



**FINANCIAL
TIMES**



ADJUDICATION

by

GREG CALLUS

EDITORIAL COMPLAINTS COMMISSIONER

Financial Times Limited

1. This is an Adjudication of a complaint made by Mr Paul Stanley about an article in *Financial Times* written by Henry Mance, which was published in print and online on 27 May 2015. The article remains available online¹.
2. The article's original headline was "*Rob Terry regains control of Quindell unit 360Globalnet*", and it contained several passages to which Mr Stanley took exception, in particular the opening sentence: "*Rob Terry, the insurance entrepreneur, has in effect regained control of a small part of Quindell, the technology company-cum-law firm from which he was ousted last year*".
3. Mr Stanley objected in a complaint to Nigel Hanson, Senior Editorial Legal Counsel at *Financial Times*, dated 25 April 2016, that the original article's headline and opening were wrong, because

"Terry did not regain control of of 360Globalnet. Terry lent 360Shareholders Ltd (owned 100% by Paul Stanley) £4.2M to assist in the purchase of the remaining 49% interest that Quindell plc had in 360Globalnet. This was purely a loan. Terry did not acquire any equity, he did not become a Director of the 360Globalnet business or have any control over the business ... [and as to the opening sentence] Terry did not acquire control full stop – "has in effect regained control" infers some other mechanism to exert control ... but there was not any. It was a loan".

4. The headline and opening sentence were amended "*as a gesture of goodwill*" [email from Nigel Hanson to Paul Stanley, 29 April 2016] to read as follows:
 Headline: "*Rob Terry funds buyout of Quindell's stake in 360Globalnet*"
 Body text: "*Rob Terry, the insurance entrepreneur, has funded the purchase of a unit that was a small part of Quindell, the technology company-cum-law firm from which he was ousted last year*"

I will address these complaints ("**the Original Headline Complaints**") last.

5. Mr Stanley, in his appeal to me, also complains that the new headline is misleading ("**the Amended Headline complaint**"), because "*It does not make clear he is not the beneficial owner. A correct headline would be @360Shareholders buys Quindell's stake in 360Globalnet loan-funded by QPE*" [QPE being the acronym for Quob Park Estate Ltd, which is a private company founded by Rob Terry, which invests in other companies].

¹ <http://www.ft.com/cms/s/0/f3d2fbce-0479-11e5-95ad-00144feabdc0.html#axzz49Yy6uggkK>

6. Mr Stanley, in his appeal to me dated 12 May 2016 (having first made contact with me by email a week earlier), also complains about the factual accuracy of the following passages which appeared in the original article, and were not amended:

(a) **[FT text]** *“In a £5m deal announced on Wednesday, one of Mr Terry’s former associates, Paul Stanley, bought Quindell’s 49 per cent stake in 360Globalnet, a video service that is used by some insurers. Mr Terry’s new investment vehicle funded the deal, and will now work closely with Mr Stanley.”*

[Mr Stanley says: *“The terms ‘associate’ has often been used pejoratively by The FT. Paul Stanley never had any interest in the business Terry set up. Terry invested in 360Globalnet. Paul Stanley was not an associate in the sense being implied i.e. that he was involved in Terry’s business methods and practices around Quindell plc. Paul Stanley was never involved”* **and** *“Paul Stanley never was an associate of Terry”* **(“the Associate Complaint”)**.

[Mr Stanley also says of this passage: *“a video service that is used by some insurers’ (a) does not make sense in English (b) misrepresents what 360Globalnet does”* **(“the Video Service Complaint”)**.

(b) **[FT text]** *“Quindell was a stock market favourite in 2013 ... The company was a founding investor in 360Globalnet and gradually increased its stake in 2012 and 2013 when Mr Terry was chairman, part of a run of acquisitions that he said would help to ”revolutionise the insurance industry”*

[Mr Stanley say: *‘Quindell was not a founding investor in 360Globalnet. A simple search would have revealed the seed capital investors who were the founder investors. They did not include Terry or Quindell plc’* **also** *[“Terry was not a founding Investor”]* **(“the Founders Complaint”)**.

