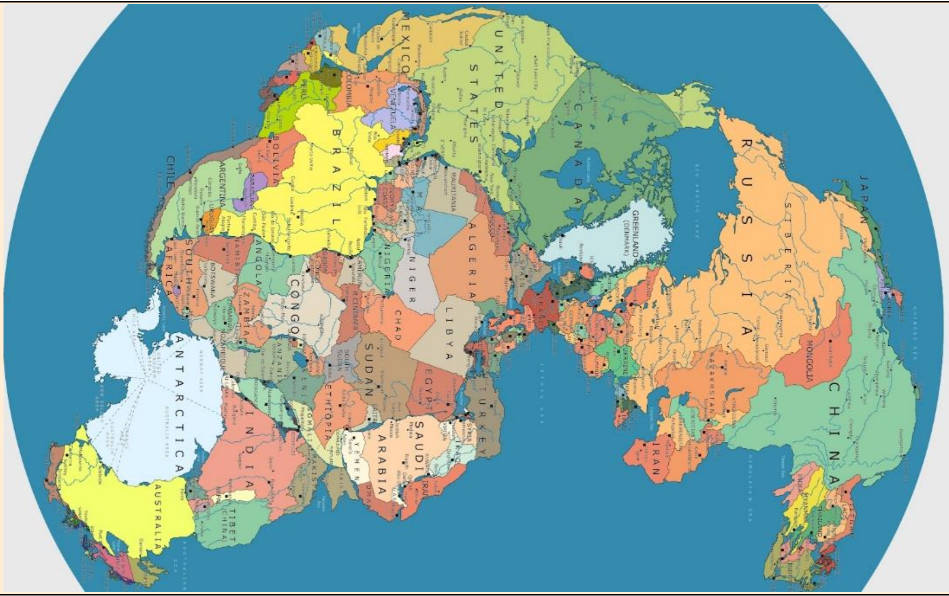

Priscum
January Newsletter

PANGEA A NEW GLOBAL RECESSION LOOMS!!!

IN THIS ISSUE

January's Newsletter

By Alex Wrightson

Happy New Year and welcome to 2019. An observation in my Naughty People section quite a lot of it is mortgage and property fraud that is not getting as much attention at the moment. The focus of the Press at the moment is still DB transfers.
I have become a modern day Cassandra I am predicting that there will be a recession soon. Not just because of Brexit. Mainly because it is over 10 years since the last one and more or less every 10 years we get a recession.

"I suddenly had this feeling that everything was connected. It's like I could see the whole thing, one long chain of events that stretched all the way back before the last recession. I felt like I could see everything that happened, and everything that is going to happen. It was like a perfect pattern, laid out in front of me. I realised we're all part of it, and all trapped by it." V For Vendetta Edited Quote

House prices are slowing. There are lots of Country's around the world heading into recession. The German Car Industry and the rest of Europe the Shutdown of the American Government and China. Hebei province in China is considering 'extending the weekend' by giving workers Friday afternoon off as part of wider efforts to boost consumer spending.

Keith has joined in my way of thinking about Government we are both going to blow up Parliament he will be the dictator and I will be his deputy. I shall try suggesting Chinas Free Friday when the boss is in charge of the country should UK economic growth slow!!!!!

Priscum Update

- Advisers warned over Mifid II compliance
- Mifid II goes too far and is too costly to implement
- Treasury urges savers to talk to an IFA
- FCA in talks to include ARs in senior managers regime
- Demand for financial services down for first time since 2013
- GDPR pushes advisers to adopt technology
- FCA to quiz small advice firms on regulation For more information see the FCA Update section
- Mifid is forcing advisers to turn away clients

SLA Increase

With the start of a new tax year now in sight, the Treasury have now formalised the increase in the Standard Lifetime Allowance (SLA) for the 2019/2020 tax year:

From The 6th April	2018	2019
Amount	£1,030,000	£1,055,000

At present, the SLA increases each tax year is in line with the rise in CPI for the 12 months to the end of the previous September, with the Treasury formalising the increase in the regulations each year.

