

**Ombudsman Decision****CIFO Reference Number: 24-000371****Complainant: Mr H****Respondent: Reto Finance Limited****Complaint**

Mr H's complaint centres on a £50,000 loan which he took out from Reto Finance Limited in August 2020. He initially complained that the loan had been taken out using information provided by an introducer without his or his wife's consent, but the complaint has since been expanded to include – in summary – the way Reto acted towards Mr H at the time of the loan application and in setting the loan up.

Mr H is represented in his complaint by his wife, Mrs H.

**Introductory Remarks**

The overall background to this complaint involves a number of third parties. Mindful of CIFO's policy about not naming or otherwise identifying complainants in any published documents, in this Final Decision I only refer to those third parties descriptively rather than by name.

**Outline Background**

Mr H was a shareholder in a company which operated a business. Other finance, which is not the subject of this complaint, was taken out – also from Reto – to assist in establishing the business. Its

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<sup>1</sup> Financial Services Ombudsman (Jersey) Law 2014 Article 16(11) and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 Section 16(10)

principal director subsequently approached Mr H about taking out a further £50,000 loan, in his own name, to inject into the business to provide additional working capital.

On 5 August 2020, Mr H signed an agreement for that loan, to be repaid by monthly instalments over 60 months, and Mr and Mrs H also signed an unregistered promissory note over their “*immovable property situate in [the island]*” in favour of Reto. The loan money was paid into Mr and Mrs H’s personal bank account, from which it was transferred to the business’s account – whereafter the business took on responsibility for paying the monthly loan instalments.

The business subsequently ceased trading, leaving a significant amount of the loan still to be repaid. Mr (and Mrs) H have since had discussions with Reto about this outstanding balance, and they have made reduced monthly contributions towards it. But in asking that the remaining balance be written off Mr H said, again in summary:

- Neither he nor Mrs H had consented to their personal information, which had previously been provided to the introducer for a different purpose, to be used by Reto in respect of the £50,000 loan.
- Reto did not contact either of them at any point during the loan application process, which he considers it should have done.
- The loan agreement and promissory note were presented to them for signature by the business’s principal director, when he visited him at work. He was busy at the time and they both felt under pressure from the principal director to sign the documents – which he and Mrs H then did.
- If Reto had dealt with the loan application differently, and had contacted them directly about it, that would have provided him and Mrs H with an opportunity to have discussed and shared their concerns with Reto about what was happening.

Reto's position, in summary, is that it received the loan application in good faith from a known introducer. After considering the proposal it agreed to provide the requested loan, which was drawn down once it had received appropriately-signed documents – which included a guarantee from another of the business's directors. Repayments were made until August 2022, and it has since had extensive discussions with Mr and Mrs H about repaying the outstanding balance. It has suspended recovery action and agreed to reduced repayments but, ultimately, it continues to seek full repayment of the loan.

### **My Initial Conclusions**

After considering everything which both Mr H and Reto had provided to CIFO I issued my initial conclusions on the complaint by way of an email dated 19 November 2024, in which I said – in summary:

- On 31 July 2020 the introducer presented to Reto, on Mr H's behalf, a proposal for a loan of £50,000 to be guaranteed by the other director of the business – made up of an application, copies of Mr H's bank statements, 'Know Your Client' identification, and details of his assets and income. Reto approved the proposal a few days later.
- On 5 August 2020 Reto sent the loan agreement and promissory note to the introducer, asking for them to be signed and returned. They were signed and returned the same day, with the loan agreement signatures being witnessed by the other director and the promissory note signatures being witnessed by the principal director. However, Reto noticed that Mrs H had signed the promissory note in the wrong place, so that document was reissued. It received the correctly- signed promissory note back on 7 August 2020.
- There was no dispute that Mr (and, where relevant, Mrs) H had signed the documents and received the money. They then paid that money to the business, which covered the repayments until it ceased trading. Both Mr and Mrs H therefore clearly knew about the loan at the time.

- It is not for CIFO to make a decision about whether a lender should, or should not, have lent money to an applicant. These are commercial decisions which lenders are entitled to make for themselves. But CIFO can consider the process a lender followed in its dealings with the applicant and the application.
- Reto has a broker agreement with the introducer, and the introducer comes within the scope of the Jersey Financial Services Commission in respect of introducing lending proposals to lenders. Because of this, it is normal for lenders to rely on information which such an introducer provides – including accepting that the introducer’s actions have been in compliance with relevant regulatory requirements. What this means in practice is that the lender would not normally make direct contact with the proposed borrower. Instead, any contact would be made through the introducer – as happened here.
- I did not find, therefore, that Reto had acted wrongly towards Mr H by not contacting him when it received, assessed, and approved the loan proposal.
- For the same reason it was not inappropriate for Reto to have issued the loan agreement and promissory note to the introducer, for signature and return. It was presumably the introducer which had released them to the principal director – not Reto. Reto was entitled to accept the signed documents back in the way that it did. By reissuing the promissory note to the other director I considered that, in the circumstances, it had been a purely practical way to proceed – Reto simply needed the signatures on the promissory note (previously witnessed by the principal director) to appear in the right place on the reissued document.
- I did not find that, by issuing the documents in the way that it did – both initially and subsequently – Reto had acted wrongly towards Mr H.
- It followed that I was unable to accept that, in all the circumstances, Reto should be required to write off some or all of the remaining debt.

