Question Set E

For financial services whistleblowers

Please note all of these points before answering:

- If you have any questions please contact Andy Agathangelou, Chair of the APPG's Secretariat, at Email

- Only reply to this question set if it applies to you.
- This Call for Evidence is being handled by the APPG's Secretariat and support staff, who will collate the evidence and provide it to the APPG's members.
- Respondents' information will only be shared as necessary to enable the successful completion of the exercise and it will not be shared beyond the scope of this Call for Evidence.

- Please note that we ask respondents to only give evidence that they are free to provide. It is entirely the responsibility of the respondent to ensure they take into account any agreement(s) they may have entered into.

- Respondents may choose to skip answering any of the questions if they wish.

- It is for each respondent to decide whether their name and/or their responses are put into the public domain.

The process to follow

- Select the question set that relates to you. You may respond to more than one question set if you have different experiences of contact with the FCA.

- Download it, as a Word document, and save it on your computer.

- Provide your answers after each question.

- Please leave blank any questions that don't apply to you or that you do not wish to answer.

- Save the completed document on your computer.

- Please email it to Andy Agathangelou, **by 5pm on Monday 10th January**, at Email

Other important points to note

- This exercise is about gathering evidence on what people think about the FCA; it is not about providing any assistance, guidance or advice on any case a respondent may have against the FCA, or any other entity.

- Respondents are asked to only provide answers to the questions given.

- Respondents are asked to not provide any supplementary evidence or documentation.

Question Set E

For financial services whistleblowers

Your Details

Name:

George Patellis

Company/Business (if applicable):

REDACTED

Address including postcode:

REDACTED

Email address:

REDACTED

Mobile telephone number:

REDACTED

Permissions

- Do you give permission that your name is put into the public domain?
  - Yes
- Do you give permission that your response is put into the public domain?
  - Yes …….. (With Email address, phone number and postal address redacted).

Questions

1. Please tell us about yourself and outline, just briefly to begin with, how you came to interact with the Financial Conduct Authority?

My name is George Patellis. I'm an American who has worked in the U.K. financial services sector for most of the past 24 years. In October 2004 I was deemed by the Regulator to be fit and proper and was authorised to hold controlled functions. To date, I have not been subject to disciplinary or regulatory action.

In February 2010 I was appointed as CEO of Tiuta plc. Tiuta was regulated by the then Financial Services Authority (FSA). In April 2013, the FSA was renamed the Financial Conduct Authority (FCA). Tiuta was a short term or bridging lender. Tiuta offered loans to property developers (primarily) on terms of 12-18 months, high interest rates and low loan to values.

On January 12, 2011, I was advised by Tiuta's recently appointed CFO of a potential hole/shortfall in the company's cash position of approximately £20 million. The overwhelming majority of this shortfall was money that was owed to Tiuta's primary funder The Connaught Income Fund Series 1 or "The Fund". In addition to being made aware of the £20 million cash shortfall, I was also informed that Tiuta's management accounts were a work of fiction. At the time, the most recent management accounts (October 2010) showed a year to date profit of circa £750,000. The true position was the company had a year to date loss of £2.9 million. Given the magnitude of the information presented to me I organized an extraordinary Board meeting for the following morning, January 13, 2011, to discuss these troubling revelations with the rest of the Board.

The Board meeting convened the morning of 13 January 2011 and when presented with the information I had on the £20 million cash short fall and the true position of Tiuta's year to date profit, Tiuta's Chairman and another Director said they were aware of the issue with the company's cash position. They admitted that they had been using loan redemption money (money that did not belong to them) for other purposes within the business. The scheme was a classic Ponzi scheme.

Over the course of the next several days the business began to collapse like a house of cards. It was irrefutable that the company was insolvent and had been trading unlawfully for years. Given the size of the firm (roughly £140 million under management) the scale of the fraud was shocking and there was positively no way for the business to trade out of the massive deficit. As CEO I recommended we call in administrators immediately to best protect creditors and shareholders alike. The board refused to accept my recommendation. I submitted my resignation and advised the Board that it was my duty to notify the FSA of my resignation but also to notify them under Principle 11 that I had serious concerns about the Company's financial health.

I called the FSA and advised them of my resignation and that under Principle 11 I had concerns over the financial health of the business. I expressed my concern that Tiuta was insolvent. I also offered to come to the FSA's offices and speak with someone in person, as I would be returning to America in a few days. I was told it wasn't necessary to come in but was asked to email to the FSA confirming what had just been said on the phone.

On February 4 2011, I received an email from the FSA thanking me for following my duties as an approved person and reporting my concerns under Principle 11. They stated that the case would be handed over to the appropriate person within the FSA and they would contact the firm if any further information was required.

On March 11 2011, I received a letter via email while in the USA from the FSA requesting that I attend an interview regarding my allegations about Tiuta at the FSA's offices in Canary Wharf on March 16 2011. Amongst other things in the letter I was asked to bring any documentation/evidence
of my claims. At my own expense I flew back to the U.K. with a suitcase of documents to provide to the FSA.

On March 16, 2011 I spent 3-4 hours with the FSA. I explained all of the fraudulent activity, how it was done and hidden. Furthermore, the company accounts were fraudulent for years. As requested, I came to the meeting with a suitcase full of documents that was a virtual road map to how the fraud had taken place including admissions by the Directors of their part in the fraud. To my surprise when I offered the documents to the FSA they refused to take them. They said I should check with my wife and my solicitor. I advised them that had already been done. On March 18, 2011 I received an email from the FSA stating they would now like to receive any evidence I had.

On March 24, 2011 I sent the FSA a 7-page letter outlining the issues and included 26 exhibits that again, were a road map to the theft and fraud. Apart from a question on document retention I didn't hear anything further from the FSA until 2016.

In December 2015 I filed a complaint against the FCA for their treatment of me. Specifically, they began to publicly state I could have done more and they determined I was not a whistleblower. Thus, beginning an astonishing journey that is far from over.

2. What role were you in, and in what firm, when you blew the whistle?

I was CEO of Tiuta plc. a firm regulated by the FSA.

3. Did you follow your employer's whistleblower policy? Can you provide us with a copy of your employer's whistleblower policy? How did this whistleblower policy tell you to blow the whistle? Did it tell you what you must include so that your disclosure was protected?

My employer did not have a whistleblower policy. Although, it's unlikely a whistleblowing policy would have been beneficial to me because I went straight to the FSA.

4. When did you blow the whistle; and to whom/which organisation? What age were you then?

I blew the whistle to the FSA. Initially, I made a Principle 11 phone call to the FSA in January 2011 to advise them of serious concerns I had regarding the financial health of the firm where I was CEO and that I believed the firm was insolvent. I then met the FCA in person in March 2011 to detail the fraudulent activity at the firm and to provide evidence to support my claims. I was 46 at the time.

5. Have you ever witnessed any actions or conduct that, in your reasonable belief, breached any law, regulatory code or applicable or relevant policy? If so, please explain which law, code or policy you believe was breached.

I was never in a meeting with or otherwise witnessed the perpetrators planning a crime. I never had advance knowledge that a crime would take place. Nor did I know when a crime had occurred.

In January 2011 a £20 million plus hole in the company's financials was identified in addition to a year to date (October 2010) loss of £3.8 million against what was reported as a year to date gain of £938,000.

Most of the details behind the crime would be revealed in a matter of days. The crime, a classic Ponzi scheme, was uncomplicated and was run by unsophisticated people. I explained this to the Regulator

and provided evidence that supported everything I said, including an admission letter from the perpetrators.

The most significant point the Regulator failed to grasp was the Directors, who were authorised persons of a regulated company, were stealing money, a serious crime by any measure. To this day, the Regulator as well as Raj Parker, the not so independent investigator, still refuse to acknowledge this simple fact. Money was being stolen and it had nothing to do with IFA misselling, a risky UCIS fund, the Regulator's uncertainty regarding its regulatory perimeter or their lack of understanding of the Fund, the Fund's operator or Tiuta.

Laws were obviously broken and every regulatory code was broken. Fictitious accounts and regulatory returns were filed monthly.

The Regulator took no decisive action, ever became the criminals key enabler allowing the crimes to continue for almost 17 months and the losses to Fund investors to balloon to over £100 million.

6. What was the nature of the misconduct, infringement, malpractice or so on that you alleged?

The main source of funds available to Tiuta and subsequently misappropriated by them came from a UCIS Fund called The Guaranteed Low Risk Income Fund, Series 1, later renamed The Connaught Income Fund Series 1 ('the Fund'). The purpose of the Fund was to raise monies from investors who were to be paid between 8.15% and 8.5% per quarter on the sums invested, in addition to the repayment of principle. The monies raised by the Fund from investors would be advanced to Tiuta and Tiuta was supposed to use those monies to make short-term bridging loans third party borrowers secured by first charges over the relevant property of the borrower in accordance with the terms set out in the Funds Information Memorandum, issued by the Fund to potential investors and independent financial advisors. The sums due from the company to the Fund were to be secured primarily by way of sub-charges granted by Tiuta in favour of the Fund.

In addition to the Fund, Tiuta had access to monies through bank funding lines. The bank lines and the Fund had specific criteria that needed to be met before funds could be utilised. The criteria, covenants or warehouse covenants, detailed very specifically the types of loans, property types and borrowers they were prepared to advance monies to (loan to value, credit profile of the applicant, property and construction type, etc.).

The mechanics of the fraud weren't especially sophisticated. Tiuta would request monies from the Fund (the Fund had money from private investors) and would use the monies to advance a loan to a borrower. Eventually, the borrower would redeem the outstanding loan balance with Tiuta. The redemption of a loan launched a process that included the following; Tiuta would return the redemption money to the Fund, Tiuta would prepare a mortgage discharge form (DS1) and send it to Land Registry, Land Registry would release the charge in favour of Tiuta, upon receipt of the

redemption money, the Fund would submit a DS1 to Land Registry to release the sub-charge, Land Registry would release the charge in favour of the Fund. This is a very simple process that is undertaken by mortgage lenders across the U.K every day. It's as basic as any single process in the chronology of a mortgage.

Tiuta did not follow this process for years before I blew the whistle and for 17 months after I blew the whistle and while the Regulator was (according to them) actively monitoring Tiuta. Instead, when a borrower redeemed their loan, Tiuta kept the money and used it for their own purposes instead of returning it to the Fund. This was the main method of stealing money but not the only method. Tiuta

would regularly request monies from the Fund to lend to a borrower but the borrower, for some reason, would back out of the deal and the loan was cancelled. Tiuta was obligated to return the monies to the Fund but didn't. They kept the money for their own purposes. These were called Not Proceeded With (NPW) Loans. Tiuta would also request monies from the Fund for a fictitious loan with a fictitious borrower. They kept this money for their own purposes.

7. What interaction have you had with the FCA about your situation?

I initially contacted the Regulator via phone in January 2011. I was fulfilling my Principle 11 obligation as CEO and an authorised person who held controlled functions. During the call I advised the regulator that my company (Tiuta) was insolvent and advised that funds were being misappropriated. I offered to go to the Regulator's office and meet them in person to discuss the situation and to give them evidence that would support my claims. The Regulator said it wasn't necessary to meet me in person.

From the end of January 2011 and mid-March 2011, I traded a few emails of no significance with the Regulator. The Regulator sent me a letter on March 11 2011 (2 months after my Principle 11 phone call) requiring my attendance in Canary Wharf to discuss the issues I raised in January 2011. The meeting was set for March 16 2011. I was asked to bring any evidence that I had that would support my claims. I was in America at this time and returned to the U.K., at my own expense) to meet the Regulator. The meeting took place on March 16 2011 and as requested, I arrived at the meeting with a suitcase full of evidence. In attendance were me and 3 employees of the Regulator. The meeting lasted approximately 3 hours. At the end of the meeting, I offered the Regulator my suitcase full of evidence and astonishingly, they refused to accept it. They refused to accept the evidence that they specifically required me to bring. I returned to America on March 17 2011. On March 18 2011 I received an email from the Regulator asking me to send them any evidence that I felt the Regulator would want to be aware of. This was an especially strange request as it's not my responsibility to determine what evidence they may find useful. They should have taken everything and figured out what they needed, not me. Nevertheless, on March 26 2011, I sent the Regulator a bundle of documents via FedEx.

Apart from an email exchange on June 2 2011, where I was seeking the Regulator's advice on document retention (they failed to give me an answer), I would have no further contact with the Regulator until November 11 2015 (4 years and 5 months). The allegations I made about Tiuta misappropriating money and being insolvent were all borne out. Unfortunately, the Regulator never looked at my evidence and they allowed the fraudulent activities to not only continue for another 17 months but escalate during their watch. In the end, investors lost over £100 million.

On November 15 2015, I filed a complaint against the Regulator to their internal Complaints Department. The crux of my complaint was the Regulator's treatment of me as a whistleblower. There are many examples where the Regulator failed me, but there was one failing in particular that proved to be the spark that lit the fire of my complaint. When it became apparent to the

Regulator that it was public knowledge that they met with me and failed to act on my evidence, they started playing the blame game. They said the losses were a result of widespread IFA mis-selling (it wasn't), they said they couldn't do a lot because Tiuta's regulated business wasn't significant (irrelevant) and they began to slander me. The Regulator, due to investors who suffered losses wanting answers and pressure from the government, they put out a series of Questions & Answers (Q&A). In the Q&A, the Regulator said the following specifically about me:

Question – What did the FSA do once they received the information provided by George Patellis?

Nothing, the FCA's position is that "[the] Authority did not consider that we had sufficient evidence of fraudulent activity and so it did not consider referring the matter to the police at that time."

Question- when exactly the FCA (sic) did contact the police?

It failed to do so. Its defence is that "The FSA is not a lead prosecutor fraud. However we do review information we receive about firms and individuals and decide whether this needs to be passed on to other law enforcement agencies. When we receive this type of information, we may take the view that the evidence sufficiently demonstrates fraud for us to pass it straight on; we may decide it is not sufficient to pass on and undertake further inquiries. When deciding what course of action to take we consider issues such as the robustness of the information provided, the source of the information and the relevance of the information in relation to the allegations. At the time we received information from Mr Patellis we decided to pursue our concerns with the firm directly and did not contact the police or other authorities.

The FSA is not aware whether Mr Patellis wanted the police directly at this time the FSA did not do anything to prevent him from doing so."

The answer provided in the first question was simply not true. The evidence I provided was a road map to the fraud. This simple answer was a crushing blow to any hope I had to secure a job at the level I had previously worked. This statement ostensibly portrayed me as not believable. We found out years later the Regulator never even looked at the evidence I provided. This fact makes their answer in the Q&A even more appalling.

The answer to the second question is an overt attempt by the Regulator to point the finger of blame at me by implying that I should have taken my concerns to the police and that they didn't do anything to prevent me from doing so. This sentence was deliberately added to deflect responsibility away from the Regulators failure to act by giving me a responsibility that was never mine.

After seeing the Q&A and having people, including the press contacting me about it, I decided to file a complaint against the Regulator for their treatment of me. Specifically, there was no doubt my evidence clearly showed fraudulent activity. More to the point, the Regulator has repeated, ad nauseum, that they are not the prosecutor of fraud. As such, they are required to tell the whistleblower the appropriate agency to report the fraud. The Regulator never told me who I should report the fraud to. Therefore, their insensitive comment about doing nothing to prevent me from going to the police was a clear breach of their duties.

On December 15 2015, I submitted my complaint to the Regulator. The Regulator responded to my complaint on May 6 2016. The Regulator's response was stunning and full of falsehoods. Amongst other things, the investigator at Regulator said;

1. It wasn't his role (as an investigator no less) to say whether my evidence showed fraud. This was the central element of my complaint.

2. I was not a whistleblower. I was an approved person providing intelligence. 3. The references to me in the Q&A's were appropriate

For destroying my life, the Regulator offered me the princely sum of £500 (ex gratia of course) which I rejected personally but asked that it be donated to the Regulator's training budget in my name.

