

Title	Enforcement Proceedings – Mr Stuart Elswood
Purpose	To provide information regarding enforcement proceedings
Type	Event
From	David Wood Secretary to the Lloyd's Enforcement Board
Date	3 January 2018
Deadline	N/A
Related links	N/A

In proceedings before the Lloyd's Enforcement Board, Mr Stuart Elswood has accepted one charge of Discreditable Conduct. This relates to the failure by Mr Elswood to comply with his employer's controls intended to protect against the misappropriation of funds belonging to clients. As a result of Mr Elswood's actions a third party was successfully able to obtain by fraud, funds belonging to a member of Lloyd's.

As a result, the following terms have been agreed by the parties and approved by the Lloyd's Enforcements Board –

- 1 Mr Elswood to be censured in the terms of the attached Notice of Censure; and
- 2 Mr Elswood to be suspended from membership of the Society as a Non-Underwriting Working Member for a period of two years.

In addition, Mr Elswood is to pay £3,850 in respect of Lloyd's costs of the proceedings.

The Notice of Censure provides details of the matters giving rise to these proceedings.

Notice of Censure

Mr Stuart Elswood

In proceedings brought before the Lloyd's Enforcement Board, Mr Stuart Elswood has accepted one charge of Discreditable Conduct. This relates to the wrongful breach of his employer's controls intended to protect against the misappropriation of funds belonging to a client. As a result of Mr Elswood's actions a third party was successfully able to obtain by fraud, funds belonging to a member of Lloyd's.

Background

Mr Stuart Elswood is a Private Client Assistant at Hampden, who, during the relevant period, had responsibility for acting as an account executive for clients of Hampden Agencies Limited who are members of Lloyd's or own or control corporate members of Lloyd's. As such his role involved dealing with clients in relation to all aspects of their business at Lloyd's, including facilitating the transfer of client funds to and from the client. Mr Elswood is also a Non-Underwriting Working Member of Lloyd's.

In February 2017, Hampden received three instructions, purportedly from a client, to transfer money from a client account to a bank account held with the Nationwide Building Society. The Nationwide account was not an account to which money had previously been paid for this client. In each case the instruction was sent specifically to Mr Elswood, who knew the client from prior dealings.

The instructions to make the payments were in each case fraudulent: the instructions were not in fact made by the client or a third person authorized by the client. Rather, the person who sent the instructions and communicated with Mr Elswood was an impostor who on two occasions successfully deceived Hampden into making payments to the Nationwide account. A third payment would have been made were it not for a lack of funds available in the client's account to make the payment.

Mr Elswood failed to verify or confirm the identity of the person sending the instructions, as required by Hampden's internal policies. In each case, there were grounds for Mr Elswood to be suspicious of the true identity of the person he was communicating with.

Mr Elswood wrongly certified a copy bank statement for the Nationwide account as a true copy of the original without seeking, receiving or seeing the original bank statement, in breach of Hampden's internal policies.

Mr Elswood wrongly arranged for authorization of the second and third payment without seeking prior authorization from Hampden's Compliance Team, in breach of Hampden's internal policies.

Misconduct accepted

Mr Elswood accepts that in acting as set out above, he breached his employer's policies and the standards expected by Lloyd's of someone who works for a members' agent and is a member of Lloyd's. He has accordingly accepted the charge brought against him.

Settlement terms

As a result of Mr Elswood accepting his misconduct, the following terms have been agreed between the parties and approved by the Lloyd's Enforcement Board –

- 1 Mr Elswood shall be censured in the terms of this Notice of Censure; and
- 2 Mr Elswood is to be suspended from membership of the Society as a Non-Underwriting Working Member for a period of two years.

Further Mr Elswood will pay a contribution of £3,850 towards Lloyd's costs in respect of these proceedings.

Lloyd's would ordinarily have sought a substantial fine and/or suspension for a matter of this seriousness but has taken into account disciplinary measures already imposed by Mr Elswood's employer, including a change in role and the loss of remuneration that he otherwise would have been entitled to.

Mitigation

In assessing the penalties, account has been taken of the following factors:

1. Mr Elswood has co-operated fully with Lloyd's investigations into the relevant matters and settled these proceedings at the earliest opportunity without the need for a contested hearing.
2. This is the first occasion that Mr Elswood has been found guilty of any form of regulatory misconduct. Mr Elswood has stated further that this is the first occasion that he has been subject to any form of regulatory investigation or action.
3. Mr Elswood has not financially (or in any other way) benefitted from the admitted misconduct.

Lloyd's Enforcement Board