

## Chapter 16

# Disapplication orders against members of the professions

## 16.2 Disapplication orders

- 16.2.1** When the *FCA* has concerns about the fitness and propriety of a *member* to carry out *exempt regulated activities*, it will consider all the relevant circumstances of the case, including whether those concerns arise from the fitness and propriety of specific individuals engaged to perform the *exempt regulated activities* carried out by the *member* or whether its concerns arise from wider concerns about the *member* itself.
- 16.2.2** In most cases, where the *FCA* is concerned about the fitness and propriety of a specific individual, it may be more appropriate for the *FCA* to consider whether to make an order prohibiting the individual from performing functions in relation to *exempt regulated activities* rather than a disapplication order in relation to the *member* concerned. The criteria which the *FCA* will apply when determining whether to make a prohibition order against an individual who is not regulated by the *FCA* are set out in paragraphs ■ 9.5.1 to ■ 9.5.2 of this guide (*prohibition orders* against other individuals). In addition to the factors referred to in these paragraphs, the *FCA* may also take into consideration any disciplinary action that has been, or will be taken against the individual concerned by the relevant *designated professional body*, where that disciplinary action reflects on the fitness and propriety of the individual concerned to perform *exempt regulated activities*.
- 16.2.3** The *FCA* will also take into account the potentially more serious consequences that a disapplication of an exemption will have for the *member* concerned compared with the consequences of a prohibition of a particular individual engaged in *exempt regulated activities*. However, the *FCA* may consider it appropriate in some cases to disapply an exemption where it decides that the *member* concerned is not fit and proper to carry out *exempt regulated activities* in accordance with section 327 of the *Act* (Exemption from the general prohibition).
- 16.2.4** As an alternative to making an order to disapply an exemption, the *FCA* may consider issuing a private warning. A private warning may be appropriate where the *FCA* has concerns in relation to a *member's* fitness and propriety but feels that its concerns in relation to the conduct of *exempt regulated activities* can be more appropriately addressed by a private warning than by a disapplication of the *member's* exemption.
- 16.2.5** When it decides whether to exercise its power to disapply an exemption from the *general prohibition* in relation to a *member*, the *FCA* will take into account all relevant circumstances which may include, but are not limited to, the following factors:

- (1) Disciplinary or other action taken by the relevant *designated professional body*, where that action relates to the fitness and propriety of the *member* concerned: where the *FCA* considers that its concerns in relation to the fitness and propriety of the *member* concerned may be, or have been adequately addressed by disciplinary or other action taken by the relevant *designated professional body* it may consider not making a disapplication order in addition to such action; however, where the *FCA* considers that its concerns, and in particular, any risks presented to the *member's clients* in respect of its *exempt regulated activities*, are not adequately addressed by that action, the *FCA* will consider making a disapplication order;
- (2) The significance of the risk which the *member* presents to its *clients*: if the *FCA* is satisfied that there is a significant risk to *clients* and *consumers* it may consider making a disapplication order;
- (3) The extent of the *member's* compliance with *rules* made by the *FCA* under section 332(1) of the *Act* (Rules in relation to whom the general prohibition does not apply) or by the relevant *designated professional body* under section 332(3) of the *Act*;

### 16.2.6

Where the *FCA* is considering whether to exercise its power to make a disapplication order in relation to a *member*, it will liaise closely with the relevant *designated professional body*.

### 16.2.7

Where the *FCA* is considering making a disapplication order against a *member* as a result of a breach of *rules* made by the *FCA* under section 323(1) of the *Act*, it will take into account any proposed application by the *member* concerned for *authorisation* under the *Act*. The *FCA* may refrain from making a disapplication order pending its consideration of the application for *authorisation*.