

**FROM:** Secretary to Lloyd's Disciplinary Tribunal  
**LOCATION:** 58/NW1  
**EXTENSION:** 5530  
**DATE:** 1<sup>st</sup> September 1999  
**REFERENCE:** 075/99  
**SUBJECT:** **JOHN MICHAEL PEXTON**

**SUBJECT AREA(S):** Disciplinary Proceedings  
**ATTACHMENTS:** Notice of Censure  
**ACTION POINTS:** **For information**  
**DEADLINE:** **None**

In proceedings before a Lloyd's Disciplinary Tribunal, John Michael Pexton admitted 12 charges of conducting insurance business in a discreditable manner or with a lack of good faith. Mr Pexton was a Director of Fenchurch Marine Brokers Limited and also Fenchurch Insurance Brokers Limited, both Lloyd's Brokers.

The Disciplinary Tribunal ordered that Mr Pexton should receive the following penalties:-

- (i) That his right of admission to the Room and the other parts of the premises of the Society of Lloyd's be suspended permanently;
- (ii) That his right to transact the business of insurance at Lloyd's or any class or classes of such business be suspended permanently;
- (iii) That he cease to be involved or interested, whether directly or indirectly in the broking of any insurance business at Lloyd's;
- (iv) That he cease to be involved or interested, whether directly or indirectly, in the management or conduct of the business of a Lloyd's broker;
- (v) That he shall not become a director or a partner in a Lloyd's broker;
- (vi) That he shall not work for a Lloyd's broker;
- (vii) That he pay a fine in the sum of £50,000; and
- (viii) The posting of a Notice of Censure in the Room in the terms of the Notice attached to this bulletin.

The Tribunal ordered that Mr Pexton should contribute the sum of £5,000 towards the costs of the Council of Lloyd's and the Tribunal.

In fixing the penalty, the Tribunal took into account Mr Pexton's expressions of regret and his co-operation with the Council of Lloyd's in its investigations. It recognised his previous good character. At no time was it part of the Council's case against Mr Pexton that he benefitted personally from his actions.

Between 1988 and 1997 Mr Pexton acted in such a way as to cause Fenchurch Insurance Brokers Limited to retain secret profits of more than \$500,000. The secret profit was taken by concealing from a U S client the true level of package credit being offered by underwriters and certain increases in brokerage offered by underwriters. A further consequence of Mr Pexton's dishonesty was that the client overpaid its producing broker.

In addition, in 1989, Mr Pexton received a quotation from an insurer which was lower than the quotation being offered by the London Market. This quotation was not disclosed to the client.

The fraud required the preparation of false documentation which was forwarded to the producing broker. Mr Pexton involved a number of other employees at Fenchurch Insurance Brokers Limited to help him prepare and submit the necessary false documentation.

When the producing broker became aware of the false representations made as to the levels of discount and package credit, Mr Pexton tried to conceal the fraud by arranging for a slip for the 1997 renewals to be altered so that the level of package credit offered by Underwriters was reduced to match the figure which had already been falsely represented in the Cover Notes.

Copies of the full report of the disciplinary proceedings may be ordered from the Disciplinary Secretariat, telephone nos. 0171 327 6989/5530.

This bulletin has been sent to all underwriting agents and Lloyd's advisers, Lloyd's brokers, corporate members, market associations, the ALM and recognised accountants.

A P Barber  
Secretary to Lloyd's Disciplinary Tribunal

**NOTICE OF CENSURE**

**JOHN MICHAEL PEXTON**

John Michael Pexton, an Annual Subscriber and a director of a Lloyd's broker, is guilty of misconduct.

Mr Pexton was a director of Fenchurch Marine Brokers Ltd and also of Fenchurch Insurance Brokers Ltd, both of those companies being registered Lloyd's brokers.

Throughout the nine years from 1988 to 1997 Mr Pexton systematically cheated the United States Gypsum Corporation, which was a Lloyd's policyholder and a client of Fenchurch Insurance Brokers Ltd. Mr Pexton falsely represented to the producing broker the levels of discount and package credit allowed by Underwriters so that, over the period, Fenchurch Insurance Brokers Ltd retained secret profits which should have been paid over to the client of US \$587,813.

Mr Pexton also concealed from his client a lower quotation for part of the package.

When, in 1997, the producing broker first became aware that false representations had been made as to the levels of discount and package credit Mr Pexton was engaged in trying to take a further secret profit of US \$39,305. In an attempt to conceal the fraud he instructed an employee to arrange for a slip for the 1997 renewals to be altered so that the level of package credit offered by Underwriters was reduced to match the figure in the false representations he had made.

The Tribunal rejects the submission made to it by Mr Pexton that his misconduct began at a time when he had a less developed understanding of the obligations owed to the assured. Mr Pexton

embarked on a deliberate course of fraud and pursued it with enthusiasm until he was discovered. He then resorted to forgery to try to cover up his wrongdoing. He involved others employed by Fenchurch Insurance Brokers Ltd in his dishonesty and thereby destroyed their careers as well as his own.

The Disciplinary Tribunal directed:

- (i) that Mr Pexton's right of admission to the Room and the other parts of the premises of the Society of Lloyd's be suspended permanently;
- (ii) that Mr Pexton's right to transact the business of insurance at Lloyd's or any class or classes of such business be suspended permanently;
- (iii) that Mr Pexton cease to be involved or interested, whether directly or indirectly, in the broking of any insurance business at Lloyd's;
- (iv) that Mr Pexton cease to be involved or interested, whether directly or indirectly, in the management or conduct of the business of a Lloyd's broker;
- (v) that Mr Pexton shall not become a director or a partner in a Lloyd's broker;
- (vi) that Mr Pexton shall not work for a Lloyd's broker;
- (vii) that Mr Pexton pay a fine of £50,000;
- (viii) that Mr Pexton be censured for his misconduct and that this notice be posted in the Room.

The Disciplinary Tribunal further ordered Mr Pexton to pay £5,000 towards the costs of the

Council of Lloyd's in these proceedings.

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**MR IAN MAYES Q.C. (CHAIRMAN)**

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**MRS A T FOLLIS**

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**MRS A H GILLIBRAND**

**June 1999**