LTA Change

The SLA increase will not affect members who hold Enhanced Protection or have an enhanced Lifetime Allowance through Primary Protection, any form of Fixed Protection, or Individual Protection 2014 who will maintain their existing higher personal Lifetime Allowance. It will however replace a members personal Lifetime Allowance if they hold Individual Protection 2016 at a level lower than the new Standard Lifetime Allowance.

Regulated firm's responsibilities relating to the use of financial promotions.

Last week the FCA published a letter for all regulated firms to remind them of their responsibilities relating to the use of financial promotions.

The Dear CEO letter was published because the FCA is concerned firms are issuing financial promotions which suggest or imply that all of the activities they undertake are regulated by the FCA or PRA when they are not. The letter reminds firms' senior managers and boards of what constitutes fair, clear and unambiguous financial promotions. The FCA says:

'It is completely unacceptable for firms, which are regulated for some of their business, to market unregulated investments by implying to customers that all their business is regulated. We are committed to stamping out this misleading practice and recommend that customers should ask firms whether what they are buying is really regulated by the FCA.' The FCA wants firms to read and reflect on their letter to ensure that they understand our rules relating to financial promotions. Whilst we do not approve advertising and it is up to firms to ensure that financial promotions are compliant, we do monitor adverts across different media in the UK.

https://www.fca.org.uk/news/news-stories/dear-ceo-letter-financial-promotions

Pensions Update

- Industry clashes over contingent charging inquiry
- MPs launch contingent charging inquiry
- Number of auto-enrolment fines up 144%
- Divorced women have third of average pension wealth
- NHS sees pension opt-out 'epidemic'
- Why pensions are worth striking to protect
- Advice given 30 years ago comes back to haunt Sanlam
- Pension transfer values fluctuate
- Pension transfer activity to cool after FCA work
- Govt faces £4bn pension cost

- **EXCLUSIVE: TPR to consider mandatory use of professional trustees** The Pensions Regulator will consider if schemes should be required to have professional trustees and assess the case for greater regulation of administrators and system providers, PP can reveal.

- **Treasury agrees £330m guarantee for NEST authorisation** HM Treasury has agreed in principle to give NEST a £329m contingent liability guarantee in the event of the master trust's wind up or closure.

£40m DB claim pay-outs 'tell us little about advice given now'

The media certainly are keen to keep the DB Transfer issue alive - it's no help at all!Compensation doubled in two years. FSCS data has revealed DB transfer-related pay-outs have doubled in the last two years although Royal London director of policy Steve Webb has argued this offers limited insight into the quality of more recent financial advice. Pay-outs to those wrongly advised to transfer out of their defined benefit (DB) pension rose to more than £40m last year.

Mortgage Update

- House prices to increase by 4% in 2019
- More than 4m mortgage borrowers
- Motivation to remortgage hits 11-year high - Moneyfacts
- Value of property stock hits record high in 2018 - Savills
- underestimate duration of mortgage
- Remortgage approvals tumble 20% - UK Finance
- The idea of a digital mortgage process that can cater for all is preposterous - MCI
- More than 4m mortgage borrowers underestimate duration of mortgage
- Millions add years to mortgage term by sitting on SVR
- House prices saw unexpected spike in December - Halifax
- Build three million homes to fix housing problem and help 'trapped renters' – Shelter
- First-time buyer mortgage numbers jump as landlord purchases tumble - UK Finance
- Is the North the new South? Changing dynamics in the UK's property markets – Moloney
- The idea of a digital mortgage process that can cater for all is preposterous - MCI
- Millenials should know buying their own home is no longer a pipe dream - Bamford
- Mortgage market bolstered by first-time buyers

While housebuilders are being supported by Help-to-Buy**, the outlook for the second-hand market over the next three months is the worst for 20 years** according to the Royal Institute of Chartered Surveyors (RICS). Lack of supply and affordability are also issues. RICS members expect sales for the next three months to be either flat or negative across all parts of the UK.

