



# Instant Cash Loans Limited

**Scheme Supervisors' Third Quarterly Report to the Scheme Creditors**

[ ] August 2020

# Notice about this report

This Report has been prepared on the basis set out in the Scheme in Clauses 6.1.3, 6.2.3, 6.4 and 6.5 and in our Engagement Letter addressed to Instant Cash Loans Limited (the “Client”) dated 9 October 2019.

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Please note that the figures stated in this report are presented in ‘millions’ and therefore there may be some presentational rounding differences. For the avoidance of doubt, the figures contained within the report cast correctly at a granular level.

# Scheme Creditor Update

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# Glossary

Bar Date	9 April 2020	Non-Redress Claim	A claim which does not relate to the provision of a loan.
BAU	Business as Usual		
BFS	Beaully Financial Services Limited	Non-Redress Creditors	As defined in the Scheme
Dollar	Dollar Financial U.K. Limited		
EOS	Estimated Outcome Statement	Non-Redress Scheme Outturn	Estimated pay out to Non-Redress Creditors in the Scheme
Equalisation Clause	Clause 4.1.2 stating that if the pence in the pound distribution for Non-Redress Claims is greater than the pence in the pound distribution for Redress Scheme Claims, an equalisation between Redress Creditors and Non-Redress Creditors will take place.	Redress Claim	A claim which relates to the provision of a loan
		Redress Creditors	As defined in the Scheme
		Redress Scheme Outturn	Estimated pay out to Redress Creditors in the Scheme
		Scheme	ICL's Scheme of Arrangement which became effective on 9 October 2019
Excluded Liabilities	As defined in the Scheme of Arrangement	Shareholder Contribution	Funds paid and payable to ICL from the Shareholder and held on trust by ICL to settle Redress Claims and Scheme Costs.
FCA	Financial Conduct Authority		
FOS	Financial Ombudsman Service		
GBP	Great British Pound	Scheme Costs	As defined in the Scheme
ICL, or the Company	Instant Cash Loans Limited	Scheme Effective Date	9 October 2019
ICL Subsidiaries	21 subsidiaries within the ICL group	Scheme Supervisors	Edward George Boyle and David John Pike
KPMG	KPMG LLP	Shareholder	Aurajoki Holdings UK Limited
Liquidator	A licenced insolvency practitioner appointed by the shareholder to manage the winding up of the Company	Uphold Rate	The rate at which customer Redress Claims against ICL are agreed
May Report	Scheme Supervisors' Second Quarterly Report to the Scheme Creditors– dated 22 May 2020, and made available to creditors via ICL's website in June 2020	p/£	Pence in the pound

# Scheme Update (1/2)

## Scheme overview and background

- ICL operated in the UK providing unsecured short term, high cost consumer loans online and through a network of stores, together with pawn broking services. It ceased providing new loans in August 2018 and ceased any new pawn broking business in July 2019.
- This occurred following a significant increase in the number of affordability complaints. The Company made a provision in its accounts for the year ended 30 June 2018 resulting in a loss for the year of £89.2 million.
- As trading had ceased, cash was not being generated to pay down its liabilities. Therefore, the Company proposed a Scheme of Arrangement under Part 26 of the Companies Act 2006 in order to maximise the return to creditors.
- The Scheme became effective on 9 October 2019.
- On 30 March 2020 the shareholders resolved to place the Company into a solvent liquidation. James Douglas Ernle Money and Steven Edward Butt of Rollings Butt LLP, 6 Snow Hill, London, EC1A 2AY were appointed as liquidators.
- On 27 April 2020 the liquidators obtained a Court Order confirming how they should notify creditors of their appointment and providing a stay in relation to certain ongoing litigation.
- As advised on the ICL website, the liquidation will not affect the operation of the Scheme. The Scheme will continue to be implemented by ICL under the control of its directors and the supervision of the Scheme Supervisors.
- As a result of COVID-19, all ICL employees have been working from home since 24 March 2020. We understand that this has caused no disruption to BAU operations.
- Ben Maitland Leith resigned as Scheme Supervisor on 23 May 2020, and was replaced by David John Pike, a partner in KPMG's Restructuring practice.

## Summary of key dates

- The Scheme became effective on 9 October 2019.
- The Bar Date for claims (9 April 2020, being 6 months from the Scheme Effective Date) has now passed, being the deadline by which all Scheme Creditors must submit a claim to ICL if they wish to submit any claim.
- All dividend payments to creditors were previously anticipated to have been paid, and the Scheme was anticipated to be completed, by 31 March 2021. However due to the effect of COVID-19, a 4 month indemnity payment holiday has been agreed between the Shareholder and Dollar, with a consequent 1-2 month extension to the Scheme to 31 May 2021.
- At this stage we cannot confirm the date of dividend payments to creditors, but this is likely to be in April or May 2021, following which the scheme will be complete. The solvent liquidation of the Company will conclude soon thereafter.