Not satisfied with the Regulator's response to my complaint, I escalated it to the Complaints Commissioner. On November 24 2016, the Complaints Commissioner published his report on my complaint (FCA000114). The report concluded:

1. I am not satisfied that the FSA applied its mind sufficiently to the possibility that there might be fraudulent activity taking place at Tiuta in the first half of 2011.
2. There is a lack of evidence in the minutes of meetings I have seen to show that the possibility of fraud was seriously considered or discussed.
3. It is the FCA's position that it is not the lead prosecutor for fraud. Given that position it must follow that it should report significant allegations of fraud to those with that responsibility as soon as possible.
4. You were not told that you could or should refer the matter to the police or the Serious Fraud Office yourself. In my view this would not have been a reasonable response in any event. The FCA's statement, in its published FAQs, that the FSA did not do anything to prevent you from doing so has been perceived as an attempt to shift responsibility from where it clearly lies, with the regulator itself.
5. I am satisfied that the FSA was aware of press reports about senior staff resignations at Tiuta in April 2011. This should have rung additional alarm bells.
6. In my view, the FCA's choices about what information *not* to put in the public domain, and the emphasis on IFAs, may have had the effect of shifting the focus away from the possibility that there might also have been regulatory failure.

The Complaints Commissioner also recommended that the Regulator bump up their ex-gratia payment to me to £1,500 and they should make a public apology to me. The Regulator offered me £1,500 ex gratia payment (I refused it) and they refused to apologise to me publicly. Instead, they said I could share the following with whoever I wanted to.

"We have considered the final report of the Complaints Commissioner on complaint FCA000114. The FCA accepts the Commissioners overall conclusion that the FCA's complaint response did not go far enough in acknowledging the deficiencies in the handling of this matter. The FCA board will appoint an external third-party to conduct a review into the regulation of firms connected with Connaught Income Series 1 Fund. The substantive review will begin once the current enforcement investigation has ended. The FCA intends to publish the outcome of the review to the extent that it can. The FCA accepts the Commissioner's recommendation to offer an ex gratia payment of £1,500 and will also be writing to the complainant with a further apology."

A further apology? There was never a first apology or anything afterwards. This 'apology' didn't mention my name or Tiuta. Just a case number. It's also worth noting that I was the person who insisted a review on the Regulator's handling of this case must be external and independent. The Regulator pushed for an internal review. It turns out the review, completed 5 years after this statement, was anything but independent.

I traded a few emails with the Regulator during 2016 and early 2017. These were circular emails that dealt with the Regulators refusal to acknowledge the Complaint Commissioner's findings.

On December 13 2016, I attended a meeting in Parliament regarding the collapse of the Fund and Mark Steward, the Regulator's Head of Enforcement, was there. Mr. Steward disgraced the meeting as a 'Kangaroo Court' and repeatedly stated he needed to go home to watch his kids.

On May 23 2018 I met with Mr. Steward to give him new evidence I had on the debacle. The meeting was cordial. Sometime later (a week or two) I was informed that the Regulator could not use the evidence I provided. I believe they determined it was protected.

In early 2021 I met with Charles Randell. The meeting was after the publication of the 'Independent' Review. While I had high hopes that the meeting would be beneficial, it was a waste of time.

8. If you had contact with the FCA, did the FCA explain or define the extent of their regulatory authority to you in respect to the matters you were raising?

The FCA only made excuses for their lack of regulatory authority. Specifically, they failed to classify me as a whistleblower. Instead, they said I was an approved person that shared intelligence. This was their way of covering up one of their many mistakes. I was a whistleblower who provided evidence of fraud.

They also claimed that they were limited in what action they could take because Tiuta had a minimal amount, less than 5% they stated, of regulated loans. The number was over 20%, they never checked. Also, a firm is either authorised (Tiuta was) or it isn't; the fact that it was conducting unregulated activities as well as regulated ones was no reason or excuse for laxity or absence of effective supervision, nor the total absence until many years later of an Enforcement investigation. They refused to do anything because of this absurd position. They stated that they were not sure what their regulatory perimeter was and therefore did nothing.

9. What evidence, if any, did you give the FCA; and/or any other entity?

When I met with the Regulator in March 2011 (2 months after my Principle 11 phone call), they refused to accept my evidence. This was perplexing because when they requested that I attend the meeting with them I was asked to bring any evidence in support of my claims. Approximately a week after my meeting, I posted a significant amount of evidence that was a roadmap to the fraud. Included in the evidence was;

1. A list of outstanding DS1's (loans that were redeemed but Tiuta kept the money) and their balances (£20 million plus) as well as a tally sheet from the borrower's solicitor chasing Tiuta to release the DS1. The tall sheet included, inter alia, the number of times the solicitor threatened to call The Law Society to lodge a complaint.

2. I provided proof that Tiuta was in breach of its capital adequacy requirements 3. I provided proof the business was insolvent

4. I provided proof the business had filed false accounts

5. I provided proof the business filed fraudulent Mortgage Lending and Administration Returns (MLAR).

6. I provided 2 separate reports from the external accounting firm I hired to perform a forensic audit. Both reports identified the business was cash flow and balance sheet insolvent. 7. I provided an admission letter from the perpetrators and that I was not involved and that their

crimes were hidden from me.

8. I provided multiple Board meeting minutes from the time the crisis began. The minutes clearly detailed the issues.

9. I provided emails from legal advisers and BDO detailing the crisis and identifying the various breaches.

10. What, if anything, do you believe the FCA could have done that may have prevented the matter that you blew the whistle on from happening in the first place?

There were multiple red flags and very clear warning signs the Regulators were aware of years before I blew the whistle. This simple fact makes their dismissal of my claims even more reprehensible. They knew there were serious issues before I blew the whistle. I have detailed below, in date order, some of the red flags (there were many more) the Regulator failed to act on. The stark reality is the collapse of the Series 1 Fund was entirely preventable but due to the Regulators failings from day 1 (how does the Regulator deem a person who admits to falsifying invoices as fit and proper?) become the collapse was inevitable. Day 1 should have also been the last day. Tiuta never should never have received authorisation as a regulated lender.

Red Flag Timeline

1. In **April 2005** Tiuta applied for permission to be authorised as a Mortgage Lender, Mortgage Administrator and Mortgage Intermediary in relation to regulated mortgage loans. It was granted authorisation in **April 2006**. The authorisation application was treated as "non-routine" because of concerns about the suitability of a corporate controller of Tiuta. The directors of the corporate controller had been subject to an Inland Revenue Investigation in **2002**. This was settled and no criminal proceedings were brought but, in the course of the investigation, the directors had admitted to altering figures in invoices. Concerns about some of Tiuta's ultimate owners, who among other things had admitted altering invoices, were raised when Tiuta applied for regulatory authorisation. Although those concerns were addressed at the time by requiring the owners to hold non-voting shares, they remained involved with the firm. This issue was not picked up during the visit by Supervision in September 2009 and February 2010, probably because the earlier information had not been accessed by the Supervision team.

2. **In 2006**, there was protracted correspondence between the Regulator's authorisation department and Nigel Walter with regard to the authorisation arrangements for UKLI Limited, which had fallen into financial difficulties (and of which Mr Walter was believed by the Regulator to have been the managing director), and for other firms.

3. The Regulator was reluctant to grant authorisation to firms Mr Walter was involved with, because it had concerns that Mr Walter did not meet the requirements to be a "fit and proper" person associated with an authorised firm. This was for a variety of reasons, including because the Regulator believed that: UKLI had carried out regulated activities without the appropriate authorisation; UKLI had failed to treat its customers fairly including by informing its customers of their potential rights in relation to its lack of authorisation.

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4. On **15 April 2008**, the Regulator petitioned the High Court to wind up UKLI and on **4 June 2008** released a press release, stating that: *"UKLI advertised and sold plots of land to people by claiming that it could get planning permission for the land, which would increase in value and make investors a large profit once it was sold to a developer. As a*

result, about 4,500 investors paid UKLI £69 million to buy the land. None of the land sold was ever granted planning permission".

5. In **November 2008** the Regulator received Tiuta's Mortgage Lending and Administration Return Alert Reports ("MLARs"), which highlighted high mortgage arrears at Tiuta. No liquidity assessment was conducted. A case was opened and closed shortly afterwards following a note on the Regulator's file for Tiuta that: *"The firm have responded to our query on control of arrears and adequacy of capital resources. Arrears are not out of line with other lenders in this sector, as planned exit strategies often take longer than expected to materialise. The firm appear to have a robust arrears handling policy, although we have not*

   tested this in practice. The firm have now also responded to the 'Dear CEO' original arrears handling letter – response has been uploaded on Remedy. No further action recommended at present - may be a candidate for a visit on the next round following response to the small lenders 'Dear CEO' letter".

6. Questions were being raised by the FSA about Tiuta's financial stability and how the Connaught Series 1 Fund was being promoted and operated from **December 2008/January 2009** but these were not pursued.

7. In **January 2009** the JFSC (Jersey Financial Services Commission – Regulator) notified the UBD team of concerns regarding a director of Connaught Asset Management Limited ('CAM') (Nigel Walter) carrying out regulated activities. In **February 2009** UBD conducted a search on the Regulator's shared intelligence system for Mr Walter and CAM, but it is not clear whether the search revealed any concerns regarding Mr Walter. Mr Walter resigned as a director of CAM on **1 February 2009**, although his involvement with CAM did not end there.

8. A separate enquiry was opened by UBD in **April 2009** into whether CAM was carrying out regulated activities and making promotions without proper regulatory authorisation. CAM's position was that Capita Financial Managers Limited ('CFM') was the authorised operator, and that CAM did not also require authorisation because it was merely carrying out unregulated activities on CFM's behalf. The Regulator considered in some detail the need for CAM to be authorised and obtained additional information from CAM, but eventually decided that it would not pursue this further.

9. Supervision was aware that Mike Davies was acting as Compliance Officer for Tiuta in **August 2009**, as well as acting as a Director of CAM. However, Supervision were satisfied by a verbal explanation that it was a temporary situation and Mike Davies was providing services to Tiuta on a consultancy basis and there was no conflict of interest. The basis for that assessment is not clear. Supervision did not identify any particularly serious issues with Tiuta and noted that it contrasted with some of the other firms visited as part of the transition process referred to above, which had had their activities suspended due to concerns raised during their visits.

10. Blue Gate Capital Limited ('BGC') took over from CFM as the FSA authorised operator of the Fund in **September 2009**. On **23 October 2009** Mike Davies (in his capacity as Chairman of CAM) wrote to inform the Regulator's Unauthorised Business Division (UBD) (as part of the on-going correspondence between UBD and CAM regarding whether CAM was acting without the necessary authorisation) that CFM were no longer acting as operator, and that on advice the terms "low risk" and "guaranteed" had been removed from the Fund's name. <u>There does not appear to have been a response from UBD to this letter or querying the change of operator.</u>

11. The FSA first identified concerns with the Fund's promotion in **2009** and was aware of systemic issues within the market involving the promotion and sale of unregulated

Collective Investment Schemes ('CIS') from **2010.**

12. In **March 2010**, the FSA's Financial Promotions team referred the Connaught promotion to the Unauthorised Business Division with the note: "*perhaps we can stop some detriment before it happens*."

13. In the **autumn of 2010**, the Regulator was alerted to concerns from three individuals relating to BGC. On **20 October 2010**, the whistleblowing department sent an email to the Wholesale Small Firms department (WSF) regarding concerns about the promotion of UCISs by BGC. On **1 November 2010**, the whistleblowing department sent an email to WSF informing them that "We have received two separate reports regarding this firm raising concerns.

14. Both whistleblowers also referred to the £100 million Connaught Income fund which is "allegedly in difficulties". An internal note from **21 December 2010** recorded that BGC had provided detailed information about its loan structure and distribution and that a meeting had been arranged for **January 2011** to discuss some further questions.

These are just the red flags I *know* the FSA was aware of but chose not to act upon. There may well be others I'm not aware of. I do not believe it is credible to suggest that the FSA is merely incompetent; surely, on the law of averages, an 'incompetent but not dishonest' regulator would do the right thing at least *sometimes*? The pattern of inaction suggests a wilful cover-up.

11. To your knowledge, what did the FCA do to investigate the matter you raised?

It was always my firm belief that the FCA did nothing to investigate the matters I raised. I reached this conclusion based on several factors.

1. The evidence I provided to the FSA was irrefutable. I provided cash flow summaries, details of the missing money, a signed admission letter from the perpetrators, board minutes, external reports from BDO stating the business and its subsidiaries were insolvent and much more. The simple fact the business continued to trade for an additional 17 months after I blew the whistle made it clear that the FCA did nothing to investigate it.

2. I met the Regulator in March 2011 and there was no further contact between us for over 4 ½ years when I filed a complaint against them. If they had been investigating things I would have heard from them or the police.

3. When the FCA started playing the blame game, it was further proof that they took no action and were trying to deflect their failings on others, including me.

4. I would read positive news in the press about Tiuta (from Tiuta) that I knew was simply impossible. I knew the articles were all lies and further proof the Regulator was taking no action.

In the years following the collapse, I've received information that supported my belief that the Regulator took no meaningful action.

1. The Regulator relied exclusively on BDO and the perpetrators for their information and never validated anything on their own.

2. As discovered in an FCA internal report that was obtained through a FOIA request, the Regulator tipped off the perpetrators (Tiuta), to my whistleblowing allegations. Not only was this a serious breach of the Regulator's responsibilities to me it also gave Tiuta the necessary time to create a false narrative that refuted my claims. Furthermore, it was

most likely what led to the death threats I received.

3. In various correspondence with me, The Complaints Commissioner and others, the Regulator felt, with the benefit of hindsight of course, they could have done more.

4. The Independent Review into the collapse of The Connaught Income Fund Series 1 was largely a whitewash but it concluded that the Regulator never looked at my evidence and they relied on BDO, who they knew were not verifying information received from Tiuta.

12. To what extent did the FCA act promptly and effectively to investigate your allegations?

The Regulator did not promptly, or indeed ever, investigate my allegations. I made a Principle 11 notification to the Regulator in January 2011. Two months elapsed before they met with me and that was the last interaction I had with them. It's clear they did nothing because the fraud continued for a further 17 months after I notified them.

The independent review found that the Regulator never looked at my evidence. This was an extraordinary finding considering the Regulator said on multiple occasions that my evidence did not show fraud.

13. Thereafter, as far as you know, what did the FCA do to prevent the alleged misconduct from continuing?

Quite the opposite. The feckless Regulator did nothing to prevent the misconduct from continuing. In fact, there is also overwhelming evidence that the Regulator was complicit in the losses suffered by so many. They were complicit through their inaction, gullibility and toothless threats. Far worse, they directed Tiuta to prioritise the release of DS1's on regulated loans. These were loans that had redeemed but Tiuta had used the money for their own purposes instead of immediately passing the money back to the funder

From January 2011 (when I made a Principle 11 call to the Regulator) – September 2012 (when Tiuta appointed administrators), the following points are proven with evidence;

1. The amount of loans that were redeemed but Tiuta failed to pass back to the funder (The DS1 Issue) increased by £14,591,616. When Tiuta went into administration the total DS1 figure totalled £23,048,605.

2. The amount of Not Proceeded With loans (loans where Tiuta kept funds on loans they drew down funds for that didn't proceed or were non-existent) increased by £692,600. When Tiuta went into administration the total NPW figure totalled £3,453,376.

3. Tiuta and its subsidiaries were cash flow and balance sheet insolvent every month and in breach of their capital adequacy requirements.

4. Tiuta's regulated loan book was 22.37% by unit in February 2011, not insignificant as the FSA claimed.

5. Tiuta Plc was the only regulated entity in the Tiuta Group. The FSA knew regulated loans were made by non-regulated entities in the Tiuta Group (Series 1 and Clydesdale). 6. From January 18, 2011 when I made my Principle 11 call to the FSA and told them I believed the firm was insolvent, the FSA had no contact with Tiuta until March 24, 2011, the day I met the FSA in person. Two months elapsed before the FSA did anything.

7. The FSA allowed and encouraged Tiuta to grant loans outside of their funders' criteria. Specifically, they allowed loans to offshore companies in Series 1. They allowed connected party transactions. They allowed £9 million in second charges in Series 2.

