[Press release: 12-year bankruptcy restriction for man who ran failed £8.5m spread betting scheme]

Mr Mudge obtained over £8.5 million from investors for his failed spread betting scheme – the Churchgate Trading Syndicate – between June 2009 and February 2012. An investigation by a specialist team at the Insolvency Service found that investors were promised ‘guaranteed’ returns of 15 per cent every quarter and told their money would be used to trade spread bets.

The Financial Conduct Authority (FCA) obtained interim injunctions against Mr Mudge in February 2012, freezing his assets and preventing him from operating the syndicate.

In a settlement reached in September 2013, Mr Mudge acknowledged that by operating the syndicate without FCA authorisation, he broke the law. The High Court subsequently ordered him to pay £7,010,000 to the FCA to distribute to the Syndicate’s investors.

Mr Mudge was made bankrupt after failing to pay any money to the FCA. Other sums recovered by the FCA funded a small pro-rata return to the investors; they have, nevertheless suffered substantial losses.

Following his bankruptcy on 9 December 2014, the Official Receiver further investigated Mr Mudge’s conduct and on 3 February 2017, the County Court at Cardiff made a bankruptcy restrictions order against him for 12 years.

Commenting on the bankruptcy restrictions order, Ken Beasley, Official Receiver at the Insolvency Service said:

> This case is a prime example of the losses that can be incurred via an investment scheme that looks too good to be true. Investors lost over £7,000,000 and Mr Mudge will face severe financial restrictions lasting for 12 years.
>
> Bankruptcy restrictions orders and undertakings are central to protecting not only the bankruptcy process, but the people and organisations owed money who suffer financially from irresponsible or unscrupulous behaviour.

Mark Stuart, executive director of enforcement and market oversight at the FCA, said:

> Churchgate is one of several unauthorised spread betting schemes

> we’ve investigated where investors have lost large amounts of money. Spread betting on shares and currencies can be very risky, and it is illegal for someone to trade them in this way on behalf of investors without FCA approval.
>
> We urge investors to check the FCA register before handing over any money for this type of investment, and be very wary of anyone promising high or guaranteed returns on this type of investment – these are often the hallmarks of a scam.

Mr Mudge’s period of bankruptcy restriction means that he cannot promote, manage, or be a director of a limited company until February 2029. Further restrictions include that:

- he must disclose his status as a person subject to bankruptcy restrictions to a credit provider if he wishes to get credit of £500 or more
- he may not act as an insolvency practitioner, or as the receiver or manager of the property of a company

Mr Mudge’s sanction follows investigation by the Official Receiver at Public Interest Unit (North), a specialist team of the Insolvency Service.

The Official Receiver’s investigation found that in addition to acting in breach of the Financial Services and Markets Act 2000, Mr Mudge effectively operated the trading syndicate as a scheme where capital and interest repaid to investors was paid out of the capital payments made by other investors. This gave the impression that the trading syndicate was generating such returns through trading whereas it made significant losses though spread betting.

Notes to editors

Stuart Carl Mudge is of Newport, Gwent and his date of birth is March 1956.

Mr Mudge is therefore bound by the restrictions set out in insolvency law that a bankrupt is subject to until they are discharged from bankruptcy – normally 12 months – until 2029. In addition, he cannot manage or control a company during this period without leave of the court.

The Bankruptcy Restrictions Order was pronounced by HH Judge Keyser, QC, on 3 February, with Mr Mike Smith, Deputy Official Receiver appearing for the Official Receiver and the bankrupt appearing in person. If the Official Receiver considers that the conduct of a bankrupt has been dishonest or blameworthy in some other way, he (or she) will report the facts to court and ask for a Bankruptcy Restrictions Order (BRO) to be made. The court will consider this report and any other evidence put before it, and will decide whether it should make a BRO. If it does, the bankrupt will be subject to certain restrictions for the period stated in the order. This can be from 2 to 15 years.

The bankrupt may instead agree to a Bankruptcy Restrictions Undertaking (BRU) which has the same effect as an order, but will mean that the matter does not go to court.

These are restrictions set out in insolvency law that the bankrupt is subject to until they are discharged from bankruptcy – normally 12 months and include that bankrupts:

- must disclose their status to a credit provider if they wish to get credit of more than £500
- who carry on business in a different name from the name in which they were made bankrupt, they must disclose to those they wish to do business with the name (or trading style) under which they were made bankrupt
- may not act as the director of a company nor take part in its promotion, formation or management unless they have a court's permission to do so
- may not act as an insolvency practitioner, or as the receiver or manager of the property of a company on behalf of debenture holders

Additionally, a person subject to a Bankruptcy Restrictions Order/Undertaking or a Debt Relief Restrictions Order/Undertaking may not be a Member of Parliament in England or Wales.

The Insolvency Service, an executive agency sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), administers the insolvency regime, and aims to deliver and promote a range of investigation and enforcement activities both civil and criminal in nature, to support fair and open markets. We do this by effectively enforcing the statutory company and insolvency regimes, maintaining public confidence in those regimes and reducing the harm caused to victims of fraudulent activity and to the business community, including dealing with the disqualification of directors in corporate failures.

BEIS' mission is to build a dynamic and competitive UK economy that works for all, in particular by creating the conditions for business success and promoting an open global economy. The Criminal Investigations and Prosecutions team contributes to this aim by taking action to deter fraud and to regulate the market. They investigate and prosecute a range of offences, primarily relating to personal or company insolvencies.

The agency also authorises and regulates the insolvency profession, assesses and pays statutory entitlement to redundancy payments when an employer cannot or will not pay employees, provides banking and investment services for bankruptcy and liquidation estate funds and advises ministers and other government departments on insolvency law and practice.

Further information about the work of the Insolvency Service, and how to complain about financial misconduct, is available.

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