(c) **[FT text]** *“360Globalnet, which says its video streaming can speed up the processing of property insurance claims, was considered non-essential by Quindell’s new management team”*

[Mr Stanley says: *“It was wrong to say 360Globalnet was considered non-essential when the facts were Quindell wanted to retain the business but financial circumstances prior to the Slater Gordon sale allowed Paul Stanley/360Shareholders to buy it. Quindell needed the cash injection.”***]**
[“the Essential Complaint”).

(d) **[FT text]** *“Mr Terry said the company could “deliver over 100 per cent growth short to medium term”. He told the Financial Times that he would help with attaining contracts and funding, but day-to-day management would remain with Mr Stanley”*

[Mr Stanley says: *“I am not aware Terry had a conversation with FT but no doubt you can evidence that? He also challenges the accuracy of this passage, saying:* *“This is misleading as Terry had an aspiration to double the growth of QPE (not 360Globalnet) – he had no direct involvement in 360Globalnet aside from Loan Funding”***]** **(“the Company Complaint”).**

7. The framework I must apply is Clause 1 (Accuracy) of the IPSO Editors’ Code as contained within the *Financial Times* Editorial Code of Practice which provides that:

1.1 *The [Financial Times] must take care not to publish inaccurate, misleading or distorted information or images, including headlines not supported by the text.*

1.2 *A significant inaccuracy, misleading statement or distortion must be corrected, promptly and with due prominence, and - where appropriate - an apology published. In cases involving [the FT Editorial Complaints Commissioner], due prominence should be as required by the [Commissioner].*

...

8. I explained the proper construction of Clause 1 (Accuracy) in my Adjudication of 29 March 2015² at paragraph 8:

8.1 *“Clause 1.1 will only be breached if the Press has not taken care to avoid publishing inaccurate information. It is a rule against slapdash journalism that is negligent in setting out the facts. It is not a rule which is breached by the mere presence of any inaccuracy, only such inaccuracies that a newsroom which was careful could and should have avoided publishing;*

²

<http://aboutus.ft.com/files/2010/09/Matt-Berkley-adjudication.pdf>

8.2 *Clause 1.2 will only be breached if the Press has refused to properly correct, clarify or apologise for a 'significant inaccuracy, misleading statement or distortion'. Clause 1.2 is therefore different to Clause 1.1 in two material respects: first, the inaccuracy must be 'significant'; and second, the breach is not one of negligent omission, but of intentional refusal to amend."*

9 Accordingly, given that it was gratuitously amended, I can only consider the Original Headline Complaint under Clause 1.1. The remaining complaints (the Amended Headline Complaint; the Associate Complaint; the Video Service Complaint; the Founders Complaint; the Essential Complaint; and the Company Complaint) must – if they disclose an inaccuracy – be considered under both Clause 1.1 and Clause 1.2.

10 **The Amended Headline Complaint:** It is Mr Stanley's own case that Mr Mr Terry's QPE loaned money to fund the buyout of Quindell's share of 360Globalnet by Mr Stanley's 360Shareholders). The amended headline is "*Rob Terry funds buyout of Quindell's stake in 360Globalnet*". Data from Companies House informs me that Rob Terry currently owns 72.7% of QPE. Accordingly, I cannot find any inaccuracy of fact in the Amended Headline. Mr Stanley's complaint that the headline "*does not make clear that he is not the beneficial owner*" is misconceived: the word 'funds' does not **imply** that Rob Terry is a beneficial owner either. 'Funds' simply means 'provides the money to allow': it is a perfectly well-chosen word to describe an investment loan. I therefore find no breach of Clause 1 (Accuracy) in respect of the Amended Headline Complaint.

11 **The Associate Complaint:** I have had sight of two documents in the public domain.