FSCS & Ombudsman Update

- Ombudsman sides with adviser over Transact
- FSCS boss on preventing phoenixing
- FCA clashes with complaints commissioner
- Fos grilled by MPs on waiting times
- FSCS denies Steelworkers special discount rate
- Advisers to pay £175m FSCS levy

PRA Regulation Roundup

PRA publishes Consultation Paper: Credit risk mitigation: Eligibility of financial collateral - CP1/19 In this Consultation Paper (CP), the Prudential Regulation Authority (PRA) sets out its proposed changes to Supervisory Statement (SS) 17/13 'Credit risk mitigation' to clarify expectations regarding the eligibility of financial collateral as funded credit protection under Part Three, Title II, Chapter 4 (Credit risk mitigation) of the Capital Requirements Regulation (575/2013) (CRR). This CP is relevant to UK banks, building societies and PRA-designated UK investment firms that are subject to the CRR. View Consultation Paper

Regulatory transactions: Changes to notification and application forms - PS2/19
This Prudential Regulation Authority (PRA) Policy Statement (PS) provides the final rules and forms to Consultation Paper (CP) 21/18 'Regulatory transactions: Changes to notification and application forms'. This PS is relevant to all PRA-authorised firms as well as firms that have a qualifying holding, or that intend to acquire a qualifying holding in a PRA-authorised firm. View Policy Statement

FCA Regulation Roundup

- **FCA warns on pushing unregulated products**
- **FCA warns firms to clarify promotion of unregulated activity**
- **FCA slams expensive advice**
- **FCA hints at regulatory change**
- **Time for FCA to step up to the plate**
- **FCA asked for reassurance on senior managers regime**

We have started the year by **publishing our annual Sector Views.** The publication is an analysis of the issues we use to identify where harm, and drivers of harm, are occurring across firms and markets. We publish our Sector Views to show firms how we use information to make decisions, such as identifying the data we want to collect from firms. In the publication, we have also shared our view of the changes within sectors – and what is driving these changes, including technology, climate change, demographic factors and Brexit. The Sector Views form part of the process that enables us to keep our priorities under review and focus our resources effectively for next year's business plan. We are already tackling many of the issues identified in the Sector Views. **Our Business Plan (2018/19)** gives a more detailed explanation of our priorities for the current year.

Misleading Financial Promotion for Over 50s Life Cover
The financial promotions team have seen promotions for Life Policies for the over-50s where we believe consumers could be misled into thinking they are buying a policy that will cover their funeral costs. Proceeds of these policies can be used for payment of, or towards, the cost of a funeral. However, it is important that, if a firm's promotion refers to funerals and associated costs, consumers are not misled into believing they are buying a funeral plan that will cover their funeral costs in full.
Over-50s Life policies are widely promoted through various media channels, including television advertisements. They guarantee to provide Life Cover for the over-50s without the need for customers to have a medical examination. If a firm's promotion includes product features or benefits, these must be presented in a fair, clear, and non-misleading way taking into account the target audience.
In November 2012, the Association of British Insurers published '**Initial Guidance on Over 50s plans'** which providers of these plans may wish to refer to when designing their promotions.
We expect all promotions to be fair, clear and not misleading in line with COBS 4.2.1R and PRIN 7.

FCA and Practitioner Panel Survey
The FCA and Practitioner Panel Survey provides an opportunity for regulated firms to speak directly to the FCA and share their views and concerns. It provides the FCA Board and Executive with important

feedback about the FCA's performance and enables the FCA to adjust their approach to become a better regulator. 12,000 firms are being invited to take part in the 2019 survey, including a random sample of smaller firms. If you are one of the firms selected to take part, please consider taking the time to complete it. Your views will be valuable in helping to shape the FCA's approach. The results are presented to the Practitioner Panel and the FCA Board and will be published in the third quarter of 2019. The results from last year's survey showed that both industry's satisfaction with its relationship with the FCA and the industry's rating of the FCA's effectiveness have increased. It also identified some key areas for improvement including:

- facilitating innovation
- increasing transparency of regulation
- more forward-looking regulation

You can find out more about the survey and last year's results on the FCA website and more about the Practitioner Panel on the Panels' website.

