DRN-5378941

The complaint

Mr B complains about advice he says he received from an appointed representative (AR) of First Complete Ltd to make a loan investment as well as a critical illness policy.

What happened

Mr B was introduced to Mr X of Bouncelife Limited (Bounce) in around April 2020. Bounce was an AR of First Complete between 2016 and 2021.

Mr B says Mr X advised him to enter into a loan agreement with Bounce. The agreement was dated 17 April 2020. The agreement said that the purpose of the loan was for discretionary asset management and business development. It also said interest would be paid on the loan at 7.5% per year. Mr B describes this as an investment fund but I'll refer to it as a loan investment in this decision.

A further conversation took place on 26 May 2020 where life assurance and critical illness policies were discussed. Mr B says that during this call, Mr X made further recommendations relating to the Bounce loan investment.

Bounce issued a "demands and needs" letter on 27 May 2020 setting recommendations for Mr B to take out two life assurance policies and a critical illness policy. A quote was included for the critical illness policy that said the premiums would be for £17.58 a month and it would provide a £25,000 lump sum and the cover would last until Mr B's 70th birthday.

On 5 June 2020, a further loan of £10,000 to Bounce was agreed and it was recorded that Mr B had loaned Bounce £20,000 in total. This was under the same terms as the April 2020 loan agreement.

I understand a further loan of £5,000 was agreed some time in 2021.

Mr B says he discovered in 2021 that the critical illness policy wouldn't pay the premiums to named beneficiaries in the event of death, which is what Mr B says he understood would be the case. As a result, Mr B stopped paying the premiums and ended the policy.

Bounce has ceased trading and Mr B has attempted to recover the monies he paid by way of the loan investment but has failed to do so. Mr B now thinks that he (along with many others) has been the victim of a fraud and that the investment was actually a ponzi-type scheme.

On 30 September 2024, Mr B complained to Bounce's principal firm, First Complete. He said that Bounce had mis-sold the critical illness policy and the loan investments.

First Complete rejected the complaint. It said that the critical illness policy was suitable for Mr B's needs. First Complete also said that its ARs weren't authorised by it to give investment advice. So it said that it wasn't responsible for what had happened in relation to the loan investment.

One of our investigators looked at the complaint and concluded that we did not have jurisdiction to consider the complaint about the loan investment against First Complete because the AR agreement didn't permit Mr X/Bounce to give advice on investments or hold client monies.

The investigator also said that he was satisfied that the critical illness policy was suitable for Mr B's needs that were recorded at the time the policy was taken out. The investigator didn't think there was evidence that Mr B was misled about how the policy would work.

Mr B has now asked me to look into this matter and make a decision. He says he would never have agreed to the critical illness policy if he'd known that the premiums wouldn't be paid to beneficiaries on death. And he'd now obtained a policy that met his needs.

Mr B also says that we should conclude that First Complete is responsible for the loan investment as Mr X was listed on the FCA register and Mr B was led to believe he was dealing with a legitimate service.

Why I can't look into a complaint about the loan investment against First Complete

I've considered all the available evidence and arguments to decide whether a complaint about the loan investment is something we can consider against First Complete. I know my decision will disappoint Mr B, but I agree with our investigator that we can't take this complaint further against First Complete.

The Financial Ombudsman Service can't look at all complaints. Before we can consider a complaint, we need to check, by reference to the Financial Conduct Authority's Dispute Resolution Rules (DISP) and the legislation from which those rules are derived, whether it's one we have the power to look at.

DISP 2.3.1R says we can:

> *consider a complaint under the Compulsory Jurisdiction if it relates to an act or omission by a firm in carrying on…regulated activities…or any ancillary activities, including advice, carried on by the firm in connection with them*.

Guidance for this rule at 2.3.3G says that:

> *complaints about acts or omissions include those in respect of activities for which the firm…is responsible (including business of any appointed representative or agent for which the firm…has accepted responsibility)*.

And Section 39(3) Financial Services and Markets Act (FSMA) says:

> *The principal of an appointed representative is responsible, to the same extent as if he had expressly permitted it, for anything done or omitted by the representative in carrying on the business for which* ***he has accepted responsibility***.

Neither Mr X nor Bounce are directly authorised as *firms*. We can only consider this complaint if it can be said that the principal, First Complete (which is a firm), is responsible for the acts of Mr X/Bounce.

Recent court cases make it clear that Section 39 FSMA allows a principal firm to accept responsibility for only part of the generic "*business of a prescribed description*". In other words, First Complete was entitled to appoint Bounce as an AR and limit the scope of the regulated activities it could carry out and that it would be responsible for.

We don't have a complete copy of the AR agreement. But based on what we've been provided and copies of other agreements with First Complete that I've reviewed, I'm satisfied that First Complete authorised Bounce to give advice and arrange insurance products but didn't authorise Bounce to give advice or make arrangements in relation to investments or the type of loan arrangement that Mr B entered.

Furthermore, the loan investment involved the direct payment of money to Bounce. The AR agreement prohibited Bounce from handling client money and so the loan arrangement breached this aspect of the AR agreement too.

Therefore, First Complete didn't accept responsibility for Mr X/Bounce's acts relating to the loan investment under Section 39 FSMA.

I've seen no evidence First Complete itself did anything else that might have made Mr B think that Mr X/Bounce was acting with its authority in connection with the loans. So overall, this isn't a complaint that the Financial Ombudsman Service can consider against First Complete.

Despite reaching this conclusion, Mr B obviously has my natural sympathy as he's clearly suffered a loss as well as a great deal of stress and upset about the loan investment he made.

We do have jurisdiction to consider Mr B's complaint against First Complete about the critical illness policy recommended by Mr X/Bounce. I do this below.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I know that Mr B feels he was misled about how the policy would work and it was mis-sold. But I haven't seen compelling evidence that this was the case.

We have no record of exactly what was said by Mr X to Mr B. I'm sure that different types of critical illness policy were discussed in the meetings.

However, the demands and needs letter explained Mr B's circumstances at the time and that the policy being recommended by Mr X would pay a lump sum of £25,000 to Mr B in the event of him being diagnosed with an illness and this would help with living or medical costs. It doesn't mention anything about premiums being paid to beneficiaries on death or record that this was a priority for Mr B.

Mr B was also provided with the policy documents that would have included further information about the policy and the cover provided.

If the issue of the payment of premiums from the critical illness policy was important to Mr B, I would have expected him to have queried this on receipt of the demands and needs letter and/or policy documents.

Overall, I can't conclude that the policy was mis-sold and so I don't uphold the complaint about the critical illness policy.

My final decision

I don't uphold Mr B's complaint against First Complete Ltd about the sale of the critical illness policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 April 2025.

Abdul Hafez
Ombudsman