8. Series 2 had a £1.2 million shortfall 4 months after it launched.

9. The FSA instructed Tiuta to prioritise the redemption of regulated DS1 loans, and later stopped it making regulated loans entirely. By doing so, they knowingly allowed Fund money to be misappropriated. Instead of the redemption money from a Fund 1 loan going back to the Fund, it was used to redeem a regulated loan from another funder or to make unregulated (property development) loans - not the regulated (residential bridging) loans Connaught investors were told they were backing. This put investor money at significant risk. In addition, the FSA were aware that Fund money was used to redeem unregulated loans from other funders. This also put investors' money at risk.

10. The FSA stated they were first made aware of losses in the Fund in March 2012. This is a lie. The BDO report in August 2011 identified a £16 million shortfall in the Fund. In December 2011 the FSA stated they believed the shortfall was £20 million.

11. Ian Conway, one of the FSA's supervisors dealing with Tiuta, used to work for Bill Warren, Tiuta and Connaught's Compliance Officer. The other supervisor of Tiuta was Lorraine Wadhams, a former colleague of the other Tiuta compliance officer, and latterly Connaught's Chairman, Mike Davies. Both should have recused themselves from any supervision related to Tiuta or Connaught. This is a clear conflict of interest. Perhaps more serious than that, I believe it is mathematically impossible that not one but two people who had previous close associations with Tiuta's compliance team could be appointed to supervise that firm by

    chance. Their appointment must surely suggest that someone in a senior position at the FSA made a conscious decision to appoint supervisors who were conflicted, and thus unlikely to act.

12. The FSA were aware in August 2011 that Tiuta could not honour a guarantee between that firm and investors in the Connaught Fund. Ian Conway told Tiuta to "distance themselves from the guarantee". He even said the guarantee was not a guarantee to protect investors' capital but rather it was a code of conduct guarantee. This was untrue. The FSA did nothing to prevent new investors and capital pouring into Series 1 and Series 2 Funds.

13. The FSA varied Tiuta's permission (VOP) in June 2012. The variation required Tiuta to return redemption money to the appropriate funder when a loan was redeemed. This VOP was added 3 months after the Fund was suspended and 17 months after the FSA first knew Tiuta was using redemption money for their own purposes.

14. The FSA and BDO failed to recognise loans to Demi Ramadan and his sister, a further £24 million fraud and loss to the Fund.

15. In August 2011, The FSA allowed Tiuta to pay a £940,000 dividend from an insolvent company while over £28 million was owed to the Fund from Tiuta's use of redemption money and NPW money.

16. The FSA were aware of multiple connected transactions in excess of £12 million. The connected transactions were loans made to Tiuta employees, the brother of Steve Nicholas and to the Directors of Tiuta through an offshore company in Cyprus called Trufelia.

17. The FSA allowed multiple facility breaches (loans to offshore companies Series 1, second charges in Series 2, connected transactions, regulated loans from non-regulated entities). 18. Each and every month, the FSA accepted fantastic lies from Tiuta, they allowed deadlines to

be missed regularly, they accepted throwaway excuses from Tiuta for poor results such as, it's a timing issue, it's a paper exercise. They accepted vastly distorted projections from Tiuta as well as inflated property values for worthless properties the company owned. Month after month, Tiuta lied to the FSA and the FSA's only recourse was ineffective threats.

19. The FSA allowed multiple threshold breaches, capital adequacy breaches and fraudulent MLAR reports.

20. The FSA accepted multiple lies about me. This enabled Connaught and Tiuta to publish lies about me that the FSA knew were not true.

21. Despite refusing to treat me as a whistleblower, the FSA referred to me as a whistleblower on multiple occasions.

22. At no time during this period did Tiuta ever meet the projections they submitted to the FSA. Specifically, every month they had no profit, new loans were below forecast, sales of properties owned were far below forecast, new funding was non-existent but misappropriated Series 1, Series 2 and Clydesdale money increased significantly.

This is a small sample of how Tiuta spent some of the money they stole;

1. On August 2, 2011 – Tiuta paid a dividend of £940,000 from an insolvent company Tiuta Assets Limited

2. In May 2012 a £5.8 million loan was made to the brother of Tiuta's Chairman Steve Nicholas
3. In March 2012 – Nicholas invoiced Tiuta for £42,000 to pay for his personal debts which included his wife's mortgages and his son's credit card

4. In March 2012 the company wrote off a £300,000 pension contribution to Nicholas that should have been returned to the business. The justification for doing so was that Nicholas received no compensation in 2010 and the write off was in lieu of a salary. This is categorically untrue.

5. In 2010, Nicholas received a salary of £452,813 and a pension contribution of £300,000 for a total of £752,813

The Regulator's extraordinary gullibility throughout the relevant period is astonishing. In addition to knowing that Tiuta was operating a Ponzi scheme and doing nothing about it, the Regulator, allowed the fraud to continue and even pick up speed by recklessly and without reason accepting the most unbelievable, unattainable and illogical excuses from Tiuta. The Regulator accepted these excuses from the very people they knew were stealing the Fund's investors' money every month.

The ease with which the Regulator accepted the same lies and excuses month after month very clearly demonstrates the abject depths of their failures, or their dishonesty.

The Regulator would impose strict deadlines on Tiuta regarding the production of key documents, financials, agreements etc. Those deadlines were never met and the Regulator did absolutely nothing.

The Regulator would admonish Tiuta for its monthly theft of investor money. Instead of taking decisive action, The Regulator would accept the most unbelievable excuses from Tiuta, such as it's a 'timing' or 'paper exercise'. The excuses have no meaning but the Regulator accepted them without verification.

At no point during the relevant period did Tiuta ever meet their projections on new business,

redemptions, decreasing the DS1's or the sale of unencumbered properties they owned. Again, multiple impossible excuses were given and accepted by the Regulator. Of course, these properties were valued by Tiuta's own staff valuers (who were complicit in the fraud) and were massively overvalued. Nor were they 'unencumbered': it was a simple matter to check on the Land Registry that there were other loans secured on them and little if any equity value remaining.

The most ridiculous and impossible to achieve story the Regulator accepted was the Tiuta's fantasy that they had or were about to secure new funding. Without any kind of due diligence, the Regulator chose to believe this wholly implausible scenario and in doing so, they empowered Tiuta to continue stealing the Fund's investor's money.

What capable Regulator could believe that an insolvent company in breach of multiple Threshold Conditions, in breach of its capital adequacy requirements, that had filed fraudulent MLAR reports, filed fraudulent accounts, where 50% of its existing loan book was known to be in default (later it turned out to be much higher) and was managed by people who were by any measure applied not 'fit and proper' (as evidenced by the Ponzi scheme they ran for years) ever get new funding? The mass of negative press alone would have kept potential funders away. This was yet another critical point Raj Parker's supposedly independent review chose to overlook.

Tiuta's financial situation and with the negative press at the time were more than sufficient barriers to any new funding. A very basic due diligence by any potential funder would have identified Tiuta as a Ponzi scheme. In fact, there were never any meaningful discussions for new funding. The new funder Tiuta quoted to the FSA most often was a dormant shell company.

As with most of the Regulator's failings, a simple phone call to any potential 'new funder' or even demanding that Tiuta provide a letter of intent or term sheet from the 'new funder' would have quashed this immediately.

It is impossible to think that the Regulator genuinely believed Tiuta could secure new funding (which would have done nothing to address their insolvency) given the above mentioned issues. And if Tiuta somehow defrauded a new funder as they had done so effortlessly with the Regulator, and

secured new funding, the Regulator must have been obligated to inform the new funder of the very serious issues at Tiuta.

In his far from independent review Mr Parker stated (multiple times), "the Regulator's actions at all levels, were always "well intentioned" and the issues they had to address were "complex, difficult and demanding"." This is comical especially when you look at the list below. We are being asked to believe that not a single person listed below could figure out what was going on. It was an uncomplicated Ponzi scheme.

These are the names of the FSA's employees, who at various times were involved in the monitoring of Tiuta or were involved in dealing with my complaint.

FSA Employees involved with Tiuta from January 2011 – September 2012.

1. Robert Price* – FSA Contact Centre
2. Lorraine Wadhams* – Associate – Small Firms and Contact Division (24/3/11), Associate - Mortgage and General Insurance Department – Supervision Division (21/4/11 – 29/3/12), Conduct Business Unit – Supervision Division (30/3/12)
3. Ian Conway* - Associate - Mortgage and General Insurance Department – Supervision

Division

4. Toby Stubbs* – Unknown (attended my meeting with the FSA in March 2011) 5. Charles Roe – Head of Department - Mortgage and General Insurance Department – Supervision Division

6. Denise Sbraga – Manager - Mortgage and General Insurance Department – Supervision Division

7. Chris Thomas – Supervision Division – Conduct Business Unit

FSA Employees Involved in my Complaint to the FSA and my complaint to The Complaints Commissioner.

1. Joanna Legg* – Manager (my original complaint, dated November 11, 2015 was sent to Ms. Legg)

2. Imran Ahmad*– Complaints Investigator

3. Michelle Broadhurst* – Manager Complaints Team

4. Chris Green* – Senior Complaints Investigator – FCA Complaints Team – Corporate Services 5. Simon Pearce* – Company Secretary – Head of Corporate Services

6. Mark Steward* - Director of Enforcement and Market Oversight, member of the FCA Executive Committee

In addition to the FCA employees listed above, the following people of significance were informed and or commented on Tiuta/Connaught.

1. Hector Sants – FSA CEO – 2007 - 2011

2. Martin Wheatley – FSA CEO – 2011 - 2015

3. Tracey McDermott – FSA CEO - 2015

4. Andrew Bailey – FSA CEO – 2016 – March 2020

5. Charles Randell – FSA Chairman – April 2018 - Current

6. Clive Adamson – Director of Supervision FCA , Conduct Business Unit

7. Sajid Javid – November 2013 – then Financial Secretary to the Treasury

8. Andrea Leadsom – May 2014 – then Economic Secretary to the Treasury

9. Harriet Baldwin* – January 2016 – then Economic Secretary to the Treasury 10. Caroline Wayman* – November 2015 – Chief Ombudsman and CEO, Financial Ombudsman Services

11. Elektra Garvie-Adams* – July 2016 – Committee Support Assistance for Andrew Tyrie, Chairman of The Treasury Select Committee.

*I had direct communication either by phone, e-mail or face to face, with these individuals

We also know that internally, the FSA advised their Enforcement division on the problems at Tiuta and referred the case to the FCA's General Counsel Division (GCD). Within the houses of Parliament, two separate All Party Parliamentary Groups were created to specifically discuss and understand the issues with the FCA, Tiuta and Connaught.

14. In your opinion, to what extent did the FCA act promptly and effectively to prevent the alleged misconduct from continuing?

The FSA/FCA did not, at any time, act effectively and by no measure, promptly. As previously mentioned, they did the opposite and by their inaction and gullibility, were the catalyst that boosted the fraudulent activity to higher levels and allowed the perpetrators to implement new techniques to steal money.

The FSA buried the following announcement on their website on 26 May

2011; ***Investors warned over Connaught Income Funds***

What are our concerns?

In the literature we have seen, the Connaught funds are described as 'very low risk' and 'low risk'. It makes comparisons between investing in them and putting your money in high street bank and building society accounts. We believe this is misleading.

Connaught's marketing material compares the returns on its funds with fixed-rate notice bank and building society accounts. However, customers need to be aware that these bank accounts have stronger investor protections should anything go wrong and offer lower risks to your money than there is investing in the Connaught funds.

Furthermore, these funds offer a quarterly 'fixed income payment'. Although, the probability of you receiving this payment depends significantly on the performance of the investments within the funds. We believe this is not explained well enough to investors.

Connaught also offers an 'additional guarantee on the income' within the funds, but it is unclear if investors would be able to understand what this guarantee is.

Who does this affect?

Consumers who are considering investing, or have invested in the Connaught funds, whether directly, though a Self-Invested Personal Pension (SIPP), Small Self-Administered Scheme (SSAS), an investment bond or an offshore investment bond.

What should you do next?

- *Make sure you and your financial adviser or stockbroker understand how the funds work and what investing in them means for your money.*
- *Always make sure your financial adviser is qualified and regulated by the FSA (please check the FSA Register).*
- *Discuss with your adviser whether there are any other products that would meet your needs and give you the protection of the Financial Services Compensation Scheme and Financial Ombudsman Service.*

Investing in these funds is only appropriate if you are comfortable with the particular risks involved.

There was no public announcement and it would have taken 6 clicks to see this notice (if by chance someone decided to look). Considering the Regulator knew Tiuta was insolvent and stealing money this notice is meaningless and certainly not effective in stemming new investment or stopping the fraud.

No new mortgage business – No date not published – May 2011

1 Tiuta may not arrange sales of any new regulated mortgage contracts.

The Regulator had Tiuta voluntarily cease all regulated lending. This would only happen when there's a serious problem. However, the Regulator once again buried this news. Far worse, The Regulator allowed Tiuta to put a positive spin on it by saying it was a business decision made so they could focus on their core business. Had the FSA been honest when they revoked Tiuta's permissions to grant regulated mortgage loans there would have been even more evidence in the market that Tiuta was damaged goods.

At no time did the Regulator ever act appropriately. Whenever they had an opportunity to act or simply do the right thing, they never did. Not once.

15. If you suffered detriment, or loss of job, what was the impact on your personal income in each of the three years after you blew the whistle, compared to your income in the three years prior to your dismissal?

When I blew the whistle, I was 46 and either already in or entering my peak earning years. I had a healthy savings account and an investment portfolio that was slowly improving after the Global Financial Crisis. I had a significant amount of equity in my family home. My compensation package at the time was commensurate with my experience and my role as CEO. I was comfortable. The majority of the 3 years after I blew the whistle I was unemployable. As an American, I had been living in the U.K. on a visa that is tied to a specific job. Since I was no longer working at Tiuta, I had to return to America. There were certainly no jobs being offered to me in the U.K and at the time, I hadn't worked in America in over 15 years, I wasn't high on American companies' top prospects list. Whenever there was interest, it would die after a simple "George Patellis" Google search.

In addition to normal expenses such as a mortgage and utilities, I had a daughter in University and I was amassing significant solicitor fees in an attempt to clear my name. I had no income and had to use my savings and sell stocks (that were still down by over 50%) to get through each month. In June 2013 I had to sell my family home and my family moved in with relatives.

When I was able to secure a position in late 2014, my salary was less than a third of my yearly salary in the year I blew the whistle. This doesn't include equity and other benefits I had. It's almost 11

years since I blew the whistle and today I still earn less than a third of my pre-whistleblowing salary. My savings and investments are a fraction of what they were.

Had the Regulator acted appropriately this wouldn't be the case.

16. In your opinion, how well, or badly, has the FCA treated you as a whistleblower? How well has it protected your privacy, ensured that your career was not adversely affected and helped to safeguard your mental health?

The Regulator has treated me appallingly over the years. They tipped off the fraudsters to my whistleblowing and they ruined my career. They publicly and without my permission 'outed' me as a whistleblower, and attempted to blame me for *their* failure to bring in the police when I'd given them clear evidence of criminality. In fact, you will not find a single positive act by the Regulator. Whether in person or publicly, amongst other things, the Regulator stated that I could have done

more than I did when I gave them evidence. The Regulator said they were unaware if I went to the police, they refused to classify me as a whistleblower and said they didn't know how to treat a senior employee who provided 'information' and they refused to offer me a simple public apology, instead they published a meaningless statement that did not mention my name. In their most egregious act against me (so far) the Regulator used the very same evidence I provided them in March 2011 (or based their case against CFM on what I told them, and they had evidence of) as the cornerstone of their final notice on CFM. This is the evidence that I gave the Regulator and they said to me and in public that it was not sufficient evidence of fraud or wrongdoing.

The FCA's actions have caused irreparable damage to my reputation, my financial situation, my family, and my ability to secure a job at the level I enjoyed before I blew the whistle. I received multiple death threats. The impact of the FCA's actions flowed throughout my entire family. My children were harassed on social media and someone even phoned my daughter on her mobile while she was at school, striking fear in her and my wife. My wife and my children had friends who read the scores of false press about me (the FCA knew the stories were false) and would question them about it. It was highly embarrassing for my wife and children. My children were ridiculed and lost friends.

