

Financial Reporting Council

The Executive Counsel to the Financial Reporting Council

and

- (1) Grant Thornton UK LLP
- (2) Alastair Nuttall
- (3) Marcus Swales

Settlement Agreement

1. This Settlement Agreement ("**Agreement**") is made on the 3rd day of July 2015 between Gareth Rees QC as the Executive Counsel of the Financial Reporting Council ("**FRC**"), of 8th Floor, 125 London Wall, London EC2Y 5AS ("**the Executive Counsel**") of the first part, and Grant Thornton UK LLP ("**Grant Thornton**"), of 30 Finsbury Square, London EC2A 1AG of the second part and Alastair Nuttall, of the third part and Marcus Swales of the fourth part. The Executive Counsel, Grant Thornton, Alastair Nuttall and Marcus Swales together are described as "**the Parties**".
2. The Agreement is evidenced by the signatures of the Executive Counsel on his own behalf and by Owen Brookman on behalf of Grant Thornton and by Mr Nuttall and Mr Swales on their own behalf.
3. The Particulars of Fact and Acts of Misconduct ("**the Particulars**") against Grant Thornton, Mr Nuttall and Mr Swales are prepared by the Executive Counsel in accordance with the FRC Accountancy Scheme ("**the Scheme**") and are annexed. The Particulars relate to the failure to comply with the required standards by Grant Thornton in connection with the audits of the financial statements of Manchester Building Society ("**MBS**") for FY06 to FY11; Mr Nuttall in connection with the audits of the financial statements of MBS for FY06 to FY07; and Mr Swales in connection with the audits of the financial statements of MBS for FY08 to FY11.
4. The Parties have agreed the terms of settlement set out below with respect to the Particulars.

Grant Thornton

1. A Fine of £975,000; and
 2. A Severe Reprimand; and
 3. A sum of £85,000 for the Executive Counsel's costs of, and incidental to, the investigation.
5. In reaching this Agreement with Grant Thornton, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance:

Nature and Seriousness of the Misconduct

- a) The Misconduct could undermine confidence in the standards of conduct in general of Member Firms;
- b) The Misconduct was not dishonest, deliberate or reckless;
- c) The Misconduct related to the UK's 19th largest building society;
- d) Mr Nuttall and Mr Swales held senior positions and supervisory responsibilities.

Identification of Sanction

6. The Executive Counsel determined that a Fine of £1,600,000 and a Severe Reprimand are appropriate sanctions, considering the seriousness of the Misconduct involved.

Aggravating Factors or Mitigating Factors

Aggravating

- a) The Misconduct was repeated and occurred over an extended period of time.

Mitigating

- a) Grant Thornton cooperated during the investigation of the Misconduct by the FRC;
- b) Appropriate remedial steps were taken once the Misconduct was identified to prevent similar issues arising in the future by putting into place a number of robust initiatives;
- c) Neither Grant Thornton, nor Mr Nuttall nor Mr Swales stood to gain any profit or benefit from the Misconduct;

Deterrence

7. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

8. Having taken into account full admissions by Grant Thornton and the stage at when those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the FRC's Sanctions Guidance), the Executive Counsel determined that a reduction of 35% as to the Fine as a settlement factor is appropriate.

Mr Nuttall

1. A Fine of £39,000; and
2. A Reprimand.

9. In reaching this Agreement with Mr Nuttall, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance:

Nature and Seriousness of the Misconduct

- a) The Misconduct could undermine confidence in the standards of conduct in general of Members;
- b) The Misconduct was not dishonest, deliberate or reckless;
- c) The Misconduct related to the UK's 19th largest building society;
- d) Mr Nuttall held a senior position and supervisory responsibilities;
- e) The financial impact of the error was not numerically material in FY06 and FY07.

Identification of Sanction

10. The Executive Counsel determined that a Fine of £70,000 and a Reprimand are appropriate sanctions, considering the seriousness of the Misconduct involved.

Aggravating Factors or Mitigating Factor

Aggravating

- a) The Misconduct was repeated and occurred over an extended period of time.

Mitigating

- a) Mr Nuttall cooperated during the investigation of the Misconduct by the FRC;
- b) Mr Nuttall did not stand to gain any profit or benefit from the Misconduct;
- c) Mr Nuttall has a good compliance history and disciplinary record.

Deterrence

11. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

12. Having taken into account full admissions by Mr Nuttall and the stage at when those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the FRC's Sanctions Guidance), the Executive Counsel determined that a reduction of 35% as to the Fine as a settlement factor is appropriate.

Mr Swales

1. A Fine of £45,500; and
2. A Severe Reprimand.

13. In reaching this Agreement with Mr Swales, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance:

Nature and Seriousness of the Misconduct

- a) The Misconduct could undermine confidence in the standards of conduct in general of Members;
- b) The Misconduct was not dishonest, deliberate or reckless;
- c) The Misconduct related to the UK's 19th largest building society;
- d) Mr Swales held a senior position and supervisory responsibilities.

Identification of Sanction

14. The Executive Counsel determined that a Fine of £80,000 and a Severe Reprimand are appropriate sanctions, considering the seriousness of the Misconduct involved.

Aggravating Factors or Mitigating Factors

Aggravating

- a) The Misconduct was repeated and occurred over both a critical and an extended period of time.

Mitigating

- a) Mr Swales cooperated during the investigation of the Misconduct by the FRC;

- b) Mr Swales did not stand to gain any profit or benefit from the Misconduct;
- c) Mr Swales has a good compliance history and disciplinary record.

Deterrence

- 15. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

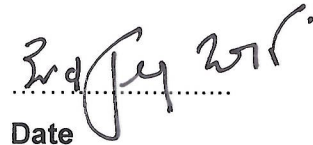
- 16. Having taken into account full admissions by Mr Swales and the stage at when those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the FRC's Sanctions Guidance), the Executive Counsel determined that a reduction of 35% as to the Fine as a settlement factor is appropriate.

Other Considerations

- 17. If the decision of the person appointed under paragraph 8(4)(i) of the Scheme is to approve the Agreement, including the sanctions set out at paragraph 5 above, then the Agreement shall take effect from the next working day after the date on which notice of the decision is given to Grant Thornton, Mr Nuttall and Mr Swales in accordance with paragraph 8(4) of the Scheme.
- 18. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.

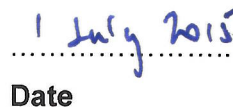


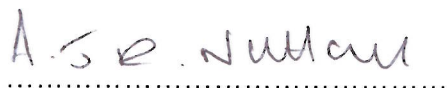
Gareth Rees QC
Executive Counsel


Date

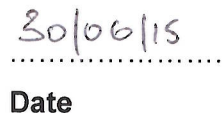


Owen Brookman
on behalf of Grant Thornton UK LLP


Date

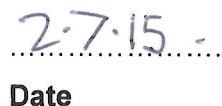


Alastair Nuttall


Date



Marcus Swales


Date