11.1 The first is a Quindell RNS release³ dated 3 May 2013, in which Quindell announced its plans to increase its shareholding in 360Globalnet (founded by Paul Stanley) from 19% to 60%. It continues: "*Paul [Stanley] has significant experience in the insurance industry and is a member of Quindell's Strategy and Integration Advisory Board*". The press release then goes on to quote Rob Terry (then Chairman & Chief Executive of Quindell), whose remarks begin: "*Having worked with Paul as a client, an advisor and then as a colleague in my previous company...*".

³ An RNS (Regulatory News Service) release is an announcement by companies to the investing community made via the London Stock Exchange RNS channel. See the Quindell RNS release of 3 May 2013 here: <http://www.investegate.co.uk/quindell-portfolio--wtg-/rns/expansion-into-property-claims/201305030700089333D/>

11.2 The second is a QPE press release⁴ dated the same day as the original article (27 May 2015) in which Mr Stanley is quoted as saying: “**We have worked very successfully with Rob in the past, and he has backed most of my successful ventures. Rob has a great understanding of the technology and products that we have developed, and is our preferred partner to help realise the true value of the business in the future.**” (emphasis added). It then says Mr Stanley would join QPE’s Strategy & Investment Board. The photo shows Mr Terry & Mr Stanley shaking hands.

12 Even accepting, as I do, that Mr Stanley was “*not involved in Terry’s business methods and practices around Quindell*”, I do not consider that the mere use of the term ‘associate’ carries the pejorative implications alleged. The sole question for me to judge is whether or not it inaccurately characterizes their relationship. Given just these two documents, it is quite clear that Paul Stanley and Rob Terry are not entirely unknown to each other. Had their previous contact been entirely separate to their businesses, I might have wondered whether ‘acquaintance’ was a more strictly accurate term for that relationship: however, in light of their previous business dealings, it is quite clear that ‘associate’ is a perfectly proper term to describe their past relationship, and there is no inaccuracy capable of causing a breach of Clause 1 (Accuracy) of the Editors’ Code.

13 **The Video Service Complaint:** Unlike Mr Stanley, I think the clause “*a video service that is used by some insurers*” makes perfect sense in English. It suggests two facts: first, that 360Globalnet provides a ‘video service’; second, that such a service is used by (amongst others) insurance companies. The company’s own website⁵ suggests to the untrained eye that many of its offerings might be described as ‘video services’: 360SiteView is described as “*our very own video platform which is at the heart of everything we do*”; 360SkyLens films client video from UAVs; 360VideoStreaming is a web-based live streaming service. It clearly also has clients in the insurance industry: insurance is one of six featured sectors: <http://www.360globalnet.com/sector-benefits/>. In journalism, no single clause of a sentence can capture everything that a diversified company does, but it would be stretching beyond breaking point the definitions of ‘inaccurate’ and ‘misleading’ to find breaches for so briefly summarizing the core activities of companies whose names might not be immediately familiar to their readers. This aspect of the complaint under Clause 1 (Accuracy) inevitably must be rejected.