Financial Advisers

Impact of FCA regulation on small firms

We are carrying out a survey of smaller firms on how FCA regulation specifically impacts them. This will help ensure FCA cost benefit analyses and judgements of proportionality take account of smaller firms' circumstances. The independent consultancy Kantar Public will be working on our behalf, conducting in-depth interviews with a small representative sample of firms over the next month. These interviews will inform the design of an online questionnaire which will be sent to a larger sample of firms in April and May. As with the wider FCA and Practitioner Panel Survey Kantar will fully anonymise all results. We would greatly appreciate your participation.

Mortgage Lenders

Live & Local 2018/19 events

We are continuing our series of UK-wide interactive workshops for representatives of regulated firms who are qualified to give Defined Benefit pension transfer advice. The workshops will:

- highlight the key points that firms should consider when operating in this market
- reiterate our expectations when transacting this type of business
- highlight our updated rules and guidance
- include an interactive case study to put into practice our expectations

Registration is open for this series of workshops taking place until March 2019. Visit our Live & Local webpage for further details. You can also sign up to our Live & Local email updates to be alerted to upcoming Live & Local events.

General Insurance Intermediaries and Insurers

Permitted Links Rules consultation

On 12 December, we published a Consultation Paper proposing changes to the permitted links rules. Our proposals would enable retail investors to invest in a broader range of long-term assets – also known as patient capital - in unit-linked funds.

These changes aim to promote competition in the industry, while continuing to protect consumers. Responses can be submitted until 28 February 2019.

Patient Capital and Authorised Funds Discussion Paper

On 12 December, we published a Discussion Paper exploring how UK authorised funds can be used to invest in patient capital. By opening this discussion, we would like to determine whether future rule changes in this area are appropriate. Responses can be submitted until 28 February 2019. These 2 publications meets a commitment made in the Chancellor's Budget 2018 to publish a consultation and discussion paper relating to patient capital.

Banks and Building Societies

Reform of overdraft pricing

We have published proposals to provide greater protection for millions of overdraft users, particularly the most vulnerable. These include pricing by a single interest rate, inclusion of APR in certain advertising, a ban on fixed fees for overdraft borrowing and an end to the practice of charging higher prices for unarranged overdrafts. We also propose requiring firms to do more to help customers in financial difficulty.
These proposals go alongside new rules to make it easier for consumers to manage their overdraft use and compare their deal with other providers. Responses to the consultation can be submitted until 18 March.

Strategic Review of Retail Banking

We published our final report on 18 December, setting out our findings, key questions for the FCA and industry, and the work we will be doing next. We found that personal current accounts give the major banks a competitive advantage - they earn higher underlying returns on equity than smaller competitors. This has contributed to issues like high overdraft charges, high transactional charges and pricing models that can work against loyal customers. Our report sets out how innovative business models and competition could deliver better value and enhanced customer service, and examines future issues around Access to Financial Services, Use of Data, and Systems Resilience and Financial Crime.

Consumer Credit

Extended protections for high-cost credit products

As part of our High-Cost Credit Review, as well as publishing our consultations on **overdrafts** and on **rent-to-own pricing**, we have **made new rules** strengthening the protections for consumers using home-collected credit (doorstep lending), catalogue credit and store cards. We are also consulting on further measures on **buy now pay later offers.** Responses to the consultation can be submitted until 18 March. As part of our work to help consumers get essential household goods and less expensive forms of credit, we have also published **finalised guidance for registered social landlords.**

CMC Policy Statement and temporary permission

We published the new rules and fees in December that will apply to all claims management companies (CMCs) set up or serving customers in England, Scotland and Wales from April 2019 when we start regulating the sector. CMCs must register for temporary permission by 31 March. This will allow them to continue operating until they are fully FCA-authorised during one of two waves between April and the end of July. The new rules will ensure firms are transparent about their estimated fees and notify customers of alternative options. You can find **more information on our website**.