## Subsequent Submissions

Mr H did not accept my initial conclusions. On his behalf, Mrs H initially said they were seeking legal advice from someone “*who specialises in this field*” and they would revert in due course. She then wrote at length – primarily setting out her concerns about the introducer and the actions of the principal director, along with questioning the charges applied to the loan by Reto.

I replied to say, first of all, that – in the context of this complaint – I can only consider Reto’s actions but, if asked, I would be prepared to undertake a further review of the complaint. I invited Mr H to provide any further information or evidence which he felt might make a difference and lead to a different outcome. I also clarified that the charges which had been identified were in fact the finance charges and arrangement fee for the loan, as set out on the loan agreement which Mr H had signed.

I received further information from Mrs H, but it primarily related to the introducer – not to Reto. On pointing that out, Mrs H said that the complaint about Reto “*still stands*” and “*remains very much open especially until the outcome of the fraud court case*” – which I took to be a reference to a case the Police are bringing against the principal director.

I replied to say that, in the circumstances, it might be best – despite no material additional information relating to Reto having been provided – if I nevertheless undertook a further review of the complaint and issued this Final Decision. Mrs H replied to say that she and Mr H believed that would “*be a good idea especially with ourselves increasing the complaint [to the introducer] from the information coming to light.*”

## Findings

I have re-considered the available evidence and arguments in order to decide what is fair and reasonable in the individual circumstances of this complaint.

In setting out the detail of this complaint I have condensed the submissions I have received – distilling and outlining what I consider to be the main points so that I may focus my findings and conclusions on what I consider to be the key issues. I take this approach because of the framework under which CIFO operates, having been set up to consider complaints about financial services providers in the Channel Islands as an informal alternative to the civil courts. For the avoidance of any doubt, I confirm that I have read and considered everything provided to me.

It's very clear that both Mr and Mrs H have been greatly affected by the failure of the business, the resultant financial demands placed on them, and what they see as – at best – manipulative behaviour by the business's principal director. I acknowledge what they have said about their concerns, and how all that has happened has put them under great stress.

This complaint, however, is purely about the part Reto played in the overall sequence of events. I understand that Mr H has recently submitted a complaint about the actions of introducer, which will be looked at separately. I cannot of course consider anything the principal director may have done; he is not a financial services provider, so does not fall within CIFO's scope.

As I have already noted, Mr H has not submitted any additional or new evidence since I issued my initial conclusions on the complaint. I have, nevertheless, looked back over everything which both Mr H and Reto had previously provided – reassessing everything afresh in order to reach my final conclusions on this complaint.

Having done so, I have not found any basis to come to a different outcome. I am satisfied that:

- Reto was reasonably entitled to accept the loan application from the introducer – which is registered under the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 for Schedule 2 Business pursuant to Article 14 of the Law, and which is supervised by the Jersey Financial Services Commission.

- Reto was similarly reasonably entitled to assess and process the loan application in the way that it did. There was no obligation or requirement on Reto to get in touch with either Mr or Mr H directly about the proposal.
- Reto issued the loan agreement and promissory note to the introducer, and they were quickly signed and returned – albeit the promissory note had to be reissued for signature, when it was again quickly returned. There was no indication given to Reto at that time that Mr H had any concerns about the loan.
- The loan repayments were all made on time until the business ceased trading. Again, during that period there was no indication given to Reto that Mr H had any concerns about the loan.

I do very much understand all that Mr, and indeed Mrs, H have said about the pressure they felt they were put under by the principal director to take out the loan and the concerns they say they had about the business. But there is nothing to show they raised any of those concerns with Reto, or that they then questioned any aspect of the loan with it. Furthermore, I have not found anything to indicate that Reto might otherwise have recognised, either at the time or until the business ceased trading, the concerns which Mr and Mrs H have since expressed.

None of this is to say that Mr and/or Mrs H did not have such concerns. I am happy to accept that they did. But the question I have to address in this complaint is whether Reto acted wrongly towards them. As I have set out, I am unable to find anything to show that it did. It follows that I am unable to find a basis to conclude that Reto should be required to write off any of the remaining loan amount.

## **Final Decision**

For the reasons I have explained, my Final Decision is that I do not uphold this complaint.

**David Millington**  
**Ombudsman**

Date: 24 February 2025