

**16 March 2007**

## **PRESTON WHITESIDE INSURANCE BROKERS JAILED FOR INSURANCE FRAUD**

Two insurance brokers were sentenced today after defrauding hundreds of small businesses, predominantly in Northern Ireland, out of insurance premiums and after having created a multi-million pound uninsured risk vacuum.

Paul Newton and Mathew Walker, who ran the insurance business Preston Whiteside in Doncaster, were sentenced to 15 months and 8 months imprisonment respectively after admitting their guilt to fraudulent trading. In addition, both were disqualified as company directors for 7 years.

### **Background**

Preston Whiteside's main area of business was providing public liability and employers' liability insurance cover for small businesses and tradesmen. Paul Robert Newton (d.o.b. 25/02/72) joined Preston Whiteside in 1997/98 and Mathew Neil Walker (d.o.b. 18/02/81) joined in 1999. In 2001 Newton bought the business, with another person who left the company the following year, and from 2002 Walker acted as Newton's right hand man.

The terrorist attacks on the World Trade Centre in New York in 2001 and the increasing cost of civil litigation resulted in the increase of insurance premiums. These costs were further increased in Northern Ireland because of the higher proportion of small businesses, a relatively small number of insurers and the insolvency of two of the major insurers in that market in 2001. Northern Ireland saw a rise of 148% in the average cost of insurance between 2001 and 2003.

Until the summer of 2002 Preston Whiteside placed Northern Irish clients, who were typically small businesses, with NIG via another broker. NIG stopped accepting business from Northern Ireland on 7 June 2002. However, Preston Whiteside continued to accept the business and sent out 'cover in place' letters to over 500 clients. Newton and Walker continued to receive premiums and thereby lead businesses in Northern Ireland to believe that they had both employers' liability cover, a legal requirement, and personal liability insurance, an economic necessity, when they did not. From June 2002 onwards Preston Whiteside sent out invoices which requested a total of almost £880,000 for this non-existent insurance.

In addition false policy schedules and insurance certificates with incorrect dates were produced to dupe unsuspecting clients in both Northern Ireland and England to believe that they had insurance cover for the periods of time which the clients had requested despite the fact that Newton and Walker had obtained the insurance cover weeks or months late

Between June 2002 and January 2003 Newton and Walker continued to defraud their clients before eventually the lack of insurance and the false documents were eventually uncovered.

### **Proceedings**

The SFO began its investigation in March 2003. This was prompted by a referral from the South Yorkshire Police who had been working in conjunction with the Police Service in Northern Ireland, following a number of complaints. Initial investigations revealed that both Newton and Walker had consistently traded fraudulently, leaving companies and individuals without the insurance cover that they had paid for.

Newton (a Director) and Walker were sentenced today at Sheffield Crown Court following their guilty plea of Fraudulent Trading contrary to section 458 of the Companies Act 1985. Newton pleaded on 17 July 2006 while Walker pleaded guilty on 13 October 2006. Both pleaded not guilty to six counts of forgery on the indictment, which will lie on file.

Both Newton and Walker were disqualified from acting as Directors for a period of 7 years. His Honour Judge Murphy ordered confiscation and compensation orders of £17,000 for Newton and £10,400 with respect to Walker.

In sentencing His Honour Judge Murphy QC described the actions of Newton and Walker as "moving from ethically questionable to down right dishonesty and greed". In addition the Judge gave special thanks to the Serious Fraud Office for the case being prepared and presented in such a comprehensive and thorough way. The Judge also commended South Yorkshire Police and the Police Service in Northern Ireland for their untold hours of preparation.

**ENDS**