Payment Service Providers

Revised Payment Services Directive 2 Policy Statement

In December, we published our approach and guidance to implementing the revised Payment Services Directive and associated EBA technical standards supporting the security of electronic payments (SCA-RTS). This follows our September consultation on the rules and guidance for firms on the SCA-RTS and associated European Banking Authority Guidelines.
Key issues include how we will assess banks' 'Open Banking' or application programming interfaces. This is technology that allows third parties to communicate with different financial platforms.
To coincide, we have also published a consultation to show how we propose to make the technical standards in case of a no-deal Brexit.

News & Publications

Securitisation Policy Statement

On 1 January 2019, the EU Securitisation Regulation and related amendment to the Capital Requirements Regulation (CRR Amendment) came into effect. Policy Statement PS18/25 - published on 19 December 2018 -

outlines changes to our Handbook following Consultation Papers CP18/22 and CP18/30. These changes address fees for Third Party Verifiers (TPVs), amendments to the IFPRU, COLL and FUND sourcebooks and updates to the Decision Procedure and Penalties manual (DEPP) and Enforcement Guide (EG) sections. For further information please refer to our Securitisation web page.

Measuring our impact after we intervene
We have published our Ex Post Impact Evaluation Framework and completed 3 impact evaluations. The paper sets out how we approach measuring the impact of our past interventions. It explains why we do ex post impact evaluation, how we choose specific interventions to study, and how we ensure that our evaluations are robust. The publication updates the Discussion Paper we published last April, in light of the feedback we have received. You can see a summary of the comments, and our response to them, in our Feedback Statement. You can read both documents here.

SME access to the FOS – final rules
In October, we published the SME access to the Financial Ombudsman Service– near final rules, and, on 20 December, we published our final rules. Our final rules, which are unchanged from our near-final rules, extend access to the Financial Ombudsman Service to more small and medium-sized enterprises, as well as larger charities and trusts, and a new category of personal guarantors. Our final rules set out the eligibility criteria that these complainants must meet to be able to refer complaints against financial services firms to the Financial Ombudsman Service.

Authorised push payment fraud – extending the jurisdiction of the Financial Ombudsman Service
We have published a Policy Statement following feedback to our Consultation Paper 18/16: Authorised push payment fraud – extending the jurisdiction of the Financial Ombudsman Service. The policy changes intend to provide victims of alleged authorised push payment (APP) fraud (where they are eligible complainants, see DISP 2.7 in our handbook) with prompt and fair complaints resolution, and access to dispute resolution through the Financial Ombudsman Service for complaints against payment service providers (PSPs) who receive payments relating to the alleged fraud. These final rules will take effect on 31 January 2019.

European Securities and Markets Authority (ESMA) guidelines on MiFID II suitability requirements
We have confirmed to the European Securities and Markets Authority (ESMA) that we are compliant with their guidelines on MiFID II suitability requirements.
The guidelines were originally published in 2012, then updated in May 2018 to reflect the changes introduced by MiFID II. They are intended to establish consistent, efficient and effective supervisory practices as well as the common and uniform application of EU law.
Firms in scope should have considered what steps they need to take to be compliant. ESMA's guidelines can be viewed here.

