

Chapter 7

Prudential requirements and professional indemnity insurance

7.1 Purpose

7.1.1

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- (1) This chapter builds upon the appropriate resources *threshold condition* set out in paragraph 2D of Schedule 6 to the Act (see ■ COND 2.4), which requires *firms* to have appropriate resources including financial resources.
- (2) This chapter also builds upon *Principle 4*, which requires a *firm* to maintain adequate financial resources, by focusing upon the adequacy of that part of a *firm's* financial resources that consists of *capital resources*.
- (3) The chapter also includes requirements for *firms* to have professional indemnity insurance if they carry on *advice, investigation or representation in relation to a personal injury claim*.

7.1.2

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A contravention of the *rules* in ■ CMCOB 7.2 or ■ CMCOB 7.3 does not give rise to a right of action by a *private person* under section 138D of the Act (and each of those *rules*) is specified under section 138D(3) of the Act as a provision giving rise to no such right of action).