I've had my struggles and sought professional help and after 10 years I still see a counsellor and am on medication. After 30 years of marriage my wife and I separated. After a year apart we began marriage counselling and are now back together after months of counselling.

Q&A's

The Regulator publicly lied about my evidence in their published Q&A and attempted to shift their responsibilities on me and by doing so, threw me under the bus.

Q. What did the FSA do once they received the information provided by George Patellis?

A. Once the information provided by George Patellis was reviewed, we met with other parties to discuss a number of concerns at the time and as a result of these discussions we did not consider that we had sufficient evidence of fraudulent activity but we did have serious concerns about the financial position of Tiuta plc

Q. When exactly did the FCA contact the Police?

A. At the time we received information from Mr. Patellis we decided to pursue our concerns with the firm directly and did not contact the police or other authorities. At the end of 2012 we looked at this

case afresh and decided given the complexity of the situation and recent developments (i.e., suspension of the Fund an insolvency of the firms) concerned that other agencies should be contacted by the FCA directly. We also continue to work collaboratively on this case with other authorities.

The FSA is not aware whether Mr. Patellis went to the police directly at the time the FSA did not do anything to prevent him from doing so.

The FCA stated they were not aware whether I went to the police or not and they did nothing to prevent me from doing so. This statement caused me serious distress and inconvenience and further damaged my reputation. It's particularly devious that the FCA added this sentence to the Q&A as it did not appear in the previous versions. This was a deliberate attempt to place the blame on me. Antony Townsend pointed this out in his final decision on my complaint published on November 24, 2016;

The FCA's statement, in its published FAQs, that the FSA did not do anything to prevent you from doing so has been perceived as an attempt to shift responsibility from where it clearly lies, with the regulator itself.

In the Regulator's internal review, *Risk and Compliance Overview – Review of the FSA/FCA's involvement in the Connaught Income Fund Series 1 – 24 February 2016* they stated;

"The FSA did not treat the former CEO as a whistleblower. **By highlighting his concerns to Tiuta**, the FSA could have potentially compromised the CEO's position/employment."

"The FSA could have responded to the whistleblowing intelligence in a more timely and efficient manner minimising the impact on the former CEO."

"There were concerns about the consistency of some decisions in the FSA's treatment of the intelligence provided by Tiuta's former CEO."

The Regulator is acknowledging that it tipped off Tiuta to my 'concerns' (they told them what was behind my whistleblowing) and this compromised my position, safety and employment. Furthermore, had they acted appropriately the impact on me would have been minimised and they had concerns about their own inconsistent treatment of me. This also allowed Tiuta valuable time to come up with the excuses the Regulator blindly accepted. Even worse for me, it gave Tiuta the information they needed to disparage me in the press.

They admit they could have acted quicker and minimised the impact on me and they had concerns about their treatment of me. This is all behind closed doors information. They never admit to this publicly. The above information was obtained through an FOIA request that was only received in October 2021.

In a CityWire article published 10 May 2011 - *MPs on course for battle with FCA over 'nuisance' plan for whistleblower office* – Mark Steward, the FCA's Head of Enforcement said the following; "The FCA has made improvements to its whistleblowing processes, and Steward says the conversations he has had with Patellis over the years still affect him."

From the Independent Review;

As a reminder, this is how Raj Parker detailed this in his report;

"Notwithstanding the very serious state of affairs in relation to the alleged misuse of funds and the cash shortfall owing to CAM in particular, no steps were taken by the Regulator to follow up on the allegations directly with the approved persons at Tiuta or indeed with the operator BGC. In fact, I have seen nothing to indicate that the Regulator reviewed or considered in detail Mr Patellis' letter dated 24 March 2011 or the documents enclosed, despite the fact that he had provided those documents directly in response to their formal request under section 165(11) FSMA".

"The Regulator does not appear to have attributed much weight to Mr Patellis' allegations and did not properly investigate them at the outset. The gravity of the allegations was not adequately escalated to senior management at the Regulator – rather, they were presented as concerns from a disgruntled ex-employee. Moreover, the Regulator knew that the Accountants were not investigating the allegations of misconduct Mr Patellis had made concerning the Tiuta Board or in particular his allegations about misappropriation of funds".

"What is of primary concern is that these issues formed part of the important context and background for Mr Patellis' allegations, but do not appear to have been referred to or reviewed following his meeting with the Regulator in March 2011".

"During this interim period, Tiuta and CAM both put a number of press releases and reports into the public domain implying in effect that Mr Patellis had left Tiuta because he was responsible for the financial issues at Tiuta. Emails from Mr Walter to IFAs who had contacted CAM regarding concerns following the resignation of Mr Patellis in February 2011 (and four further staff in April 2011) also sought to place the blame on Mr Patellis.

"Mr Patellis, as set out at paragraphs 192, 193 and 195 above, felt that the information he provided had not been followed up, that Tiuta had disseminated untrue information about him in the press that was not corrected and that he was not supported by the Regulator.

The Regulator (as explained at paragraph 199 above) does not appear to have given appropriate credence or weight to the seriousness of Mr Patellis' allegations. The Regulator also could have contacted the Insolvency Service earlier than August 2012, and it is unclear why it did not do so".

"Mr Patellis, in March 2011, sought to provide key information regarding financial misconduct and solvency at Tiuta to the Regulator. In the event, the information he provided and the allegations he made were, to a large extent, borne out by subsequent events."

To demonstrate how disconnected the Regulator is, this is the apology from Charles Randell 10 years after the fact;

"I add my own public apology from the FCA to George Patellis, an important whistleblower who raised concerns that we should have acted on more promptly and decisively."

His apology was the first, there's no FCA George Patellis apology list. His is 1 of 1. Saying I had 'concerns' minimises what they did. This may seem trivial but I know the Regulator considers each and every word they use. That sounds a lot better than this, which is what I believe Randell should have said:

"I'd like to be the first person at the Regulator to publicly apologise to George Patellis after the FSA and FCA mistreated him so appallingly for 10 years. As a CEO, he blew the whistle on his own company, but we didn't classify him as a whistleblower, we claimed he was just sharing information. He turned over to us extensive evidence that forensically corroborated his allegations. Unfortunately, we never looked at his evidence. In fact, we stated publicly on multiple occasions that the evidence he provided did not show fraud. This was a lie of course but we stuck with it. We then made things

even more difficult for Mr. Patellis by suggesting he could have done more than he did to stop the fraud. We abdicated our responsibilities and the duty of care we owed Mr. Patellis.

"We recognise that the actions and inactions of the Regulator have materially impacted Mr. Patellis' career trajectory and are likely to continue doing so; we also accept they have caused him and his family acute, avoidable distress for many years. We are therefore in negotiations with him about an appropriate financial redress package. We further recognise that these and other failures on our part contributed to the financial losses and distress experienced by investors in the Connaught Income Fund Series 1; it is our intention to remedy these too"

17. If you have suffered financially or otherwise as a result of blowing the whistle, how effective has the FCA been in securing redress for you from the guilty parties?

I have received nothing from the FCA in the form of redress (they are the guilty party). It took them 10 years to apologise. I refused the FCA's princely offers of a £500 ex gratia payment and a £1,500 ex gratia payment. I did ask that these amounts be donated to the FCA's training budget in

my name. I never received a thank you note so I assume the donations were never made.

18. How effective has the FCA been in securing redress for the victims of the alleged misconduct and in prosecuting or banning the perpetrators so they are unable to continue doing it?

The FCA has claimed full credit for securing redress for the jilted investors in the Fund who have received most of their initial capital back but not all of it as was claimed; they also have missed out on many years' income on their investments and some have suffered further losses as a result of being unable to access their money or having to pursue redress. While I was and remain happy that the investors received something, the Regulator is not the White Knight they purport to be. I believe the redress was secured not because of the Regulators' actions but rather their Titanic failures. These failures were brought to light by a concerned group of Fund investors and myself. We backed the Regulator into a corner and they realised we were not going away. They did what they do best and they blamed someone else for their failings. Capita did a terrible job as the operator of the Fund and they deserved to be punished for it. Again, I'm thrilled the investors got most of their capital back and it wouldn't have mattered to me where it came from. The excerpts below from the FCA's Final Notice Capita Financial Managers Limited from November 2017 show the depths of the Regulator's hypocrisy. The FSA is guilty of the very issues they reprimanded Capita for. In many instances, much worse. Don't feel sorry for Capita though, in an almost unbelievable stroke of good luck - or, perhaps, as a sop for agreeing to the redress package - a mere 6 months after the publication of the Final Notice, Capita secured a contract with the FSCS almost to the value of their pay out to Connaught investors. Raj Parker, the Connaught Independent Reviewer, has the same good fortune as Capita, 6 months after the publication of his not so independent review he landed a lucrative part-time advisory role at the FCA, one that was never advertised and for which no other candidates were even considered.

To this day, CFM has faced no sanction other than the voluntary redress scheme (for which the FCA largely compensated it via the 'back door' of the FSCS). The FCA even recommended it to be the Authorised Corporate Director ('ACD') of the Woodford Equity Income Fund. In that role it has been widely criticised for failing in its statutory duty to protect investors' interests. Billions of pounds of client monies were lost when that Fund departed from the stated investment strategy, investing in high-risk, cash-burning, illiquid start-ups instead of established, publicly quoted dividend-payers, taking on too much debt and investing in firms linked to the principals. I believe that these losses would have been prevented had the FSA/FCA acted appropriately against CFM.

Final Notice Capita Financial Managers Limited

While I was genuinely pleased that investors in Series 1 would get much of their initial capital back, I was nevertheless shocked to read the Regulator's report into Capita's shortcomings related to their time as Operator of Series 1.

Many of CFM's shortcomings, as identified by the FCA, are identical to the points I raised in my meeting with the FSA in March 2011 and were subsequently detailed in the evidence I provided to the FSA.

CFM's failings as operator of the Fund as detailed in the FCA's final notice

- Tiuta not returning redemption money to the Fund
- CAM Director had previously been banned for his role in an unlawful collective investment scheme

- Auditor listed in the Fund IM was never engaged
- Tiuta rolling over loans – a breach of the criteria listed in the IM
- Connected transactions - a breach of the criteria listed in the IM
- Loans made outside of published criteria, exceeding maximum LTV - a breach of the criteria listed in the IM
- Loan redemption money being recycled for new unapproved loans
- Multiple loans for millions of pounds not secured by a legal charge
- CFM failed to pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- CFM allowed monies to continue to be invested in the Fund despite serious concerns. ● CFM did not act in the Fund investors' best interests
- CFM did not comply with its regulatory obligations
- CFM fell short in its provision of information relating to its concerns. The information they provided was limited and CFM could not be sure their concerns were understood. ● CFM failed to disclose what they knew about failures in the registration of mortgage charges and the ongoing issue of recycled loans. Consequently, CFM allowed the Fund (new and existing investors) to continue to be exposed to these risks.

The FCA's final notice on CFM is proof that the Regulator has been dishonest and disingenuous in their dealings with me from January 2011.

In their final notice, the FCA was very critical of CFM for the way they communicated with Fund investors. They were reprimanded for not being clear, misleading, allowing funds to be invested despite serious concerns, not acting in the best interests on the investors, falling short on the provision of information they had such as; failing to disclose what they knew about failures in the registration of mortgages, the recycling of loans at Tiuta, the misappropriation of redemption money at Tiuta, not returning funds when a loan did not proceed (NPW's), Tiuta's very weak financial position and the strength or lack thereof of the 'Guarantee' that was meant to cover investor losses.

The following bullet points are from the FCA's final notice. In each bullet point the FCA has done the same thing or worse than CFM. It's a spectacular example of their hypocrisy and further proof that they are unaccountable for their own actions and are ungoverned.

- CFM failed to pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- CFM allowed monies to continue to be invested in the Fund despite serious concerns. ● CFM did not act in the Fund investors' best interests
- CFM fell short in its provision of information relating to its concerns. The information they provided was limited and CFM could not be sure their concerns were understood. ● CFM failed to disclose what they knew about failures in the registration of mortgage charges and the ongoing issue of recycled loans. Consequently, CFM allowed the Fund (new and existing investors) to continue to be exposed to these risks.

The following points are a sample of the Regulator's failings that are strikingly similar to the failings of CFM as detailed in the final notice.

1. The Regulator deflected blame towards me and IFAs when they had clear evidence of fraud

and no evidence of misselling.

2. The Regulator did not communicate proper warnings to the market when they had sufficient evidence from me of financial wrongdoing and they had their own concerns dating back to 2009.

3. The Regulator knowingly communicated false or misleading statements to government officials. These lies are not merely historical. Even when the Parker report and the Enforcement Final Notice were published in December 2020, the FCA senior leadership falsely claimed that the Fund's investors had recouped all their capital, and even that they had been put in the position they would have been in had they not invested in that product. Neither of these claims is true.

4. The Regulator ignored several warning signs that they should have addressed and communicated. These include many senior management departures at Tiuta, not correcting known falsehoods in the press such as disparaging comments about me, Tiuta and the Fund saying they voluntarily withdrew from the regulated market and not instructing another firm to review Tiuta's fraudulent activities when BDO refused the Regulators request to do this.

5. The Regulator allowed Tiuta to trade when they knew in February 2011 the business was insolvent.

6. The Regulator knowingly accepted fraudulent quarterly MLAR reports from Tiuta. 7. The Regulator said the first evidence they had of the level of Tiuta's losses was the publication of their accounts in August 2012 which showed a £23.5 million loss. I provided the Regulator with evidence showing a £20 million deficit in March 2011 along with two separate reports from BDO that stated Tiuta was cash flow and balance sheet insolvent.

19. What do you believe the FCA could have done better in relation to your whistleblowing case?

I think I've probably covered a lot of this already. However, I would add that the FCA should have different procedures for senior executives/Directors who blow the whistle. All whistleblowers should be treated appropriately but when a CEO blows the whistle on his own company, alarm bells should ring through the Regulator's building and a meeting should be arranged immediately.

20. In general terms, what would you say about the FCA's effectiveness and timeliness in responding to your whistleblower situation?

I think this has been covered. To reiterate, the FSA's failure to take any meaningful action caused tens of millions of pounds to be stolen right underneath their nose. Then, the FCA made matters worse by blaming others for their failures.

21. What are your thoughts on whether the FCA lacks the powers that it needs; or conversely, that it doesn't make good use of the powers it already has?

I'm not sufficiently knowledgeable to comment on the bigger picture but with respect to Tiuta, the FSA had the appropriate powers to act and to act decisively. I believe they didn't for a variety of reasons, primarily because they, inexcusably, tipped Tiuta off to my whistleblowing and this gave Tiuta time to concoct a story (a story of complete fantasy but accepted without verification

by the FSA). The story hid the facts and put the blame on me. The other reason I believe they didn't use their powers is their standard go-to excuse, concerns about or unsure about their regulatory perimeter. Whenever the Regulator mentions their regulatory perimeter, it's code for, there is either very little or no regulated activity and bluntly, it's not our problem. This of course ignores the simple fact that by adopting this position, they know the fraud(s) continue.

What consequences would I have faced had I used the Regulator's flawed logic? What if I didn't blow the whistle because I determined only 5% of Tiuta's business was regulated? I would have been in breach of my obligations under Principle 11 as an approved person.

The Regulator has also gone to great lengths to say they are not the lead prosecutor of fraud. This is true, though in fact the FCA *does* prosecute some fraudsters, has every right to do so, and has a statutory duty to provide an appropriate level of protection for consumers - something which surely requires that those who commit fraud in financial services should be prosecuted. However, even if we accept the FCA's incorrect implication that it need not prosecute fraudsters itself, it must therefore follow that it should report significant allegations of fraud to the police as soon as it becomes aware of them. The Regulator failed completely in its duty to do this and the ramifications were significant. If the Regulator just used common sense many of their issues would go away.

22. In general terms, how would you describe what it's been like dealing with the FCA?

Infuriating. The FCA uses a multitude of scripts and are experts at answering questions that are either easy or meaningless. For example, when the Complaints Commissioner published his report into my complaint, he produced a 13-page document that was highly critical of the FCA's treatment of me. The FCA's response to the report was a few sentences that said nothing. They didn't address any of the specifics from the report. Then the entire issue just went away.

