp had taken appropriate action immediately when the loan interest due from PFS in March 2012, was not paid, he would have sought repayment of his loan before PFS went into liquidation. A missed interest payment did not necessarily mean that PFS was in serious financial trouble at that time. There could be other reasons why it was not paid. Furthermore, the PFS loan schedule allows for the possibility of such an event occurring and describes what remedial action PFS should take to rectify matters.

50. In any case, by declaring himself as a professional investor and having been made aware that investing in PFS would be risky, Mr Toward, in my view, should have been monitoring the performance of PFS (with the assistance of SAML). I, therefore, find it reasonable for Mr Toward to have discovered the missed interest payment himself much earlier and act accordingly.

51. An investigation of Mr B’s departure from Yorsipp is outside my jurisdiction.

52. The evidence, therefore, falls short of establishing that injustice was caused to Mr Toward as a result of any failure on the part of Yorsipp to exercise due care and diligence in the conduct of business with him. They are consequently, in my opinion, not liable for any loss in the value of Mr Toward’s SIPP investments.

53. I do not uphold Mr Toward's complaint.

Anthony Arter
Pensions Ombudsman
10 July 2015

APPENDIX

Relevant Paragraphs Taken from "Financial Services Authority (FSA) Self-Invested Personal Pensions (SIPP) operators – a report on the findings of a thematic review" (published in September 2009)

The specific activity of administering Self-Invested Personal Pensions (SIPPs) has been regulated by the FSA…since 6 April 2007. In December 2008 we began a thematic review of small SIPP operators…to determine the extent to which they are adhering to our Principles and Rules.

In this report, we describe the findings of this thematic review, and make clear what we expect of SIPP operator firms in the areas we reviewed…

We are asking everyone receiving this report…to review their business in light of its contents…firms unable to demonstrate that they have analyse their systems and controls as a result of this thematic review, and made any appropriate improvements, may be the subject of a further regulatory investigation.

We encountered a relatively widespread view among small SIPP operators that they bear little or no responsibility for the quality of the SIPP business that they administer…

We agree that firms acting purely as SIPP operators are not responsible for the advice given by third parties such as IFAs. However, we are also clear that SIPP operators cannot absolve themselves of any responsibility, and we would expect them to have procedures and controls…enabling them to identify possible instances of financial crime and consumer detriment such as unsuitable SIPPs.

Of particular concern were firms whose systems and controls were weak and inadequate to the extent that they had not identified potential instances of poor advice and/or potential financial crime. Depending on the facts and circumstances of individual cases, we may take enforcement action against SIPP operators who do not safeguard their customers' interests in this respect, with reference to Principle 3 of the Principles for Businesses ("a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.")

The following are good examples of measures that SIPP operators could consider, taken from examples of good practice that we observed and suggestions we have made to firms:

- Routinely recording and reviewing the type (i.e. the nature of the SIPP investment) and size of investments recommended by intermediaries that give advice and introduce clients to the firm, so that potentially unsuitable SIPPs can be identified;
- Being able to identify anomalous investments, e.g. unusually small or large transactions or more “esoteric” investments such as unquoted shares, together with the intermediary that introduced the business. This would enable the firm to seek appropriate clarification, e.g. from the client or their adviser, if it is concerned about the suitability of what was recommended;
- Requesting copies of the suitability reports provided to clients by the intermediary giving advice. While SIPP operators are not responsible for advice, having this information would enhance the firm’s understanding of its clients, making the facilitation of unsuitable SIPPs less likely;
- Routinely identifying instances of execution-only clients who have signed disclaimers taking responsibility for their investment decisions

---

Relevant Paragraphs Taken from “FSA Self-Invested Personal Pensions (SIPP) operators – a report on the findings of a thematic review” (published in October 2012)

In 2009 we reported that, when taken as a whole, SIPP operators did not pose a significant risk to our statutory objectives. By 2011 our view of the sector was changing and…we had concerns about poor firm conduct and the potential for significant consumer detriment.

This latest review was undertaken to investigate these concerns and determine the extent to which SIPP operators had adapted their processes and procedures to reduce risks following our 2009 report…

The findings of this review confirmed our concerns.

Poor compliance with regulatory requirements, particularly in the area of risk planning and mitigation, has significantly increased the risk posed by SIPP operators…

We also found inadequate controls over the investments held within some SIPPs.

Together these findings make it clear that SIPP operators have the potential to lead to significant consumer detriment through a failure to adequately control their businesses.

All SIPP operators should review their business in light of the contents of this report…

…we expect to undertake more supervisory work across the SIPP operator sector, focusing on a number of areas, including those highlighted in this document.

Firms unable to demonstrate during any future supervisory contact with the FSA that they have analysed their systems and controls as a result of this thematic review, and made any necessary improvements, may be the subject of further regulatory action.

During our review we found the following:

- A poor understanding among firms' senior management of regulatory requirements and their individual responsibilities.
- Inadequate risk identification processes and risk mitigation planning, underpinned by poor quality management information.
- An increase in the number of non-standard investments held by some SIPP operators, with often poor monitoring of this.
- A lack of evidence of adequate due diligence being undertaken for introducers and investments.