Naughty People

- HMRC reveals top prosecutions of 2018
- Solicitor jailed for helping build £10.8m property empire
- Gambling addict sentenced after admitting £20k mortgage fraud
- Conveyancer jailed after facilitating 80 mortgage frauds for criminal network
- Beckham's ex brother-in-law on involvement in scam
- Ombudsman finds in favour of insistent client
- Wine investment scammer ordered to pay back just £22K
- Estate agent jailed for four years over fraud
- Ex-finance director jailed after paying off two mortgages with £1m company theft

- Property developers banned after abusing £12m of investments
- KPMG to reinstate pension after divorce legal blunder
- Jury discharged in adviser fraud case
- Directors banned over £12m property investments
- Ambulance chasers turn attention to advisers
- 'Superior and arrogant' adviser jailed for seven years
- Jury discharged in adviser fraud case
- Court hears bankers were like cheating Aussie cricketers
- Aviva platform boss exits after year of tech trouble
- FCA visits five Sipp firms after chief exec's claims warning
- Pension transfer advice from 22 years ago costs adviser

Barclays execs avoided bailout with secret Qatar funding

A court has heard senior executives at Barclays joked they didn't want to go to jail as a result of a multi-billion-pound bailout from Qatar. Ex-chief executive and former colleagues – raised £11.8bn in emergency fundraising in 2008. But the deal - which allowed the bank to avoid taking a taxpayer bailout - was allegedly covered up by the bankers to protect their enormous bonuses. They knowingly hid £322m in

I Don't want to go to jail "the food sucks and sex is worse".

fees, paid in return for the Qatari investment to avoid looking weak and triggering a loss of confidence in the bank. A loss of confidence could have threatened the company's future as an independent bank, requiring direct government intervention, which would likely have led to the dismissal of Barclays top brass.

Advice firm under fire for Google ads

A debt advice firm has been told off by the Advertising Standards Authority for two paid-for Google ads that suggested it had links to Citizens Advice. The adverts that appeared in July 2018, for advice-debts.com, stated: "Citizens Advice UK... Free Debt Help... advice-debts.com" and "Citizens Debt Advice... Write Off Over £4,000 of Debts... advice-debts.com". Citizens Advice South Warwickshire challenged whether the adverts were misleading because they implied that the company was associated with Citizens Advice.
"Although we acknowledged that the website URL and the text below the headlines did not further mention Citizens Advice, we considered that consumers viewing the ad would be likely to understand that when clicking through from the ad they would be taken to the Citizens Advice website or to a debt advice company that was associated with Citizens Advice. Because that was not the case, we concluded that the use of the terms 'Citizens Advice UK' and 'Citizens Debt Advice' in the ads were misleading."

Lifesearch fires adviser over shocking insults

Lifesearch has dismissed an adviser and his colleagues who "joked" a client should commit suicide based on his medical history. The client, referred to as Mr O, had just ended a phone call with his adviser who accidentally re-dialled his number without realising it. Mr O then heard the adviser's conversation with his colleagues, which included the intermediary swearing about and insulting him plus making offensive remarks about his attitude during the earlier call and about his medical history.

Playboy financial adviser jailed for £4.5m fraud

Neil Bartlett, used his employment Abacus Associates Financial Services to dupe his family and friends into believing he was investing their money into legitimate funds over the course of five years. In reality, Bartlett had **changed the name of his own Santander bank account to 'Abacus Associates Ltd' and was receiving and spending** the funds transferred by his victims. He used the money to fund an extravagant lifestyle of foreign travel, top hotels and gambling. He was sentenced to eight years in prison. At his trial he admitted how "easy" it was to commit his crimes. He doctored reports from legitimate Standard Life investment accounts to convince his victims their money had been successfully invested. When his victims learned he had travelled to Russia they contacted Abacus to enquire after their investments, only to be told they did not exist and the company were not aware of their accounts. Bartlett was caught flying back from Hong Kong on November 27, arrested at Manchester Airport and subsequently denied bail and remanded in custody.