# Scheme Update (2/2)

## Claims

- Immediately following the Scheme Effective Date, all known potential Redress Creditors were contacted and invited to make a claim under the Scheme using the online claim portal.
- All known potential Non-Redress Creditors were provided with a claim form and invited to submit their claim.
- The liquidation did not affect the ability of Scheme Creditors to submit a claim in advance of the Bar Date.
- As the Bar Date has now passed, no more creditor claims may be submitted in the Scheme.
- ICL have completed the review of Non-Redress Creditor claims for validity. Any further reduction in claims value will be due to withdrawals.

## Scheme Supervisors' quarterly update to Scheme Creditors

- Under the terms of the Scheme, the Scheme Supervisors are required to provide an update report to Scheme Creditors each quarter. This third such report is for the period from 9 April 2020 to 8 July 2020. Our first and second reports are available on the ICL website. We anticipate that our fourth report, covering the period to 8 October 2020, will be made available to Scheme Creditors in early November 2020.

## Estimated Scheme Outturn

- **ICL's indicative estimate of the outturn to both Redress Creditors and Non-Redress Creditors has remained at 4.1p/£ per current calculations, and we continue to consider a prudent estimate of the final outturn to be between 3p/£ and 4p/£.**
- Since the last report, the estimated shortfall to Non-Redress Creditors has reduced by £1.8 million principally as a result of a £1.4 million decrease in the value of creditor claims, further supported by a £0.4 million increase in forecast collections. Both Redress and Non-Redress Scheme Costs have increased by £0.1 million driven by anticipated additional business closure costs<sup>(1)</sup>.
- As a result of the Equalisation Clause within the Scheme, the return to Non-Redress Creditors cannot exceed the return to Redress Creditors. We continue to expect that the Equalisation Clause will be triggered, resulting in the same return for all Scheme creditors.
- The key uncertainties that remain which could impact the return include:
  - the realisable value of the remaining unsecured loan book may exceed the forecast £1.0 million when this is marketed for sale late this year;
  - the realisable value of the remaining pledged stock, as the remaining stock is primarily being melted, the value may be adversely impacted by future fluctuations in the price of gold.

Note: (1) Business closure costs as the term is used in this report include head office exit costs and related redundancies, and do not correspond to the more limited Business Closure Costs as defined in the Scheme





# Redress Creditors

## Redress Creditors (1/2)

Indicative Redress Creditors' Scheme Outturn			
£'m	Previous estimate as at May Report	Estimate as at date of this report	Variance
Shareholder contribution - pre Scheme	3.6	3.6	-
Shareholder Contributions - post Scheme	16.7	16.7	-
<b>Total Shareholder Contribution</b>	<b>20.3</b>	<b>20.3</b>	-
Redress Claims - pre effective date	-	-	-
Scheme Costs - pre effective date	(1.9)	(1.9)	-
Scheme Costs - post effective date	(7.3)	(7.4)	(0.2)
<b>Available to Redress Creditors</b>	<b>11.2</b>	<b>11.0</b>	<b>(0.2)</b>
Redress Creditors	335.6	336.1	(0.5)
<b>Estimated return to Redress Creditors (Pre-Equalisation)</b>	<b>3.3 p/£</b>	<b>3.3 p/£</b>	n/a
Transfer of monies from Non-Redress per Equalisation Clause	2.2	2.8	0.5
<b>Estimated return to Redress Creditors</b>	<b>4.1 p/£</b>	<b>4.1 p/£</b>	-



## Key observations

ICL currently estimate that there will be an indicative Redress Scheme Outturn of 4.1p/£, post the application of the Equalisation Clause (Clause 4.1.2 of the Scheme). Total monies transferred from Non-Redress Creditors to Redress Creditors due to the Equalisation Clause are estimated at £2.8 million.

## Asset realisations

- When the Shareholder bought ICL from Dollar on 5 February 2018, Dollar indemnified the Shareholder for certain redress claims from customers.
- Indemnity payments from Dollar are received by the Shareholder in line with their agreement, and the Shareholder is making these funds available to ICL each month as anticipated by the Scheme.
- Due to the effect of COVID-19, a payment holiday with Dollar on indemnity receipts has been agreed by the Shareholder. No funds were received between April and July 2020. Indemnity payments recommenced from August 2020, and an additional £0.2 million payment will be received in March 2021 (the date of the anticipated final indemnity payment) to cover any incremental operating costs incurred by ICL as a result of the payment holiday. **The payment holiday does not reduce the total indemnity payments to be received over the life of the Scheme.**

## Redress Claims

- Costs relating to Redress Claims in the period pre Scheme are discussed in detail in the first quarterly report, available on the ICL website.

## Redress Scheme Costs

- ICL previously forecast total Redress Scheme Costs of £9.2 million. However this estimate has now been revised up to £9.3 million, consisting of £1.9 million incurred pre Scheme Effective Date and £7.4 million thereafter.
- Please refer to page 10 for a detailed breakdown of post effective date variances.