⁴ <http://www.quobpark.com/quob-park-estate-360globalnet/>

⁵ <http://www.360globalnet.com/products-and-services/>

- 14 **The Founders Complaint:** The Quindell RNS release of 3 May 2013, which I cited at paragraph 11.1 above, includes the following statement: “*Quindell was a founding investor in 360 and in April 2012, following its first £30 million fundraise, one of its key use of proceeds was to increase its ownership in 360 from 3% to 19% for a total consideration of £2.15 million*”. An earlier Quindell RNS release⁶, dated 28 February 2012, saw Rob Terry begin his remarks “*Since the announcement of our strategic alliance with 360GlobalNet in June 2011...*”. I have also considered Quindell’s annual reports, insofar as they are available online, and the Executive Chairman’s review (written by Rob Terry) of the Annual Report⁷ for 2013 (i.e. the year ending 31 December 2012) says on page 10 that: “*In February 2012, we increased our holding in 360GlobalNet Limited to circa 19%.*”
- 15 It should therefore be clear that pursuant to an alliance announced in June 2011, Quindell invested significant sums of money prior to February 2012, which were then increased in February and/or April 2012. Whilst open-source Companies House data on 360Globalnet Ltd shows that it was founded by Paul Stanley on 15 January 2010, it also shows that in 2010 and 2011, 360Globalnet had zero employees, (rising to 6 employees in 2012, 10 in 2013 and 26 in 2014) and zero turnover in 2010 and 2011⁸. In all the circumstances, I am minded to accept Quindell’s statement of 3 May 2013 that it was a ‘founding’ investor, given that prior to its investment there was essentially no company activity. Even if further evidence were to prove this to be strictly inaccurate, I do not consider such an inaccuracy would be sufficiently ‘significant’ to require correction.
- 16 **The Essential Complaint:** This can be dealt with quite shortly. ‘Essential’ means ‘necessary for survival’. It is used to describe that with which a person cannot do without. If 360Globalnet was truly ‘essential’ to Quindell, then Quindell could not have parted with it and lived to tell the tale. The very fact that Quindell was prepared to sell 360Globalnet is evidence that it considered it ‘non-essential’ (even if it also considered it very important, and desirable that it should retain it). I accept Mr Stanley’s explanation of the facts entirely: the flaw in his complaint is in failing to appreciate the true meaning of the word ‘essential’. This aspect of the complaint under Clause 1 is rejected.

⁶ <http://www.investegate.co.uk/quindell-portfolio--wtg-/rns/agreement-and-investment-in-360-globalnet-ltd/201202280700262255Y/>

⁷ https://www.companyreporting.com/sites/default/files/annual-report-index/Quindell-Annual-Report-2013_0.pdf

⁸ <https://companycheck.co.uk/company/07127114/360GLOBALNET-LTD/financial-accounts>

- 17 **The Company Complaint:** I have had the opportunity to speak to Henry Mance, the *Financial Times* journalist who wrote the article. He had no independent memory of the quoted conversation, but pointed out that the reference to ‘growth’ was far more likely to refer to a company like 360Globalnet that sells products and services, than an investment firm like QPE which is concerned with return, not revenue.
- 18 Shortly after we spoke, Mr Mance shared with me his direct messages with Rob Terry, and these confirm the accuracy of the passage. Furthermore, the full direct quote from Mr Terry is “360 plan is to continue to sign major deals with insurers in UK and North America and deliver over 100% growth short to medium term”. It is quite clear from the full message that he is talking about 360Globalnet, and not QPE. Accordingly, I find no inaccuracy, and this complaint under Clause 1 (Accuracy) of the Editors’ Code.
- 19 Finally, I must address the **Original Headline Complaints** under Clause 1.1: namely, was there a negligent failure to take care in producing an accurate headline and first sentence. Notwithstanding that they have been amended online, Nigel Hanson for the *Financial Times* does not accept that they were necessarily inaccurate. It could be said that just as Rob Terry (as Chairman of Quindell) indirectly ‘controlled’ a subsidiary in which Quindell had a major stake, so he could be said to have ‘regained control’ by underwriting the purchase of Quindell’s stakeholding. “Control” is an amorphous concept, not always exercised directly or overtly.
- 20 Reading the original article as a whole, it is made clear from the second sentence who has purchased the remaining shares from Quindell, and it is furthermore clear that this purchase was funded by Mr Terry’s new investment vehicle. There can therefore be little room for misunderstanding the first sentence, and that the basis for its assertion that Mr Terry has “*in effect regained control*” was the second sentence. Given the quotes to Mr Mance about being involved in major deals and funding, it was also clear that QPE was not going to be a passive investor. Therefore, I find that there was no breach of Clause 1.1: even insofar as there was any inaccuracy or misleading information published (which is not established) I do not consider the newspaper failed in its duty to ‘take care’.
- 21 In conclusion, I reject all of Mr Stanley’s complaints under Clause 1 (Accuracy) of the IPSO Editors’ Code as transposed into the FT Editorial Code of Practice.

GREG CALLUS
Editorial Complaints Commissioner
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