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The Tallinn Circuit Court ruled today that Finantsinspeksioon had the right to withdraw the authorisation from GFC Good Finance Company AS on 27 May 2019, and to make this information public. The court rejected the argument of GFC Good Finance Company AS, Tiiu Järviste, Andrii Danchak and Lada Riisna that there had been factual errors in the press conference held by Finantsinspeksioon to announce the withdrawal of the authorisation, and that this caused damage to the company and the people connected to it. The court also rejected the large claims for damages submitted against Finantsinspeksioon.

Member of the Finantsinspeksioon management board Siim Tammer said that this was an important judgement that proves that the financial sector is no place for people who knowingly flout the law and ignore the anti-money laundering requirements. “The organisation of GFC and its anti-money laundering capacity were as full of holes as Swiss cheese. The business model of GFC was aimed mainly at serving the riskiest clients, and it facilitated payment transactions that ought to have been avoided. Finantsinspeksioon could not let such a company retain its authorisation as a payment institution for the sake of stability and trust in payment systems”, he explained. He noted that Finantsinspeksioon does not lightly take the decision to withdraw authorisations. “We do not hesitate for a second though if we encounter systemic deficiencies of this sort in anti-money laundering operations”, he added.

Background

Finantsinspeksioon withdrew the authorisation to operate as a payment institution from GFC Good Finance Company on 27 May 2019 following serious breaches of the legislation, particularly the anti-money laundering and terrorist financing requirements that had been in place for years and the requirements for payment and e-money institutions. Large public interest led Finantsinspeksioon to hold a press conference after the authorisation was withdrawn to explain its decision.

There were wide-ranging problems in the operations of Good Finance Company before its authorisation was withdrawn, in its anti-money laundering activities and its implementation of know-your-client procedures. This made it much more likely that GFC had clients that it should absolutely not have been serving. At the same time the own funds held by the payment institution were not of the legally required minimum amount for a long time despite repeated warnings from Finantsinspeksioon. Finantsinspeksioon applied penalty payments several times, but GFC did not comply with the injunctions of the financial supervisor.

The former executives of GFC Good Finance Company were Tiiu Järviste, Andrii Danchak and Lada Riisna, who argued that Finantsinspeksioon made accurate factual errors in its press conference, and took Finantsinspeksioon to court for non-monetary damages as assessed by the court, and monetary damages that built up through the proceedings to total 13 million euros. They also

demanded that Finantsinspektsioon reverse its decision.

The Tallinn Administrative Court ruled on 14 March last year that Finantsinspektsioon had the right to withdraw the authorisation from GFC and to make this information public. GFC appealed to the Tallinn Circuit Court to have the decision in favour of Finantsinspektsioon overturned and to get compensation for damages.

Alongside the case involving Finantsinspektsioon, there is a criminal case in which former chair of the board of GFC Good Finance Company Tiiu Järviste, former member of the board Andrii Danchak, and former employee Aleksei Dremov are accused of money laundering. The criminal case is led by the prosecutor.