



Jersey Financial Services Commission

Public Statement

Mrs Sarah Jane Roberts (“Mrs Roberts”), born 12 May 1969

Principal Person of Horizon Trustees (Jersey) Limited (in liquidation) (“HTJL”)

Financial Services (Jersey) Law 1998, as amended (the “FS(J)L”)

1 Action

- 1.1 The Jersey Financial Services Commission (the “**Commission**”) issues this public statement under Article 25(a) of the FS(J)L with respect to directions issued to Mrs Roberts under Article 23 of the FS(J)L.
- 1.2 The Commission’s actions support its objectives of reducing the risk to the public of financial loss and protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters.
- 1.3 An investigation into the fitness and propriety of Mrs Roberts, in her capacity as a principal person and former director of HTJL, has taken place and the Commission has concluded that, in all the circumstances, Mrs Roberts acted without integrity, and her displayed level of incompetence was of the most serious kind.
- 1.4 The Commission has, therefore, concluded that it is necessary and proportionate in all the circumstances of the case that directions are issued under the FS(J)L.
- 1.5 The directions prevent Mrs Roberts from:
 - 1.5.1 performing any function at all for;
 - 1.5.2 engaging in any employment at all by; and
 - 1.5.3 holding any position at all in the business of any registered person.
- 1.6 The directions shall remain in force until such time as Mrs Roberts successfully applies to the Commission, pursuant to Article 23(6) of the FS(J)L, for a variance or withdrawal of the directions. Mrs Roberts has also been issued with directions under the equivalent provisions of the other regulatory laws¹.

¹ The Banking Business (Jersey) Law 1991, as amended.
The Collective Investment Funds (Jersey) Law 1988, as amended.
The Insurance Business (Jersey) Law 1996, as amended.



2 Background

- 2.1 On 7 November 2013, the Commission issued a public statement in respect of the findings of its investigation into HTJL². The Commission's investigation focussed on the period from 1 January 2008 to 30 May 2012.
- 2.2 HTJL was one of a number of related companies bearing the Horizon name ("**the Horizon Group**") and had a diverse customer base. Whilst some of HTJL's customers were sophisticated ultra-high net worth individuals ("**UHNWI**"), others were unsophisticated and, indeed, vulnerable individuals.
- 2.3 HTJL provided trust company business services to a number of private fund structures. These structures were established to provide a number of the UHNWI customers with the opportunity to invest in alternative asset classes, including shipping, property and media rights.
- 2.4 A number of the UHNWI customers had financial exposure to a UK media rights company ("**the Film Co.**"). This exposure was either by way of direct shareholder interest or by virtue of investing in a media fund ("**the Media Fund**"): one of HTJL's private in-house fund structures which effectively operated as a joint venture with the Film Co.
- 2.5 In January 2010, the Film Co.'s AIM listing was suspended due to financial uncertainty. In April 2010, a successful bid was made for the Film Co. by a company HTJL's Chief Executive Officer claimed to own beneficially ("**Bid Co.**"). A significant factor in the decision to acquire the Film Co. was the protection of the interests of the UHNWI customers, a number of whom assisted in financing the bid. The Film Co.'s equity was acquired for one penny and its Convertible Loan Notes ("**CLNs**") for £0.55 per £1.00 nominal value.
- 2.6 Subsequent to the acquisition, HTJL, a company devoid of media or film experience, was appointed to administer the Film Co. Directors of HTJL were also appointed as directors of Film Co. This acquisition and HTJL's administration appointment created numerous conflicts of interest.
- 2.7 Shortly after the acquisition of Film Co., a New Zealand Limited Partnership ("**Structure X**") was created. This structure, which became a focus of the Commission's investigation, was used as a vehicle, funded by investments from HTJL's wider customer base, to purchase the Film Co.'s CLNs from the Bid Co. The CLNs were each sold on for £1.00 despite only recently having been acquired for £0.55.
- 2.8 In total, £3.445 million was transferred from HTJL customer structures and invested into Structure X. The monies were not routed to Structure X but were transferred to Bid Co. and were then used to discharge the Film Co.'s numerous and pressing creditors. In essence, Bid Co. became a financing vehicle to the Film Co. which is currently in liquidation with creditor claims of circa £43 million (when the Commission determined to issue the directions).
- 2.9 Concerns over the serious financial position of the Film Co. were first documented by officers of HTJL shortly after the acquisition by Bid Co. Such were these concerns, placing

² [www.jerseyfsc.org/pdf/Public-Statement-Horizon-Trustees-\(Jsy\)-Limited-November-2013.pdf](http://www.jerseyfsc.org/pdf/Public-Statement-Horizon-Trustees-(Jsy)-Limited-November-2013.pdf)



the Film Co. into a company voluntary arrangement was considered only one month after Bid Co.'s acquisition, namely in May 2010.

- 2.10 Despite the Film Co.'s serious financial difficulties, during 2010 and 2011 investment valuations were sent to customers, in which their investments were recorded at cost. The financial statements of the Media Fund were signed, reporting that the assets were not impaired. At no time were the HTJL customers concerned informed about the Film Co.'s serious financial difficulties.
- 2.11 HTJL's customers have not been able to recover their investments or loans and it appears that HTJL customers have incurred substantial financial losses.