Tax Update

- US citizens need to sort out their tax affairs
- Tax changes advisers need to be aware of
- Government warned of dangers in digital tax
- Advisers warned of tax on bitcoin
- Charlene Young: Is it time to remove pensions from IHT completely? Earlier this year, the Chancellor asked the Office for Tax Simplification (OTS) to review various aspects of inheritance tax (IHT) to try and identify simplification opportunities. According to HMR...

Paying a tax charge doesn't need to be a bad thing

Find out how paying annual and lifetime allowance tax charges can still make your clients better off in retirement. Our packed interactive paper also:

- digs deeper into the options for paying these charges.
- offers a solution to help you identify if your clients are better off financially in or out a scheme.
- showcases different client scenarios.
- explains other relevant considerations and regulatory issues.

Download a copy now.

Latest News

- Midlands-based adviser bought for £1.4m
- 'Regulation should not be reworked purely to support automated advisers' – Hunt
- Mifid rules have damaged investment markets
- Advisers invest in Chinese equities despite fears
- Second charge market continues to grow
- More advisers need to take equity release exams
- Government overhauls SARs and commits £3.5m to fraud reporting systems
- Why one fund manager is currently snapping up shares
- Hospitalised IFA fights back against ambulance chaser
- Government commits £3.5m to new fraud and money laundering reporting systems
- FCA warns of misleading adverts for over-50s life cover
- How Chinese authorities are tackling investor woes
- Christmas market movement reveals danger of Mifid II rule

The IMF has flagged sub-Saharan Africa as home to several of the world's fastest-growing economies.

However, almost 40% of the sub-Saharan Africa countries are in danger of slipping into a major debt crisis, with the number of countries at high risk expected to double over the next five years. Africa has seen significant investment from China under its One Belt, One Road (OBOR) initiative. China is believed to be the largest single creditor nation, with an estimated $132bn of loans provided between 2006 and 2017. Critics say major infrastructure projects carried out by Chinese companies in Africa are too expensive and burden the host countries with enormous debts that they cannot repay.

A severe lack of infrastructure in many of the poorest countries makes China's ready offer of loans for such projects difficult to turn down. For China, besides providing work for Chinese companies in Africa it is a means of securing access to key commodities to support its long-term economic growth plans. China's involvement in Africa has not gone unnoticed by the Americans. Last year, US Secretary of State, Rex Tillerson said China's lending policy to Africa 'encouraged dependency, utilised corrupt deals and endangered its natural resources'.

However, China taking advantage of naïve governments is not just confined to Africa. In Sri Lanka, the local government recently transferred ownership rights of the Hambantota Port for 99 years to China for a partial debt settlement. This prompted Germany's Government Minister to say this should be a warning signal for other developing countries about Chinese financing.
Closer to home, it makes us think about the £20bn+ Hinkley Point C nuclear power station in Somerset. This is being part-funded by -you guessed it - China!

2019 Looking into the Future

- Guide to the outlook for 2019
- Holding firm in tricky year for risk assets
- What are the biggest risks for clients in 2019?
- Investment trusts: Back in vogue?
- What will 2019 bring for markets?
- What does 2019 hold in store for DB pensions?
- Buy-to-let lenders have been looking ahead to 2019 – Ying Tan
- How investors can prepare for recession
- Biggest regulatory change facing advisers in 2019 revealed
- Guide to the outlook for 2019
- How will politics shape 2019
- What is the macro picture for the year ahead?
- World recession in 2020 'increasingly likely'
- Sterling rises as wage growth hits nine-year high
- Over half of brokers expect buy-to-let sector to fall in 2019 - poll result
- Twin threats denting investment returns in 2019
- Hargreaves Lansdown's five funds to watch
- CISI prepares for new certified pathway in 2019
- New guidance body officially launches
- How to navigate political and economic risks in 2019
- Regulation in 2019: Have advisers got the all-clear?

Why we should be pensions positive in 2019

Despite the gloom around Brexit and all the challenges facing pensions, there are plenty of reasons to be cheerful. Top industry commentators tell Stephanie Baxter why there is cause for optimism.