The FCA's refusal to treat me as a whistleblower was especially irritating because they regularly referred to me as one. This appears to be an inconsistency but it's not. It's deliberate and used to fit their agenda.

They have an uncanny ability to look at facts and come up with the most extraordinary excuses for looking the other way or to justify a bad decision. We all make bad decisions but most of us acknowledge it. We accept the consequences and try to make it right.

In my experience, the FCA's excuses are by far their worst trait. The fact that they expect reasonably intelligent people to believe the excuses is a good indicator of a morally bankrupt organisation. Here are a few examples:

In July 2019, when questioned how the Regulator could grant full authorisation to a firm 9 months after they censured the firm for misselling, then FCA CEO Andrew Bailey said*: "Being fully authorised has helped ensure the FCA has been able to take any necessary action."*

In September 2016 - the FCA posted an online warning about the get-rich scheme, headlined: "Beware trading virtual currencies with OneCoin". It said consumers should be "wary of dealing with OneCoin" and the organisation was being investigated by the City of London Police. "

When questioned why they later removed the warning, the FCA said it "had been on our website for a sufficient amount of time to make investors aware of our concerns". This statement ignores the obvious situation that new investors wouldn't know about the previous warning.

This is yet another excuse that makes no sense considering there are several warnings on the Regulator's website that have been there for years and some even decades.

A few of the excuses the used in my case;

"The Authority was limited in what it could do because the Fund itself is not regulated by the Authority and only around 5% of the Firm's activities at the time were regulated. You do not think this is a valid consideration, but in my view it is a relevant and important factor because it limited the scope of potential action the Authority could have taken in the circumstances."

"I have discussed this with the area responsible for supervising the Firm at the time. Because the Firm was not a 'relationship managed' firm, that is, it was not supervised by a team of supervisors, your call and follow up email was considered as part of a triage process before being passed to a case team – so a meeting would not have been requested straight away. I do appreciate how this process could lead you to think your concerns were not being taken seriously but your call was handled in accordance with the Authority's processes at the time."

"The Authority organised a meeting with you at its offices on 16 March 2011. The meeting was led by Supervision and you were not treated as a whistle-blower. It is not unusual for the Authority to have met you, as an Approved Person who notified it of an event under Principle 11. I have not been able to locate any clear guidance in 2011 on how Supervision should have handled intelligence from Approved Persons who could potentially have been treated as a whistleblower."

This is from an internal FCA report discussing the Regulator's refusal to accept my evidence when I met them in person:

"The authority took an approach the GP was not expecting and did not take the suitcase of documents he brought with him to the meeting; instead it asked him to review the documents and provide what he thought would be relevant for the authority to meet its regulatory obligations.

I am satisfied the authority did not refuse to accept his evidence; they received it in March 2011 but clearly had a different approach to what GP [redacted] was expecting."

This makes absolutely no sense. As I've stated many times over the years when this comes up, the Regulator should have taken everything I had. It's not my job to establish what they think is relevant or not. Obviously, I thought everything in my suitcase was important.

I asked the FCA again in early 2017 to clarify whether or not I was a whistleblower. The following is copied from a clumsy email I received from the FCA on 18 January 2017.

"We do not consider whistleblowers to be employees of a firm who are providing information as part of their job and have no requirement for specialised confidential handling. This is considered an 'offer of information' in accordance with our conduct rules that all regulated persons 'be open and cooperative with the FCA' and senior managers disclose 'any information of which the FCA or PRA would recently expect notice'. Supervisors are advised to consult with the whistleblowing team in any case where they receive an offer of information concerning financial crime, malpractice or significant misconduct which would generate a requirement for confidentiality.

Your disclosure was considered by FSA supervisors in 2011 to be an offer of information in accordance with the rules for approved persons in place at that time. If this case were to have been referred by Supervision to the whistleblowing team in 2011, we believe it would have been categorised as whistleblowing due to the potential involvement of financial crime, malpractice and significant misconduct."

This is a typical example of the excuses they use that simply make no sense. A person can't be a whistleblower if they report their own company? Every whistleblower (at least initially, requires confidentiality). The second paragraph is even more bewildering. The FCA says that had they done their job I would have been classified as a whistleblower. He says this in such a casual manner it's as if telling someone else not me.

23. What is your perception of the culture of the FCA, and what do you think about it?

The FCA seems like an organisation in a constant state of flux. Turnover is high at the top and this creates challenges. I'm sure there are plenty of very decent and honourable people at the FCA. My impression is the rank and file simply carry out orders from the top. This is the same in most companies of course, but I think it's rare to see rank and file employees following orders that are consistently flawed. The majority of the emails I've had from the FCA are full of complete nonsense that I find it hard to believe the author believes what they are saying.

I believe at its core, the FCA is a dishonest organisation. They take no responsibility for their failures and can say (literally) anything they want with no fear of repercussion

24. Have you ever complained officially about the FCA; if so to whom? What happened, and how do you feel about what happened? What feedback, if any, have you had about your complaint? How helpful was the feedback? How long has it taken for your complaint to be processed?

I filed my first complaint to the FCA for their treatment of me in November 2015. They responded in May 2016. Their response was insufficient and full of excuses as I expected it would be. I escalated the complaint to the Complaints Commissioner. In November 2016 the Complaints Commissioner published his findings on my complaint. The Complaints Commissioner was highly critical of the FCA and recommended they issue me a public apology. The FCA refused and were summarily panned. However, things moved on and it was forgotten as per their strategy,

FCA attacked for not publicly apologising to Connaught whistleblower

Antony Townsend says he does not understand why the FCA declined to issue a public apology.

By **Jack Gilbert** 01 Mar, 2017

The Complaints Commissioner has expressed his 'disappointment' in the Financial Conduct Authority (FCA) for its decision to go against his recommendation and not issue a public apology to the whistleblower in the Connaught case.

Last December Complaints Commissioner Antony Townsend issued a broadside on the FCA over its handling of the collapsed Connaught Series 1 Income Fund.

Investors are understood to have lost as much as £100 million in Connaught, which invested in bridging loan firm Tiuta, when it went into liquidation in September 2012.

The Connaught fund was suspended in April 2012, but over a year before this, the chief executive of Tiuta, George Patellis, contacted the FCA's predecessor, the Financial Services Authority (FSA). He raised concerns about the way the fund was being run, but the FSA did not address his

concerns before the fund collapsed.

Last December, Townsend heavily criticised the FCA for its dealing with the Connaught case in a 12-page report on the case following a complaint from Patellis.

'The evidence strongly suggests that, despite considerable activity, the FSA's approach was uncoordinated, fragmented, and was focused upon narrow issues of jurisdiction rather than overall consumer detriment. This was despite much of the evidence (some of it significant and dating back two or three years) about the larger picture being available to the FSA in 2011,' Townsend said.

He also indicated the regulator attempted to shift responsibility away from its own possible 'regulatory failings' to IFAs through messaging around it being a mis-selling issue.

In Townsend's report he recommended that the FCA conduct a review of its predecessor's handling of Connaught. The FCA has agreed to appoint a third-party to do this, however the dates for when this will happen have not been announced.

He also recommended the FCA issue a public apology to the whistleblower Patellis. The FCA went against this recommendation and only issued a private apology to Patellis.

Speaking at the Connaught all-party-parliamentary-group (APPG) meeting last night, Townsend criticised the FCA for this decision to go against his recommendation.

'I am disappointed that it was not a public apology,' he said. 'My view, and the reason I recommended [a public apology], was it would have been a recognition of the importance of the way whistleblowers are treated. You could say it is purely symbolic but I think it would have been helpful.

'I am disappointed and I will say this in my annual report in a few months' time, because I don't really understand why a public apology was not issued.'

He added a public apology would have helped encourage others to come forward and said he 'hoped' the FCA's decision would not discourage others from acting as whistleblowers.

Patellis said he was very pleased with Townsend's report last year but said he is still perplexed that no one has been held accountable for the regulator's past failings.

'Some of the FCA's actions were reckless; they cost tens-of-millions-of pounds. The FCA discredited me and said there was no proof of fraud and it is insane they are not held accountable for that. It just seems to have been passed around and yet the mistake cost over £80 million,' he said.

Responding to Patellis, Townsend said he appreciated his comments and his frustration, but did say some of the outcomes of his work has shown progress from the regulator.

'The speed of the response [from the FCA] and what was done with the information, I covered in my report. The second apology you got said they accept all of my criticisms. They have gone a bit of the way – there is going to be an independent review and those are significant steps.'

The FCA was unavailable for comment.

25. Overall, what have been the consequences to you (and if relevant to your family) as a result of what has happened?

The FCA's actions have caused irreparable damage to my reputation, my financial situation, my family, and my ability to secure a job at the level I enjoyed before I blew the whistle. I received multiple death threats. The impact of the FCA's actions flowed throughout my entire family. My children were harassed on social media and someone even phoned my daughter on her mobile while she was at school, striking fear in her and my wife. My wife and my children had friends who read the scores of false press about me (the FCA knew the stories were false) and would question them about it. It was highly embarrassing for my wife and children. My children were ridiculed and lost friends. In my case, after 10 years, I'm still in counselling and on medication.

I have not come close to securing a job at the level I previously worked. In fact, it took me over 3 years to even find a job. We had to sell our house and move in with my in-laws. Obviously, the financial impact and the damage to my reputation can only be described as devastating. The FCA is directly responsible for the troubles that befell me and my family.

Financially devastating – no income for 3 years immediately after meeting with the FSA in March 2011, substantial legal costs defending myself against multiple falsehoods made by Tiuta and Connaught, I was forced to sell my house.

I encountered serious health problems which led to multiple stays in

hospital. Regulatory

The FCA refused to classify me as a whistleblower because they did not follow their own procedures.

Discredited me by stating publicly that the evidence I provided was insufficient proof of fraud. It was the very evidence I provided the FSA in March 2011 that was used in their decision to censure Capita and require them to pay 'up to £66 million' (actually about £57 million) to Series 1 investors. Somehow when I provided evidence it was useless but now it's the key evidence in the FCA's investigation into Capita and the cornerstone of the redress.

Refused the Complaint Commissioner's request to issue me an apology for their treatment of me. The Complaint Commissioner upheld all of my complaints against the FSA/FCA.

Published false and misleading statements about me.

Knowingly allowed false and defamatory statements about me to be published and made no effort to require a correction.

26. What would be your advice to somebody thinking about blowing the whistle to the FCA on a matter to do with misconduct in the financial services sector?

This is a question that I'm asked often and my response is always the same. My advice to a would-be whistleblower to the FCA is they need to be supremely confident that their allegations are provable and ideally backed up with evidence. Without that, there is no point. In my case and many others, evidence was provided to the FCA and they failed to act. If a would-be whistleblower determined they had sufficient evidence to support their allegations then I feel they should do the right thing and discharge their professional and or moral obligations and report their findings. This advice comes with a caveat. The would-be whistleblower should do the absolute minimum when they report their findings. They should expect the FCA to take no action and they should let it go and do nothing else. They should be confident they discharged their duties and leave it at that. My daughter works in finance and that's the advice I'd give her.

27. If you could change three things about the FCA, what would they be?

1. If a serious issue is brought to the Regulator's attention, they should not use excuses for their inaction such as, the firm had minimal regulated business, the Regulator is not the prosecutor of fraud or we put a notice on our website. Instead, use some common sense and do the right thing.

2. Don't authorise firms blindly and understand that firms covet an FCA authorisation due to its halo effect.

3. Stop using semantics or technicalities for your failures. If someone gives you evidence that shows financial misconduct, just do the morally acceptable thing. Stop using ridiculous excuses for serious issues to cover your failures. When a mistake is made, admit it, deal with the consequences and move on.

As an example of common sense, in May 2011 the Regulator buried a notice on its website stating that CAM was not as safe as a bank account. When this notice was posted, the FCA was aware that Tiuta was stealing money (at least £30 million at this point) and they knew Tiuta was insolvent, in breach of its capital adequacy requirements, in breach of multiple threshold conditions, filed false accounts and false MLAR reports.

What if the decision makers at the Regulator considered the appropriateness of a notice based on common sense? For example, If your parents had their life savings in The Fund, would you be confident they would randomly decide to check Tiuta's FCA page, click 6 links to find the notice? Or would you contact them yourself, tell them what was really going on and plead with them to withdraw their money immediately? Would you immediately suspend the Fund to new investors and appoint independent administrators?

The Regulator believes that if they post an unannounced notice somewhere on their website it somehow provides sufficient protection for investors and they believe by doing this, they have fully discharged their duties to consumers. This strategy is no more than doing the bare minimum yet, they build it up as an example of taking decisive action.

28. What positives are there about the FCA that you would like to comment on?

I don't want to sound flippant but the simple answer is no. I can't think of a single positive about the FCA in my dealings with them. In fact, I can say with a clear conscience that each and every time the FCA had an opportunity to do the right thing they never did.

29. What do you think about the possibility of conflict of interest issues at the FCA?

It's crystal clear there were conflicts of interest in my case. Despite the evidence I have copied below, Raj Parker somehow determined the opposite.

Conway & Warren - Conflict Of Interest

Despite significant evidence to the contrary, Mr Parker dismissed a very obvious conflict of interest between two former work colleagues, the Regulator's Ian Conway and Tiuta's compliance officer Bill Warren.

Warren also served as Connaught's liaison to the Regulator and Conway. A conflict the Regulator

was aware of. The Regulator's acceptance of Warren's dual role was particularly surprising considering

they had highlighted very serious concerns about a previous dual role at Tiuta where the Compliance officer was also CAM Chairman.

The review intentionally excluded Conway's email to Warren from 26 August 2011 where he said the following;

- "The FSA do not consider that Tiuta PLC is in a financial position to back up any guarantee of the income that CAM investors could expect to receive as stated in the guarantee." ● "We therefore asked that Tiuta considers what action it will take to ensure that its name is not linked to a guarantee where it has insufficient capital reserves to ensure that it can honour such a guarantee especially as the projections show that Tiuta will continue to be loss-making for an appreciable period of time."

- "It is therefore the guarantees stated in the 2-page summary and page 14 of the information memorandum that we expect Tiuta to distance itself from. We look forward to receiving the firm's confirmation on how they will do so."

This was deliberately excluded because it clearly demonstrates that the Regulator knew in August 2011 (and arguably much earlier) that Tiuta could not honour the guarantee. This was the key protection that investors relied on. This was sent **13 months** before Tiuta went into administration. Conway doesn't move to shut down or suspend the Fund. Instead, he tells his former colleague to ensure Tiuta distances itself from the guarantee and wants to know how they will do it.

Point 180 of the review, details Conway's disclosure to the Regulator that he previously worked with Warren. Conway goes on to say they keep in touch over compliance matters and [Warren] has never crossed professional boundaries. In fact, Conway says, [Warren] has provided intelligence on firms including suspected unauthorised business. Conway then offers to step down from his role in the supervision of Tiuta if necessary. This is another red flag, if indeed it were needed. Even Conway understood the inappropriateness of his situation.

In an e-mail to Nicholas and Walter on 28 March 2011 (a week after my face to face meeting with Conway) CAM Chairman and erstwhile (by 1 month), Tiuta Compliance officer, Mike Davies said the following;

"Lorraine W was the head of underwriting during the last few months of Infinity Mortgages and wen't (sic) to the FSA in the small firms division. When she was made redundant with all the rest of the staff we parted on good terms and I met her the following year on the FSA stand at Mortgage Expo.

Small world – Ian [Conway], the other member of the team involved in the Tiuta review, worked for Bill at the Mortgage Code Compliance Board."

Mike D

Nicholas immediately recognises the significance of Davies' e-mail and his response to the group 26 minutes later is prophetic;

"Guys. There is god (sic) and then Mike Davis (sic). Or is it the other way round (sic)."

What are the odds that not one but both the FSA personnel supervising Tiuta during the relevant period, Conway and Lorraine Wadhams, would be close associates of key perpetrators, Warren and Davies? It's mathematically impossible by chance, so it must have been intentional. This information was provided to Mr Parker by me. Yet he made no mention of the Conway link and

dismissed the Wadhams one as anything sinister.