3 Role

- 3.1 Mrs Roberts held up to 18.2 per cent of the shares in issue at HTJL and was also a director of HTJL for part of the period investigated.
- 3.2 While acting as a director of HTJL, Mrs Roberts was also appointed, for the period May 2011 to September 2011, as a director of the Film Co. Mrs Roberts accepted this appointment, notwithstanding neither she, nor her fellow directors, had any experience of the film and media industry.
- 3.3 Mrs Roberts spent the majority of her time dealing with the significant issues presented by Bid Co.'s acquisition of the Film Co. Mrs Roberts had a full understanding of its serious financial position.
- 3.4 Mrs Roberts also acted as a director to the General Partner of the Media Fund.

4 Summary of Findings

- 4.1 The Commission has previously concluded that HTJL breached all seven principles of the Codes of Practice for Trust Company Business, including failing to conduct business with integrity, failing to ensure conflicts of interest were managed and failing to act in the best interests of customers. As a principal person of HTJL, pursuant to her shareholding, and as a director for some of the period in question, Mrs Roberts bears some responsibility for these failings.
- 4.2 Mrs Roberts, as a director and significant shareholder of HTJL, shares responsibility for the following:
- 4.2.1 a confused and ineffective corporate governance structure;
 - 4.2.2 a failure to oversee and control the business of HTJL through the implementation and monitoring of robust systems and controls;
 - 4.2.3 a failure to realise a Horizon services company was conducting unauthorised financial services business;
 - 4.2.4 a lack of transparency over fees levied to customers; and



4.2.5 a failure to manage risk and to identify and address issues facing HTJL.

Mrs Roberts's conduct lacked integrity and competence.

Structure X

- 4.3 Mrs Roberts knew HTJL customer monies were used as an investment into the Film Co. either by equity participation or through CLNs. She also knew the Film Co was only able to remain solvent by HTJL's ability to access and apply HTJL customer monies to discharge the Film Co.'s significant creditors. This conduct lacked integrity.
- 4.4 Mrs Roberts knew that customer structures purchasing the Film Co.'s CLNs paid 80 per cent more (the difference between £0.55 and £1.00) than the Bid Co. which she understood to be beneficially owned by HTJL's CEO. The majority of these HTJL customers did not know about this significant price difference. This conduct lacked integrity.
- 4.5 Mrs Roberts lent monies on a short-term basis, using assets in her own private company, to the Film Co. for the purposes of discharging its creditors. In accepting repayment of one of these loans, Mrs Roberts knew she was receiving monies from an HTJL customer structure, which had invested in Structure X. This conduct lacked integrity.
- 4.6 Mrs Roberts, although a director of HTJL, failed to have any regard to the duties owed to HTJL's customers. Mrs Roberts neglected her responsibilities to HTJL as a result of the time she devoted to the Film Co. Mrs Roberts's conduct lacked integrity.
- 4.7 Mrs Roberts knew HTJL customers received investment valuations in circumstances when questions were being raised about the reliability of those valuations. Further, Mrs Roberts knew there was insufficient information available to HTJL to support the amounts recorded in the valuations. This conduct lacked integrity.
- 4.8 Mrs Roberts acted with a wilful disregard to her fiduciary obligations. She knew that customers' assets, including those of vulnerable individuals, were used to reduce the risks to which a number of HTJL's UHNWI customers were already exposed. As a result of this conduct, HTJL's customers face the loss of very significant sums of money. This conduct was not in the best interests of the HTJL customers concerned. Mrs Roberts's conduct lacked integrity.

The Media Fund

- 4.9 Mrs Roberts provided false assurances to her HTJL colleagues about the findings of a review she claimed to have undertaken in respect of the application of monies raised by the Media Fund. Mrs Roberts provided these assurances, notwithstanding there was no scope for her review, her findings were not documented and she had not undertaken a review of bank statements. Mrs Roberts knew that colleagues were likely to rely upon her assurances. Her conduct and failure to correct her colleagues' misunderstandings lacked integrity.



4.10 In 2011, in her capacity as a director of the Media Fund's General Partner, Mrs Roberts signed the financial statements of the Media Fund, together with a letter of representation. When signing these documents, Mrs Roberts was on notice of numerous and significant issues. Notwithstanding her concerns, the notes to the financial statements provided confirmation the General Partner was not aware of any circumstances, which undermined the value of the investment. This was demonstrably not the case. Mrs Roberts's conduct lacked integrity.

5 Conclusions

5.1 The Commission has therefore concluded that, in all the circumstances, Mrs Roberts acted without integrity, and her displayed level of incompetence was of the most serious kind.

6 Sanction

6.1 The directions prohibit Mrs Roberts from performing any function, holding any position or being employed by any business licensed to conduct financial services business in Jersey.

6.2 The directions shall remain in force until such time Mrs Roberts successfully applies to the Commission, pursuant to Article 23(6) of the FS(J)L, for a variance or withdrawal of the directions.

6.3 Mrs Roberts will commit an offence, under Article 23(15) of the FS(J)L, in the event she fails to comply with the provisions of the directions.

6.4 Pursuant to Article 23(15A) of the FS(J)L, any person who allows Mrs Roberts to perform a function, engage in employment or hold a position knowing that such performance, engagement or holding is in contravention of the directions shall be guilty of an offence.

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