



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

PO BOX 559
Dame Street
Dublin 2

T +353 1 224 4000
F +353 1 671 6561

Settlement Agreement between the Central Bank of Ireland and 1) an Insurance Intermediary and 2) a person concerned in the management of an Insurance Intermediary

The Central Bank of Ireland (“**the Central Bank**”) has entered into a Settlement Agreement with an Insurance Intermediary (“**the Firm**”) a regulated financial services provider and a person concerned in the management (“**PCM**”) of the Firm, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“**the Code**”).

Disqualification, reprimand and fine

The Central Bank reprimanded the PCM and disqualified it from being a PCM of any regulated financial service provider for a period of 3 years.

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €12,000.

Breaches

This case concerns wrongful debits made from the client premium account in breach of Provision 28, Chapter 5 of the Consumer Protection Code 2006, and failure to carry out or

retain monthly reconciliations of amounts due to regulated entities with the balance on each client premium account in breach of Provision 29, Chapter 5 of the Consumer Protection Code 2006.

The breaches identified are:

1. Between 15 July 2008 and 30 September 2010, in breach of Provision 28, Chapter 5 of the Consumer Protection Code 2006, the Firm made debits in the cumulative sum of €121,250 from its Client Premium Account and transferred the sums to the office account of a separate company and to the Firm's office current account. These sums were then used by the Firm to discharge debts of the Firm and those of the separate company.
2. Between 1 August 2006 and 31 October 2010 the Firm failed to carry out or retain monthly reconciliations on each client premium account the Firm operated, in breach of Provision 29, Chapter 5 of the Consumer Protection Code 2006.

Background to the Contraventions

The breaches were brought to the Central Bank's attention by the PCM at the commencement of an inspection of the Firm in October 2010. The PCM repaid amounts due to the client premium account the day before the inspection. Following this inspection, an examination was carried by the Central Bank's Enforcement Division.

Sanction decision factors

The taking of this case and the sanctions imposed reflect the seriousness with which the Central Bank views the wrongful use of client funds, in this case, monies in the client premium account.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- The PCM acted deliberately in wrongly debiting the client premium account and its actions caused the Firm to breach Provision 28 of Chapter 5 of the Code.
- The duration and frequency of the breaches - the transfers were wrongfully made from the client premium account on several occasions during a 27 month period.
- The Firm benefitted financially from the breaches – the wrongful transfers from the client premium account were akin to interest free credit.
- The wrongful withdrawals from the client premium account were brought to the Central

Bank's attention by the PCM when the authorised officers arrived on site to the Firm to carry out the inspection.

- Since the matter was disclosed, the Firm and the PCM have cooperated with the Central Bank by admitting the breaches, and by remedying the issues the subject matter of the examination.
- No client or insurance company suffered any loss as a result of the breaches.
- The examination into this matter disclosed no further breaches.

The Central Bank confirms that the matter is now closed.

-end-

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with an Insurance Intermediary (“**the Firm**”) a regulated financial services provider and a person concerned in the management of the Firm, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“**the Code**”).

The Central Bank of Ireland also issued a general comment from the Director of Enforcement, Derville Rowland:

The Central Bank has a strategic priority to protect consumers. We aim to strengthen and maintain protection for consumers so that financial services work in the best interests of consumers both at the present time and in the future.

Client money and client premium protections are critical to consumer confidence. We are conscious of the current difficult trading environment for firms and are cognisant that there may be increased temptation to look to client money or premiums as a way to improve cash flow difficulties.

Firms should be in no doubt that the Central Bank will not tolerate misuse of client money or premium in any circumstances, and where breaches are identified, the most serious sanctions will follow.