I provided an e-mail dated 30 August 2011 (the Insolvency Services detailed this as well) that was in response to an FSA request for meeting notes between CAM and TPLC, Mr Warren sent an email to Mr Nicholas, Mr Walter, Mr Bedding, Mr Davies, Mr Kearns and Mr Lightowler in which he stated;

*"Does anyone have any further meeting notes that can be sent to the FSA. Nigel I have removed your name from the attached notes and replaced with either CAM Director or Mike/Matt"***.**

It's disappointing but now unsurprising that Mr Parker didn't mention that a Compliance Officer (regulated by the very body being reviewed here) falsified documents that were sent to the Regulator. I note that Mr Warren has not been subject to any disciplinary action by the Regulator and he still shows an unblemished record on the Regulator's website.

Falsifying documents is bad enough on its own, but this document was doctored to remove the name of an individual that Warren knew the Regulator had serious concerns about due to his history running a fraudulent land banking scheme. According to Conway, Warren provides the Regulator with useful intelligence on other businesses. Unfortunately, he doesn't seem to feel it's appropriate do the same whilst he's working at a company that is misappropriating investor monies, is insolvent and in breach of every measurable threshold condition and capital requirement. This is an important fact that Mr Parker elected to omit.

This conflict of interest led to tens of millions of pounds in losses and played a part in the FCA discrediting me.

30. Do you believe there should be spot checks by the FCA on regulated and/or unregulated entities, perhaps similar to the spot-checks by VAT inspectors

Yes, but there need to be repercussions if during a spot check issues are uncovered. I think spot checks of businesses that undertake regulated and unregulated activities where the amount of regulated activity is less than 30% of the firm's total business should be targeted. And the unregulated activities should be checked vigorously.

31. The FCA is undertaking a Transformation Project. Do you have any comments to make about that?

I think we've heard about a new and improved Regulator for years and they are still the same. I will say that I'm not optimistic that we'll see any noticeable changes. Clearly, I hope it's successful and they make meaningful changes. As I mentioned previously, a lot of what's wrong with the Regulator, do not require significant change.

32. Are there any other comments that you would like to make?

For over a decade, the Regulator has been covering up their failure to regulate Tiuta and their failure to protect the investors in the Fund. They knowingly allowed an insolvent regulated firm to continue to trade for 17 months after the CEO of the company told them they were insolvent and stealing money. The Directors who were stealing the money confirmed in writing that the books were cooked. Tiuta's solicitors Watson Farley Williams (WFW) and their advisors/accountants BDO also knew they were stealing money and were insolvent before I blew the whistle. At no point from the time I blew the whistle until Tiuta went bust, did the Regulator, WFW or BDO ever do anything to stop the theft. Quite the opposite, their collective inaction allowed the theft to

accelerate. The monthly theft of Fund investors money wasn't done in a covert or deeply sophisticated manner. It

was literally done month after month without any attempt to even hide it. The Regulator and BDO saw this every single month along with unequivocal proof that Tiuta was insolvent.

The regulator failed to act, which is grossly negligent, then they chose to ignore what they knew and blame others for their failures, which is arguably worse.

To the uninformed or even the reasonably informed, Raj's Parker's investigation into the Regulator's role in collapse of the Fund, as detailed in his published review, would appear to be a stinging indictment of the Regulator. However, to the informed, it's an exoneration. Mr Parker's review was full of qualified language and whenever he came close to criticising the Regulator, he would offer an excuse for them. Mr. Parker failed to thoroughly investigate key questions in the Terms of Reference and reached conclusions that were not supported by the facts. Furthermore, he inexplicably ignored critical evidence that would have shown the depths of the FSA/FCA's failings. He praised the Regulator for being much improved since the collapse of the Fund and said the issues that led to the Regulator's failings were a thing of the past. It's simply not possible to reach this conclusion based on the facts. Mr Parker shamelessly is now a senior legal advisor to the FCA.

The Regulator believes Mr Parker's review and their response to it closes the issue. That's not the case. Through Data Subject Access Requests (DSAR) and requests through the Freedom of Information Act (FOIA) new and previously undisclosed information is coming to light that shows even more failures by the Regulator and it shows they will stop at nothing to cover up. What becomes apparent immediately is this 'new' information was not mentioned in Raj Parker's review nor was it mentioned in the Complaints Commissioner's decision on my complaint in November 2016. This can only mean one of two things, the FCA hid it from the Complaints Commissioner or the Complaints Commissioner had it and excluded it from his report. Either way, it was excluded.

It's not only historic issues that are coming to light. There have been several serious and deceitful actions by the Regulator and Mr Parker that have occurred since the start of Mr Parker's review and after its publication.

Here are a few examples;

The Regulator conducted an internal review, on 24 February 2016 - *Risk and Compliance Overview – Review of the FSA/FCA's involvement in the Connaught Income Fund Series 1* –amongst other things the review concluded the;

"The FSA did not treat the former CEO as a whistleblower. By highlighting his concerns to Tiuta, the FSA could have potentially compromised the CEO's position/employment."

"The FSA could have responded to the whistleblowing intelligence in a more timely and efficient manner minimising the impact on the former CEO."

"There were concerns about the consistency of some decisions in the FSA's treatment of the intelligence provided by Tiuta's former CEO."

The Regulator is acknowledging they tipped off Tiuta to my concerns and this compromised my position and employment. Furthermore, had they acted appropriately the impact on me would

have been minimised and they had concerns about their own inconsistent treatment of me. The very

telling admissions are in every respect, at odds with the Regulator's responses to my complaints. Mr. Parker's failure to address these points was deliberate.

The same report concluded there was a conflict of interest between the two FCA Supervisors with primary responsibility for supervising Tiuta and two of their former colleagues. The report stated; "It is unclear whether the FSA disclosed a conflict of interest involving employees [redacted]. It is unclear how this conflict was disclosed or the mitigation taken as a result."

The statement says employees, not employee. Tiuta and CAM were able to continue stealing money because of their personal relationships with the two FCA employees responsible for supervising Tiuta during the relevant period. This is yet another reason Tiuta's regulatory approval needed to be investigated.

In the same report, the Regulator categorically determined there was a conflict of interest between at least two of their employees. They were concerned that it wasn't disclosed and what if any mitigation was taken as a result of the conflicts. In his review, Mr. Parker rewrote history. Not only did he determine there was no conflict of interest, but he also downplayed the role of one of the conflicted employee's by falsely claiming the employee had very limited involvement in Tiuta's supervision. The reality is this person along with the other conflicted employee were by far, the most involved in Tiuta's supervision. This is proven with evidence.

Here is a sample of the Regulator's continued and recent dishonest

behaviour; Sheree Howard Chief Risk Officer Risk and Compliance

Oversight - FCA

On 14 September 2020, I received the following email from Mr. Parker;

"We write to ask if you would have any objection to our referring to your recent letter to the Complaints Commissioner during our discussions with the FCA. As you know, we and the FCA are currently planning and preparing for the publication of the report of the Connaught review; it is for this purpose that we might wish to mention your letter. For the avoidance of doubt, we would only propose to refer to the existence of your letter; we have no intention of passing on your letter or the exhibits to the FCA, and nor would we refer to any of their substantive content".

On the same day, I gave Mr. Parker my permission to refer to my complaint in his discussions with the FCA.

On 28 September 2020, I received the following email from Mr. Parker;

"With apologies for contacting you again, and although we had not previously intended to do so, we would just like to double check that you are content for us to share a copy of your recent letter with the FCA. We believe your email of 14 September indicated that you have no objection but given our previous assurance we just wanted to confirm this with you".

On the same day, I gave Mr. Parker my permission to share my complaint in its entirety with the FCA.

On 23 March 2021 I sent a DSAR to the FCA. On 13 August 2021 (**143** days after my request) I

received the first tranche of documents that covered a 4 month period, less than 5% of my request

Amongst the 116 pages I received (mostly redacted) were two documents authored by Sheree Howard. Both are of particular concern. The first document is an internal FCA memo dated 18 September 2020, entitled, Risk & Compliance Oversight Weekly Note. The memo (copied below) was addressed to Christopher Woolard, the then interim CEO of the FCA. The CEO's office and FCA Chairman Charles Randell were copied on the memo. The following is the unredacted part of the memo;

"George Patellis has been in touch with Mayer Brown regarding a further letter he has sent to the Complaints Commissioner to provide additional materials relevant to his previous complaint against the FCA. Mr Patellis has provided Mayer Brown with a copy of the letter and enclosures and had indicated that he was happy for them to refer to and discuss the same with us. It is unclear to us whether or when the Complaints Commissioner will be (or has been) in touch with the FCA regarding Mr Patellis' latest letter but Mayer Brown informed us in case it is relevant to any matters requiring consideration prior to publication of the Report of the Connaught review. Mr Patellis' letter is lengthy (52 pages) and encloses 110 documents in support of his allegations. ***Many of these appear to be relevant to the review although it appears we may have already seen many of them****. Mayer Brown are currently in the process of reviewing and considering Mr Patellis' letter and documents. We have asked Mayer Brown if they can provide a copy of the letter and its attachments".*

With kind regards,

Sheree

She correctly states the allegations I made are relevant to the review and that it appears the Regulator has already seen many of them. However, none of them made it into the review despite evidence to support my allegations. She also states that she's unaware whether the Complaints Commissioner has initiated his investigation into my complaint.

Far more concerning is a letter she sent to the Complaints Commissioner on 6 October 2020. The letter was heavily redacted but included the following;

Complaints Commissioner

I am writing to you in relation to the letter and information sent by Mr Patellis to you on August

25. ***Additional information provided by Mr Patellis***

As detailed in the correspondence Mr Patellis has highlighted that he has obtained additional evidence that he did not possess at the time of filing his original complaint (your final report on his original complaint was published on 24 November 2016).

As you may be aware and highlighted above, Mr Patellis has also shared the correspondence and additional materials with the Independent Reviewer on Connaught ***[Redacted]*** *for further consideration as part of the Independent Review.* ***[Redacted].*** *With consent from Mr Patellis the independent reviewer has also shared these materials with us for information.*

[Two paragraphs Redacted]

Sheree Howard

Chief Risk Officer

Risk and Compliance Oversight Division

As I detailed above, I gave Mr. Parker permission to advise the FCA of the existence of my complaint then gave my permission for him to share the complaint and exhibits with the FCA. I did not give my permission for Sheree Howard to contact the Complaints Commissioner or anyone else regarding my complaint.

This is a clear breach of confidence and an attempt to control the Commissioner. Thereby defrauding me of a fair and impartial investigation.

I emailed Mrs. Howard on 27 August 2021 and I asked her on whose authority did she contact the Complaints Commissioner to discuss my complaint. I reminded her that she did not have my permission.

Almost one month later on 22 September 2021 I received the following nonsensical response from Mrs Howard;

Dear Mr Patellis

"Thank you for your email, and please accept my sincere apologies for the delay in responding.

I am aware that you have separately submitted a complaint to the FCA Complaints team on 23 August, and the Complaints team is already considering their response to you. Given your concerns below around my communication with the OCC are potentially in scope of the Complaints Scheme, then it is not appropriate for me to respond to this at this time with this being considered as part of any complaint response. I hope you understand this."

On 26 September 2021 I responded to Mrs Howard;

Dear Mrs. Howard

Thank you for your email.

Unfortunately, I'm unable to follow the logic you used to determine it would be inappropriate for you to respond to my email dated 27 August 2021. You have taken two entirely unrelated matters and curiously combined them as if they are somehow connected. Can you please explain how you managed to do this?

I look forward to hearing from you.

Thank you

I have not heard back from Mrs Howard.

<u>Amerdeep Somal Complaints Commissioner</u>

On 27 January 2021 approximately 1 month after the publication of Mr Parker's review, the newly appointed Complaints Commissioner Amerdeep Somal, refused to investigate my complaint.

"The current position is that the Commissioner has decided not to reopen your complaint on the

basis of the evidence you sent to us last year, which you also sent to Raj Parker, and which you consider means we were misled by the FCA when considering your complaint in 2016. The Commissioner has concluded that there are no grounds to reopen your complaint on the basis of this material because she does not believe the previous Commissioner was misled. He had access to the FCA's confidential files and saw sufficient evidence to reach his conclusions, including recommending that there should be an independent review. Mr Parker's review has reached conclusions that confirm and amplify the concerns the Commissioner raised when considering your complaint in 2016, including the FCA's poor treatment of you".

This is an impossible conclusion to reach based on the facts. If Mr. Townsend had the 'new' information during his 2016 investigation, he wouldn't have asked me to send it to Raj Parker and he would have included it in his 2016 decision.

<u>The FCA Complaints Team</u>

The complaint that Mrs Howard tried to connect to her inappropriate contact with the Complaints Commissioner relates to a complaint I filed on 23 August 2021 relating to Raj Parker's review and his surprising appointment as a senior legal advisor. On 22 October I received notification from an FCA Complaints investigator refusing to investigate my complaint. He stated the following;

"I am unable to investigate Parts One (the review) and Two (Parker's new role at the FCA) of your complaint. I appreciate that this will be disappointing for you and I am sorry for the delay in letting you know our decision. I have set out my reasoning below:

Part One

As this part of your complaint relates to Raj Parker's actions whilst he was carrying out the Connaught Review, it is not something I am able to investigate under the Scheme. The Scheme covers complaints about the way in which the regulators have acted or omitted to act in connection with their relevant functions. The Terms of Reference of the Connaught Review state that *'The Review will be led by an Independent Reviewer, Raj Parker, who will prepare a report of the Review's findings. The Independent Reviewer may make recommendations to the FCA as they see fit.'*

The decisions and conclusions of Raj Parker as the Independent Reviewer were outside the control or influence of the FCA, in accordance with the Terms of Reference. Therefore, Raj Parker's decisions and conclusions as independent reviewer do not form part of the relevant functions of the FCA, so are out of scope of the Scheme."

Part Two

"I am also unable to investigate this part of your complaint. This is because it relates to the appointment of Raj Parker as a Senior Advisor to the FCA. The appointment of senior advisors is not considered a relevant function of the FCA, so I cannot investigate that under the Scheme."

I responded to the investigator on 29 October 2021;

"Thank you for your letter dated 22 October 2021.

It's disappointing but certainly not surprising that you won't be fully investigating my complaint as all 5 elements are inextricably linked.

You mention that the decisions and the conclusions in the review were Mr Parker's and were "outside the control or influence of the FCA." The statement isn't accurate. The reviews protocol afforded the FCA significant privileges that are not seen in 'independent' reviews. Such as;

1. Mr Parker had to notify the Regulator of any individual currently or formerly employed by the FCA and the Regulator would pass on the information. This gave the Regulator the opportunity to discuss the review with the individual and potentially persuade them to not speak with Mr Parker or to be guarded.

2. Not only was Mr Parker required to disclose who he wanted to speak with, he was required to provide to the FCA, no less than six working days in advance of the meeting (i) a broad outline of the topics you wish to cover during the meeting and (ii) a list of the principal documents you may wish to reference during the meeting. Knowing the questions afforded the FCA an opportunity to coach the individuals.

3. Unlike the LCF review, Mr Parker was prohibited from naming or identifying the position of any personnel (whether current or former FCA or former FSA employees) who were below the level of Director at the time of their actions. Coincidentally, Mr Parker also didn't name a single FCA Director in his review.

4. The FCA's ability to significantly alter the review through Maxwellisation. "Insofar as you intend in your report to criticise individuals, groups of individuals whose members are identifiable or organisations, including the FCA (both in in its own right and/or as the successor of the FSA for actions pre-April 2013), you will (i) identify those individuals, groups or organisations (ii) provide them with a reasonable opportunity to make representations in relation to your proposed criticism and (iii) consider any representations made before finalising your report."

Raj Parker

Raj Parker and his legal team from Mayer Brown had a phone call with the Treasury on April 15 2020. During the call Mr Parker detailed the key points that would be covered in his final report. He said, the key points were, the Fund was a 'risky' UCIS, the Regulator's perimeter and whistleblowers. He added the report would cover the Regulator's approach at the time ('orthodoxy' to its 'jurisdiction') and lessons learned. He added that there will be a process where those who have been criticised can make representations. This highly inappropriate call occurred 8 months before the publication of the review. It appears as if the review's key topics were locked in no later than April 2020. This of course, is more proof that Mr Parker never considered the information I sent to him in August 2020.