In our 2009 report we identified that there was a relatively widespread misunderstanding among SIPP operators that they bear little or no responsibility for the quality of the SIPP business that they administer, as this is the responsibility of clients and clients' advisers. The work undertaken during this review evidenced that this perception remains prevalent in a number of the SIPP operators sampled.

As we stated in 2009, we are very clear that SIPP operators, regardless of whether they provide advice, are bound by Principle 6 of the Principles for Business: "a firm must pay due regard to the interests of its customers and treat them fairly", in so far as they are obliged to ensure the fair treatment of their members.

SIPPs are intended to provide individuals with the ability to invest in a wide range of opportunities. We have seen that the range of non-standard investments…held within SIPPs has increased significantly, as has the customer base to which they are marketed.

Approximately 70% of the SIPP operators in our general review reported that they held non-standard investments; however over a quarter of the firms sampled were unable to identify the percentage of non-standard investments held due to poor quality management information.

Although the level and types of investments some customers are looking to hold within their SIPP has diversified rapidly over the last 24 months, firms' processes are not keeping pace.

Principle 2 of the Principles for Business states "a firm must conduct its business with due skill, care and diligence."

Some SIPP operators were unable to demonstrate that they are conducting adequate due diligence on the investments held by their members or the introducers who use their schemes, to identify potential risks to their members or to the firms itself. In some firms this was made worse by an over-reliance on third parties to conduct due diligence on behalf of the operator. In some cases this has resulted in taxable investments being inadvertently held, and monies invested in potentially fraudulent investments.

Relevant Paragraphs Taken from the document entitled "PFS – the Offering"

PFS offers sophisticated investors the opportunity to invest in the business of litigation through a private placement.

The investment offers the opportunity to achieve a fixed income of 9% pa, payable annually, for a targeted period of 3 years. It should be noted, that there is potential for some early capital repayment to be made within the three year investment period.

This investment presents a compelling opportunity for sophisticated investors to participate in a substantially growing industry and has the following key characteristics:

- Achieve a fixed income of 9% pa, payable annually, with return of capital.
- Formed part of a balance portfolio.
- Uncorrelated to equity markets.
- The opportunity to take advantage of the high returns available within the litigation market.
- Loans issued using comprehensive built in checks and safeguards.
- The security of an insurance policy which guarantees 100% of investor capital.
- The security of an After the Event insurance policy with every case.
- Where applicable the security of a financial guarantee bond

Introduction to Commercial Litigation Funding

The Market

There are over 5,000 solicitors firms in England & Wales practicing Commercial Litigation work. At present, there is no supporting data to confirm the potential market for Commercial Litigation. However approximately 70,000 cases are issued every year in court whilst a substantial amount are resolved through mediation or arbitration…there are very few funding alternatives for cases with a claim value of less than £3 million. The demand for funding is simply not being met and a view is 98% of the market is currently left untouched.

Current Funding Options

The current funding options available to potential claimants are:

- Conditional Fee Agreement, i.e. “no win no fee”
- Contingency Fee – the funder will claim a percentage of the award which can be as little as 30% or as high as 70%.

Our Funding Solution

Our funding is based on a fixed amount, clearly outlined to the client at the beginning of the case. The benefits:

- Interest charged on a simple, not compound basis.
- Set funding fee that is known at inception.
- Funding for low value cases right through to multi-million pound value cases.
- Very lost cost to the client when compared to the use of a deduction loan award on a contingency basis.
- Open, clear and easily understood by the client.
- If the case is loss the client pays nothing.

How is the Loan Repaid?

- If the case is successful, the loan, including the interest, must be repaid by the solicitor out of the Claimant’s award.
- in the unlikely event that the borrower’s case is successful but the defendant is unable to pay, the Financial Guarantee Bond will pay the principal loan, half the arrangement fee plus the interest at cost (this is the interest due to the investor).
- If the case is unsuccessful, the “After the Event” insurance company will pay the principal loan half the arrangement fee plus the interest at cost.
- In any event, investor capital is 100% protected by the insurance policy.

Investor Safeguards

- Investor funds are only deployed to authorized third parties so the claimant never has access to the loan.
- We only lend on cases where legal opinion confirms the prospects of success as good.
- We only lend where the Claimant has excellent legal representation.

- We only lend on cases when we have ATE insurance in place which protects the investor in the unlikely event the case fails.
- Where appropriate, we only lend on cases when we have a Financial Guarantee Bond in place which protects the investor in the unlikely event the case is successful but the defendant is unable to pay.
- Loans can only be drawn down at pre-determined intervals for pre-determined costs.
- Credit check of client and defendant.
- Upon receipted information, funds are paid directly to the solicitor's client account for disbursement.
- Extensive due diligence which includes a thorough review of all papers is carried out on each case by an expert in the market place.
- File audits are carried on each case every quarter and upon the occurrence of a material change until conclusion.
- The award is paid directly to the client's solicitor who is bound by agreement to reimburse the funder in full prior to paying the client.