DSAR's

On 23 March 2021 I submitted a DSAR to the FCA. More than 7 months later and to date I have received less than 3% of what I'm expecting and there is no definitive timescale for completion.

On 20 May 2021 I submitted a DSAR to Mayer Brown Solicitors (the firm that assisted Raj Parker during his review and the custodian of all review documents). To date, I have only received my complaint to the Complaints Commissioner. Something I obviously already had. There is no definitive timescale for completion.

Comparison with United States regulator

I am an American citizen, so I can't help comparing the FSA/FCA to the SEC, which performs many of the same roles in the US. Specifically, I reflect on how the SEC would have acted on the intelligence I provided, and how this compares with the FSA/FCA response.

The SEC would probably have ordered me to go back into Tiuta wearing a wire and encouraged my colleagues to say things that would incriminate them, to help with the criminal investigation and prosecutions that would certainly have taken place.

In contrast, the FSA humoured me, sent in supervisors linked to the perpetrators, accepted obvious untruths by way of assurances from them, and allowed them to continue to steal money belonging to the Fund's investors. They failed to notify the police and even today, more than 10 years after I blew the whistle, there hasn't been a single prosecution, fine or even ban from the industry.

I hope that this Call for Evidence will result in British politicians realising they've been played by the FCA's leadership for many years. The organisation is unfit for purpose and should be either relaunched under totally different leadership, with much improved governance, or should be abolished and replaced, with none of the people from the current Regulator re-employed. There must be much improved governance and transparency. Lessons need to be learned from the SEC, which is very much more proactive than the current UK Regulators.

Throughout this document, I have made several references to the Independent Review, the Independent Reviewer and Raj Parker. An 'Independent Review ' into the Regulator's actions regarding their role in the collapse of the Connaught Income Fund Series 1 was agreed by the FCA's Board following my complaint to the Complaints Commissioner. The 'Independent Reviewer' was Raj Parker. The review, (*Independent review into the FSA and FCA's handling of the Connaught Income Fund Series 1 and connected companies)* was published on 17 December 2020.

The £3.9 million taxpayer-funded review was a whitewash that did not address critical matters and left dozens of questions unanswered. Mr Parker's review successfully downplayed the Regulator's failures and Tiuta's primary role in the collapse of the Fund. At no point did Mr Parker ever detail the true reasons for the losses. To the uninformed, the review would appear to be thorough and highly critical of the Regulator. To the informed, like me, the review fell woefully short of its objective. Instead, the review was a public platform for Mr Parker to become the Regulator's chief apologist and excuse maker. His undue praise for the Regulator was disgraceful and not based of the facts. Given his pathetic attempt at exonerating the Regulator, it should come as no surprise that 6 months after the publication of the review, the Regulator hired Mr Parker as a senior legal advisor. The role was not advertised and Mr Parker was the only candidate.

The review's absence of any specific reference to Tiuta's criminal enterprise is but one of its many faults. However, it provides the crucial backdrop to support the review's theme. The Regulator's increasingly absurd claims as to the causes of the Funds collapse, their real-time responses during a major crisis and their never ending excuses, were mostly accepted by Mr Parker.

In order to achieve the goal of minimising the Regulator's failings, the review had to be impossibly lenient on the main culprit in the collapse of The Connaught Income Fund Series 1 (the Fund), Tiuta. Tiuta, was regulated by the FSA and was the only entity involved in the operation of the Fund that the Regulator had any regular contact with during 2011 and 2012.

The review utilised other tactics to minimise the Regulator's failings. The tactics would not be obvious to people unfamiliar with the collapse or even to people with a reasonable understanding of the facts. The attempt to whitewash, minimise or deflect the Regulator's failings can be found

throughout the review.

1. Detailing a specific event with no comment or opinion on what should have been done.

2. Deliberately excluding critical parts of a specific event. All excluded parts were detrimental to the Regulator.

3. Not providing a counter to Regulator's claims when Mr Parker knew there was proof to quash the claim.

4. Not verifying information that needed to be verified for the review to be meaningful and crucially, independent.

5. The extensive use of qualifying language throughout the review. This was a particularly devious tactic that attempts to make a statement less certain by establishing doubt for the reader.

6. Not challenging the Regulator on responses that were illogical based on the

facts. 7. Knowingly including false information.

Tiuta issues not mentioned in the review

Tiuta Directors Nicholas and Baba were disqualified for their failure to ensure that the Company repaid redemption money and NPW money to the Fund. The review discussed CAM director's disqualifications but not Tiuta director's.

Tiuta Directors Nicholas and Booth (a Tiuta Director who resigned in December 2009) are currently subject to legal proceedings by the liquidators of the Fund for their roles in overseeing a criminal enterprise.

From March 2011 (when I met with the FSA) until September 2012 (when Tiuta went into administration) the following occurred and the Regulator was aware. Mr Parker did not mention any of this:

1. The amount of loans that redeemed but Tiuta failed to pass back to the funder (The DS1 Issue) increased by £14,591,616. When Tiuta went into administration the total DS1 figure totalled £23,048,605.

2. The amount of Not Proceeded With loans (loans where Tiuta kept funds on loans they drew down funds for that didn't proceed or were non-existent) increased by £692,600. When Tiuta went into administration the total NPW figure totalled £3,453,376.

3. Tiuta and its subsidiaries were cash flow and balance sheet insolvent every month and in breach of their capital adequacy requirements.

4. Tiuta's regulated loan book was 22.37% by unit in February 2011, not insignificant as the FSA claimed.

5. Tiuta Plc was the only regulated entity in the Tiuta Group. The FSA knew regulated loans were made by non-regulated entities in the Tiuta Group (Series 1 and Clydesdale).

6. The FSA allowed and encouraged Tiuta to grant loans outside of their funders criteria.

Specifically, they allowed loans to offshore companies in Series 1. They allowed connected transactions. They allowed £9 million in second charges in Series 2.

7. Series 2 had a £1.2 million shortfall 4 months after it launched.

8. The FSA had Tiuta prioritise regulated DS1 loans. By doing so, they knowingly allowed Fund money to be misappropriated. Instead of the redemption money from a Fund 1 loan going back to the Fund, it was used to redeem a regulated loan from another funder. This put investor money at significant risk. In addition, the FSA were aware that Fund money was used to redeem unregulated loans from other funders. This also put investors' money at risk.

9. The FSA stated they were first made aware of losses in the Fund in March 2012. This is a lie. The BDO report in August 2011 identified a £16 million shortfall in the Fund. In December 2011 the FSA stated they believed the shortfall was £20 million.

10. The FSA were aware in August 2011 that Tiuta could not honour the guarantee.

11. The FSA varied Tiuta's permission (VOP) in June 2012. The variation required Tiuta to return redemption money to the appropriate funder when a loan redeemed. This VOP was added 3 months after the Fund was suspended and 17 months after the FSA first knew Tiuta was using redemption money for their own purposes.

12. The FSA and BDO failed to recognise the Ramadan loans, a £24 million fraud and loss to the Fund.

13. In August 2011, The FSA and BDO allowed Tiuta to pay a £940,000 dividend from an insolvent company while over £28 million was owed to the Fund from Tiuta's use of redemption money and NPW money.

14. The FSA were aware of multiple connected transactions in excess of £12 million. The connected transactions were made to Tiuta employees, the brother of Steve Nicholas and to the Directors of Tiuta through an offshore company in Cyprus called Trufelia.

15. The FSA allowed multiple facility breaches (loans to offshore companies Series 1, second charges in Series 2, connected transactions, regulated loans from non-regulated entities).

16. Each and every month, the FSA accepted fantastic lies from Tiuta, they allowed deadlines to be missed regularly, they accepted throwaway excuses from Tiuta for poor results such as, it's a timing issue, it's a paper exercise. They accepted vastly distorted projections from Tiuta as well as inflated property values for worthless properties the company owned. Month after month, Tiuta lied to the FSA and the FSA's only recourse was ineffective threats.

17. The FSA allowed multiple threshold breaches, capital adequacy breaches and fraudulent MLAR reports.

18. The FSA accepted multiple lies about me. This enabled Connaught and Tiuta to publish lies about me that the FSA knew were not true.

19. At no time during this period did Tiuta ever meet the projections they submitted to the FSA. Specifically, every month they had no profit, new loans were below forecast, sales of properties owned were far below forecast, new funding was non-existent but misappropriated Series 1,

Series 2 and Clydesdale money increased significantly.

Undeserved Praise

The review went to great lengths to mention improvements within the Regulator since the collapse of The Fund. Unfortunately, the improvements identified are not however supported by facts. Instead, it's an attempt to promote the issues as a thing of the past, classic puffery. The following are just a few examples;

"Much has changed at the Regulator and remedial action has been taken as time has moved on. There is no doubt that many of the deficiencies I have identified have been addressed in the intervening period and further work to continually improve is ongoing".

"I recognise, as one would expect and as I have said, that relevant aspects of the Regulator's approach and systems have changed considerably since the critical events which led to the demise of the Fund began to coalesce in 2011."

"The guidelines were updated in 2013 in order to provide greater clarity as to the policy to be followed in the event of whistleblowing, including more detailed systems for sharing information provided by whistleblowers and provision for feedback and "aftercare" for whistleblowers."

"I am aware that the Regulator has already carried out significant work in some of these areas and has identified further initiatives for the future. It is encouraging that the Regulator appears committed to learning the lessons from past experiences so as to ensure its regulation in this area of financial services remains effective and appropriate."

"I also observed many other efficiencies and improvements achieved as a result of the Complex Events Team's cross-team remit."

"As set out above, the Regulator has now implemented a much more comprehensive whistleblowing policy than existed at the time that Mr Patellis reported. The current strategy places a greater

emphasis on logging information and the importance of a clear plan in handling both whistleblowers and any information they may provide."

"The evolution in regulatory confidence and approach which has taken place over recent years shows that the Regulator today is not the same as it was when it handled the issues I have reported on."

Praising the Regulator for improvements since the collapse of The Fund is a complete fantasy that ignores a systemic pattern of regulatory failure. Parker's review compliments the Regulator's commitment to learning lessons from past experiences. This statement is not supported by the facts. Many of the Regulator's failings including their failings related to The Fund followed an identical path. The same general excuses were used and bewildering excuses were made for specific failings all in an attempt to explain a decision they made that had catastrophic consequences for investors.

Despite the glowing review by Mr Parker and the 'changes' the Regulator made since the collapse of The Fund (all changes that would ensure the reasons behind The Fund's collapse wouldn't be repeated), the following regulated businesses have failed under the watch of Mr Parker's 'continually improving Regulator'. Each of the following failures occurred years after the Connaught & Tiuta fiasco and, incredulously, many of them happened during the course of Mr

Parker's investigation but before his review was published.

Lendy

A peer to peer Bridging Lender - October 2017 – Lendy agrees remediation plan with the FCA to compensate victims of misselling, July 2018 - Lendy is granted full FCA authorisation, May 2019 – Lendy goes into administration. The Regulator grants full authorisation to a firm 9 months after they entered into a remediation plan for misselling and 10 months after receiving full FCA authorisation Lendy goes into administration – Investor losses: £152 million.

FundingSecure

A Pawnbroker in March 2017 FundingSecure is granted full FCA authorisation. In October 2019 FundingSecure goes into administration after a review by an advisory firm highlighted deficiencies in its client accounts, compliance with client money, anti-money laundering and due diligence. Serious concerns were raised about failings in the experience and capability of the management in carrying out controlled functions - Investor losses £80 million.

Collateral

A Pawnbroker. The FCA Register erroneously stated Collateral was a regulated firm when they weren't. The FCA became aware of the issue in November 2017 but waited until February 2018 to act. £3.8 million was invested from the time the FCA became aware of the issue and when they took action - Investor losses £15 million.

Blackmore Bonds

Mini bonds - The FCA received warnings from the police on 45 occasions about irregularities before Blackmore collapsed and received information from whistleblowers in March 2017 and 2018. The City of London Police first alerted the FCA to events at Blackmore in 2018, 18 months before it

eventually failed. The City of London Police has said it received 71 reports of alleged fraud relating to Blackmore, none came from the FCA - Investor losses £46 million.

OneCoin

Cryptocurrency - In September 2016 - the FCA posted an online warning about the get-rich scheme, headlined: "Beware trading virtual currencies with OneCoin". It said consumers should be "wary of dealing with OneCoin" and the organisation was being investigated by the City of London Police. "

In August 2017, with the scam in full momentum, the FCA suddenly removed the warning notice. It should have been obvious to the FCA that OneCoin were going to use the removal of the notice as a marketing opportunity. OneCoin then quickly began claiming that the removal of the notice meant that the FCA no longer considered OneCoin a risk. They promoted the removal as an endorsement of the company's offering - Investor losses £4 billion worldwide, £100 million in the U.K.

London Capital & Finance

This is a well-known failure by the FCA and was painstakingly detailed in Dame Elizabeth Gloster's review that was highly critical of the Regulator.

> · The information provided to the FCA by LCF continually indicated that LCF could not meet its liabilities.
>
> · The FCA told potential investors that LCF was not a fraud.
>
> · FCA action against LCF was limited to watering down their misleading advertising. · The FCA downgraded LCF to the "Standard" risk channel (the 2nd least rigorous out of 4) and from then on accepted all LCF statements and responses at face value in regard to its application for regulatory permissions, including in relation to the security of its loans.
>
> · The FCA consistently treated LCF's unregulated bonds as not its problem. · As per the statutory objectives given to the FCA, unregulated investment schemes promoted to the public very much are the Regulator's problem, and the Financial Services and Markets Act specifically empowers the FCA to act on such schemes. · The FCA failed to see anything untoward about the fact that LCF was generating no revenue from the regulatory activities it had applied for permission to so do. · The FCA treated LCF's repeated breaches of financial promotion rules as separate cases, rather than considering whether these repeated breaches could indicate poor systems and controls or even misconduct.
>
> · The FCA had not acted on warnings from the public alleging wrongdoing, and also failed to "join the dots" of repeated failings of LCF to stick to the rules on its financial advertising and marketing. Under questioning from the Treasury Committee of MPs, she said: "The real wickedness here was that LCF was frequently breaking the financial promotion rules but nothing was done about it."

The FCA was first warned about LC&F in 2015 by an Independent Financial Advisor who, having been shown the scheme by a client, had investigated and seen "*a lot of interconnection between the people they were lending to and the management of LCF themselves*".

The FCA only took action on 10 December 2018, when it ordered LC&F to stop promoting the mini-bonds as it deemed them ineligible to be held in the ISAs, as advertised - Investor losses £237 million.

Where is the Regulator now?

Given the above failings, all of which are very similar to the Regulator's failings in The Fund (especially LCF which are absolutely identical) there is simply no evidence to support the praise Mr. Parker gifted the Regulator. The Regulator have patently not addressed their deficiencies and have learned no lessons from its past failures.

The Regulator masquerades beneath a cloak of confident self-satisfaction, engenders zero regulatory confidence at any level and they remain the same and probably even worse than they were in 2011. Only the name has changed.

Throughout the review, Mr Parker, when offering any criticism of the Regulator, would soften its impact by providing excuses for them. Instead of simply detailing the Regulator's failings and the impact they had on the collapse of the Fund, Mr Parker became the Regulator's chief apologist. According to Mr Parker, the Regulator's actions at all levels, were always "well intentioned" and

the issues they had to address were “complex, difficult and demanding”.

Examples of Mr Parkers leniency, excuses and inappropriate understanding of the Regulator’s failures include;

“The Regulator's actions in the first half of 2011 (including putting out a consumer alert, contacting IFAs, and voluntarily varying Tiuta's permissions) “were **well intentioned**” but insufficient to protest investors… There was a considerable amount of “**well-intentioned** effort” and activity in 2011 and into 2012, but it resulted in insufficient measures to protect investors.”

“**Well-intentioned** individual commitment and effort within teams were evident.”

“No one decision maker (or group) within the Regulator took sufficient responsibility for appropriate regulatory intervention to mitigate risks to investors or to coordinate an effective regulatory response to the ‘**complex’** issues which had emerged and were emerging.”

“However, ‘whilst **well intentioned’**, these measures (Regulator’s actions warning VVOP) were not strong or effective enough to protect investors.”

“The Regulator's actions, ‘**while well intentioned’**, were not far reaching enough to address the issues at Tiuta and the Fund and to protect consumers who invested in the Fund.”

“The steps the Regulator did take during the Review Period, such as issuing a consumer warning, contacting IFAs and changing Tiuta's permissions ‘**were well intentioned’**, but not sufficient to protect investors.”

“Finally, prior to and during this Review, serious allegations have been made about employees at the Regulator at all levels who dealt with these ‘**complex’** problems as they unfolded. These individuals faced, and in some instances continue to face, **‘demanding and difficult issues’** and their conduct has been criticised by a number of stakeholders.”

“I have concluded that, at all levels, the various individuals at the Regulator dealing with the issues as they arose worked hard to address the problems in **good faith and were well intentioned**. I have no reason to doubt that **they each did their best** to grapple with the **complexity** of the issues they faced.”

“This was a **complex** matter relating to an area of the regulatory perimeter involving known issues which had been subject to considerable debate in relation to other firms in the past.”

“There are four broad areas of risk with UCISs. First, they are **complex** investment schemes.”

“I am aware that the regulatory perimeter is not a single piece of legislation but a **complex** regime stemming from both UK and EU law.”

“One particular problem was that staff in the MGI department dealing with Tiuta were **(understandably) not experts** in analysing and addressing the **important and complex** UCIS issues that arose in this case.”

Mr Parker failed to mention that complex, difficult and demanding issues are to be expected in most jobs and they need to be dealt with in the performance of regulatory duties. One would expect that the appropriate staff within the Regulator were suitably qualified and trained to deal with these issues. The reality of course is that the issues in hand were not complex. This was a simple fraud perpetrated by uncomplicated people but enabled by The Regulator’s consistent

failure to act despite countless red flags.

Qualified Language

The extensive use of qualifying language throughout the review was a particularly devious tactic that attempts to make a statement less certain by establishing doubt for the reader

Examples of his qualified language include;

“The Regulator **does not appear** to have attributed much weight to Mr Patellis' allegations and did not properly investigate them at the outset.”

“Tiuta **appeared** to be in breach of its regulatory capital requirements.”

“It **does not appear** that any private warnings were given.”

“Although the Acting Head of MGI was informed of the nature of the information that had been provided by Mr Patellis, it **does not appear** to have been brought to their attention promptly.”

“Whilst these aims appear sensible and worthwhile, it is of course important that critical aspects of a whistleblowing file are not lost during this process, **as appears to have** happened here.”

“The Regulator (as explained at paragraph 199 above) **does not appear** to have given appropriate credence or weight to the seriousness of Mr Patellis' allegations. The Regulator also **could** have contacted the Insolvency Service earlier than August 2012, and it is unclear why it did not do so.”

“Mr Patellis, in March 2011, **sought** to provide key information regarding financial misconduct and solvency at Tiuta to the Regulator. In the event, the information he provided and the allegations he made were, to a large extent, borne out by subsequent events.”

“5% of Tiuta’s business was **believed** by the Regulator to be regulated.”

A Disgruntled Employee

The review indicated that the Regulator classified me as a disgruntled employee. My allegations of fraud and the evidence I provided that supported my allegations were dismissed by the Regulator. This was a highly significant admission (actually an excuse) that needed to be challenged by Mr Parker. However, he gave the Regulator yet another pass. Mr Parker had the following evidence to correct this absurd claim by the Regulator;

Mr Parker (and of course, the Regulator) knew that my Head of Compliance was with me when I made my Principle 11 phone call. How many disgruntled CEO’s make a Principle 11 notification with their Head of Compliance in attendance?

Mr Parker did not challenge the Regulator’s statement that after they met with me they were very concerned with Tiuta’s financial position. Paradoxically, my allegations of fraud were dismissed as those of a disgruntled employee. Yet, my allegations that Tiuta was insolvent were taken seriously. Apparently, it would seem that I was only semi-disgruntled. Or perhaps only disgruntled when it fitted the Regulator’s narrative.

When I met in person with Mr Parker in November 2019 amongst the many topics we discussed was how my dismissal from Tiuta after a brief return following my resignation had been portrayed. Specifically, it was portrayed as a second resignation when it wasn’t.

By not correcting this information, Mr Parker knowingly portrayed me as erratic and indecisive. While this is far from the truth, Mr Parker's refusal to correct an indisputable fact, played into the Regulator's narrative. Not only did Mr Parker fail to correct this point, but he also added more fuel to the fire by repeating it multiple times throughout the review. He did this despite having evidence from me, the Regulator, the Insolvency Services and even the perpetrators of the fraud at Tiuta, all of whom acknowledged that I was dismissed.

Mr Parker's deliberate use of qualified language in most of his references to me is yet another attempt to discredit me. He has purposely created doubt when there was no doubt and he dramatically understated the issues. These are a few of the many examples;

"*It was therefore **particularly unfortunate** that Mr Patellis' allegations were not followed up in the circumstances."*

*"There were also a number of red flags in Tiuta and CAM's regulatory history between 2006-2010 known to the Regulator that should have been referred to and considered in light of Mr Patellis' allegations. Unfortunately **not all of them were**, so his allegations were not given the weight and examined in the context that they merited at the time."*

*"The FAQs were, in general, informative, and appropriate, but with respect to **Mr Patellis they were not as clear and transparent as might have been expected.**"*

*"The Regulator compounded Mr Patellis' **perception** that he had been unfairly treated due to the phrasing of its responses to the March 2015 FAQs."*

*"It is clear from the March 2011 meeting note that Mr Patellis was not advised by the Regulator that he could or should go to the police. It was **mildly disingenuous** in the circumstances to suggest that the Regulator did not prevent him from doing so.*

*" Regarding the FAQ's - The second sentence **seems to suggest** that Mr Patellis might have taken the initiative and reported his concerns to the police. He did not do so as he was under the reasonable impression that the Regulator would do so. Mr Patellis feels that the Regulator should not have been attempting to shift responsibility for taking his concerns to other appropriate Regulator's or law enforcement agencies back to him. I can understand why Mr Patellis feels this way."*

*"[t]he Regulator could have done is kept in contact with Mr Patellis, even if that contact simply amounted to enquiries as to his wellbeing and to give him general updates. Mr Patellis was justified in feeling aggrieved that, having taken the highly unusual (and, on some views, courageous) step as a CEO to report his own company to the Regulator and provide extensive confidential material which **showed a plausible evidential basis** for serious financial irregularities to be investigated, he then heard nothing."*

*"The Regulator **does not appear** to have attributed much weight to Mr Patellis' allegations and did not properly investigate them at the outset."*

*"Mr Patellis only returned to Tiuta for a brief period (three weeks) and **appeared** to have given a full account of the reasons."*

*"What is of primary concern is that these issues formed part of the important context and background for Mr Patellis' allegations, but **do not appear** to have been referred to or reviewed following his meeting with the Regulator in March 2011."*

*"Although the Acting Head of MGI was informed of the nature of the information that had been provided by Mr Patellis, it **does not appear** to have been brought to their attention promptly, and it is fair to say that, despite the seriousness of Mr Patellis' allegations.*

*"The Regulator **does not appear** to have given appropriate credence or weight to the seriousness of Mr Patellis' allegations.*

*"Mr Patellis, in March 2011, **sought** to provide key information regarding financial misconduct and solvency at Tiuta to the Regulator. In the event, the information he provided and the allegations he made were, to a large extent, borne out by subsequent events."*

*"The advice (December 2011) was that the Regulator could only require BGC to suspend the Fund if there was sufficient evidence to show that its activities were harmful to consumers, and at this stage **GCD was not aware of "cogent evidence"** to establish Tiuta's breach of Threshold Condition 4 (its capital adequacy requirements) or BGC's activities being harmful to consumers."*

*"In December 2016, the Complaints Commissioner concluded (among other things) that Mr Patellis had not been handled correctly as a whistleblower and the Regulator should provide a public apology. The Regulator issued an apology but did not publish it and **the apology was potentially***

***ambiguous**. Following discussion, the Regulator clarified that the apology was not qualified, and confirmed that it was content for Mr Patellis to publish it."*

The 'apology' from the Regulator did not mention my name and it did not mention Tiuta or Connaught. It referenced the Complaints Commissioner's case number and nothing else. Potentially ambiguous, is an exceptionally kind way to describe a disingenuous non-apology.

"In all the circumstances, whilst the Regulator interacted with Mr Patellis in a timely manner following his initial contact in January 2011, after the meeting in March 2011, appropriate interaction and follow up was wholly lacking."

The description of the Regulator's interaction with me between January 2011 and March 2011 as timely is deceiving. I received 1 personalised email form them.

*"The exhibits accompanying the letter included a summary of Mr Patellis' notes that led him to believe that Tiuta was insolvent, a letter from Mr Nicholas **apparently** confirming that Mr Patellis had been misled over the company's financial position, a list of outstanding DS1 mortgage release forms, emails **purportedly** showing the cancellation of Board meetings, email exchanges between Mr Nicholas and Mr Patellis **apparently** regarding Mr Patellis' concerns as to whether the Accountants' and lawyers' advice was being followed and what information had been provided to the Fund".*

In addition to his attempt to create doubt by using qualified language, Mr Parker omits key evidence that I provided to the Regulator. Instead of listing all of the evidence I provided, he was deliberately selective in his choices. Of course, the evidence he did include in the review was caveated with his obligatory qualified language. Mr Parker deliberately did not mention that I also provided Board minutes that detailed the issues and interactions with BDO and WFW (the lawyers) and critically, two separate BDO reports from February 2011. Each report said Tiuta and its subsidiaries were balance sheet and cash flow insolvent and that Tiuta Directors were using Fund redemption money for their own purposes (this was a criminal act). Mr Parker attempted to correlate the Regulator's lack of action and my evidence. Specifically, he tried to portray my

evidence as not meaningful enough for the Regulator to take action.

The signed letter I received from Mr Nicholas and Mr Baba, did not apparently, say I was misled over the company's financial position. It clearly and unequivocally states that I was misled, the financial irregularities were hidden from me and I played no part in the financial irregularities. The e-mails that the review says 'purportedly' showed the cancellation of Board meetings and my email exchange with Nicholas raising my concerns that the Accountant's and Lawyer's advice wasn't being followed, detailed just that. It did not 'apparently' detail it. This is an obvious attempt to create doubt about the veracity of my evidence. Again, this deceptive strategy, that Mr Parker knows is false, helps the Regulator and belittles me.

I was an authorised person who held multiple controlled functions with an unblemished history with the Regulator. I was a CEO who blew the whistle on his own company. The Regulator never looked at my evidence and yet said publicly it did not show any evidence of fraud. The Regulator brushed me off as a disgruntled employee despite no credible reasons to believe that.

The Regulator publicly implied that I should have gone to the police. The Regulator sat back and allowed the criminals to place the blame on me through the press when they knew what was being

published were lies. The Regulator said I was a senior executive providing information, but not a whistleblower. The impact on me and my family has been devastating. I have to live with the consequences of the Regulator's actions every day. Naturally, I understand Mr Parker's deliberate use of the word , but to say it's my 'perception' that the Regulator treated me unfairly, like in so many instances, misses the point completely.

The Regulator's most egregious, dangerous and inexcusable act that was not discussed by Mr Parker was the content of an internal FSA report, 'Risk and Compliance Overview – Review of the FSA/FCA's involvement in the Connaught Income Fund Series 1' dated 24 February 2016 stated which stated the following;

"The FSA did not treat the former CEO as a whistleblower. **By highlighting his concerns to Tiuta, the FSA could have potentially compromised the CEO's position/employment."**

"The FSA could have responded to the whistleblowing intelligence in a more timely and efficient manner minimising the impact on the former CEO."

"There were concerns about the consistency of some decisions in the FSA's treatment of the intelligence provided by Tiuta's former CEO."

The Regulator is acknowledging that it tipped off Tiuta to my concerns and this compromised my position and employment. Furthermore, had they acted appropriately the impact on me would have been minimised and they had concerns about their own inconsistent treatment of me. This also allowed Tiuta valuable time to come up with the excuses the Regulator blindly accepted. Even worse for me, it gave Tiuta the information they needed to disparage me in the press. Disgracefully, Mr Parker mentioned this report in his review but left out any mention of the Regulator tipping off the criminals. The very telling admissions are in every respect, at odds with the Regulator's responses to my complaints. Mr Parker's failure to address these points was deliberate.

Conflict of Interest

Mr Parker's failure to conclude there was a conflict of interest between an FCA employee who was supervising Tiuta and Tiuta's compliance officer and his attempts to downplay the significance of the FCA employee's role becomes even more dubious and without merit when compared to the Regulator's own internal report from 24 February 2016 (*Risk and Compliance Overview – Review of the FSA/FCA's involvement in the Connaught Income Fund Series 1*) that said; ***"It is unclear whether the FSA disclosed a conflict of interest involving employees [redacted]. It is unclear how this conflict was disclosed or the mitigation taken as a result."***

The statement says 'employees', not employee. Tiuta and CAM were able to continue stealing money because of their personal relationships with two of the Regulator's employees responsible for supervising Tiuta during the relevant period. This of course is yet another reason Tiuta's regulatory approval needed to be thoroughly investigated.

The Regulator categorically determined there was a conflict of interest between at least two of their employees. They were concerned that it wasn't disclosed and what, if any, mitigation was taken as a result of these conflicts. Mr Parker has rewritten history by disagreeing with the Regulator's own assessment.

It's disappointing but now unsurprising that Mr Parker didn't mention that a Tiuta's Compliance Officer (regulated by the very body being reviewed here) falsified documents that were sent to the Regulator. The Compliance Officer has not been subject to any disciplinary action by the Regulator and he still shows an unblemished record on the Regulator's website.

Mr Parker discusses how [he] reviewed correspondence between the conflicted people and saw nothing inappropriate which supported its position that there was no conflict of interest. The review goes on to say, "the member of staff was not the individual with primary or "assigned" responsibility for, and had relatively limited involvement in, the supervision of Tiuta."

Mr Parker must have an unusual measure of what is "limited." This is a clumsy attempt to downplay Conway's role. It is simply factually incorrect to say Conway had limited involvement in the supervision of Tiuta.

Mr Parker went to considerable lengths to compliment the Regulator and its employees but didn't do the same for me. He didn't mention that I am the <u>only</u> person who did everything by the book. I discharged my duties as an authorised person who held controlled functions and I discharged my duties as a Director.

<u>Information obtained after the publication of the review</u>

Raj Parker, his legal team from Mayer Brown had a phone call with the Treasury on April 15 2020. During the call Mr Parker detailed the key points that would be covered in his final report. He said, the key points were, UCIS, the Regulator's perimeter and whistleblowers. He added the report would cover the Regulator's approach at the time ('orthodoxy' to its 'jurisdiction') and lessons learned. He added that there will be a process where those who have been criticised can make representations. This highly inappropriate call occurred <u>8 months before the publication or the review.</u> What's also evident is the key points Mr Parker told the Treasury would be in the report 8 months before its publication were pretty much what ended up in the report.

In August 2020 I filed an addendum to my complaint with the Complaints Commissioner. I provided the complaint and exhibits to Mr. Parker. I gave Mr. Parker permission to advise the FCA of the existence of my complaint and 2 weeks later gave my permission for him to share the complaint and exhibits with the FCA.

Information I recently obtained through a DSAR showed that Sheree Howard, Chief Risk Officer Risk and Compliance Oversight Division at the FCA, without my permission, contacted the Complaints Commissioner to discuss my complaint months before the publication of the review. This was a clear breach of confidence and an attempt to control the Commissioner. Thereby defrauding me of a fair and impartial investigation.

I submitted a DSAR to the Regulator on March 23 2021. Almost 8 months later, I have received less than 3% of my request.

I submitted a DSAR to Mayer Brown Solicitors, part of the review team and custodian of all review documents on May 14 2021. 6 months later, I have only received a copy of **my** August 2020 complaint to the Complaints Commissioner.

~~ END ~~

Thank you