# Scheme Creditor Update

## Redress Creditors (2/2)



### Key observations

#### Redress Creditor claims

- The Uphold Rate of 85% has remained consistent from the May Report; however the £0.5 million increase in total Redress Creditors resulted from the identification of a specific issue on a number of cases where management decided to Uphold rather than review all the cases at significant operational cost.
- The adjudication model has now been finalised, and the 85% Uphold Rate is therefore unlikely to change materially.

# Scheme Creditor Update

## Redress Scheme Costs

Redress Scheme Costs			
£'m	Previous estimate as at May Report	Estimate as at date of this report	Variance
Mailing & Advertising	1.3	1.3	-
Advisory	1.8	1.8	-
Operational	1.6	1.6	-
BAU Complaint Handling	0.9	0.9	-
IT Scheme Portal	2.6	2.6	-
Scheme Supervisor/Adjudicator	0.6	0.7	(0.1)
Complaints	-	-	-
Business closure <sup>(1)</sup>	0.4	0.5	(0.1)
<b>Total Redress Scheme Costs</b>	<b>9.2</b>	<b>9.3</b>	<b>(0.2)</b>

Note: (1) Business closure costs as the term is used in this report include head office exit costs and related redundancies, and do not correspond to the more limited Business Closure Costs as defined in the Scheme

### Key observations

#### Redress Scheme cost breakdown

- Scheme Supervisor/Adjudicator costs are now forecast to be £0.7 million. This has increased as a result of a higher number of claims requiring review by the Adjudicator.
- Business closure costs have increased by £0.1 million as a result of the forecasting of additional project management and redundancy costs, which did not form part of the previous estimate. Work is ongoing between Management and the Liquidator to further refine the business closure costs, specifically around the regulatory and statutory data storage requirements. These costs are expected to increase in future updates as the nature and quantum of closure costs become clearer.



# Non-Redress Creditors

## Non-Redress Creditors (1/2)

Non-Redress Creditors Scheme Outturn			
£'m	Previous estimate as at May Report	Estimate as at date of this report	Variance
Unsecured loans	3.2	3.6	0.4
Stock	1.5	1.6	0.1
Intercompany	0.4	0.4	-
<b>Total asset realisations</b>	<b>5.1</b>	<b>5.6</b>	<b>0.5</b>
Less: Agents fees	(0.1)	(0.1)	-
Less: Scheme Costs	(2.0)	(2.1)	(0.1)
Total Scheme Costs	(2.2)	(2.3)	(0.1)
<b>Net funds available to Unsecured Creditors</b>	<b>2.9</b>	<b>3.4</b>	<b>0.4</b>
<b>Non-Redress Creditors</b>			
Trade creditors	(3.6)	(3.6)	-
Intercompany creditors	(2.8)	(2.8)	-
FOS	(4.2)	(4.2)	-
Landlord claims	(5.7)	(5.7)	-
Redress claims	-	-	-
Rejected/Withdrawn	0.2	1.6	1.4
<b>Total Non-Redress Creditors</b>	<b>(16.1)</b>	<b>(14.7)</b>	<b>1.4</b>
<b>Surplus/(Shortfall) to Non-Redress Creditors</b>	<b>(13.2)</b>	<b>(11.4)</b>	<b>1.8</b>
<b>Estimated dividend to Non-Redress Creditors (Pre-Equalisation)</b>	<b>18.3%</b>	<b>23.3%</b>	<b>5.0%</b>
Transfer of monies to Redress per Equalisation Clause	(2.2)	(2.8)	(0.5)
<b>Estimated dividend to Non-Redress Creditors</b>	<b>4.1%</b>	<b>4.1%</b>	<b>-</b>



## Key observations

Management have updated their estimate of Non-Redress Scheme Outturn from the May Report, based on actuals to Q2 2020. Data for the period to 31 May 2021 (anticipated Scheme end date) has also been reforecast.

**ICL currently estimate that there will be a Non-Redress Scheme Outturn of 4.1p/£, post the application of the Equalisation Clause (Clause 4.1.2 of the Scheme). Total monies transferred from Non-Redress to Redress due to the Equalisation Clause are estimated at £2.8 million.**

## Realisation of assets

- Expected collections on unsecured loans are £0.4 million higher than the £3.2 million presented in the May Report. This is principally due to collections exceeding forecast to date.
- Anticipated stock realisations have increased by £0.1 million from the May Report, due to improved forecast collections. Despite the initial reduction in payments since the COVID-19 pandemic, both May and June collections have exceeded forecasts; however uncertainty remains over the long term impact of COVID-19.
- The £0.4 million intercompany realisation relates to an anticipated receipt from BFS on 31 May 2021. This amount is shown net of anticipated intercompany recharges in the interim period.

## Scheme Costs

- Anticipated Scheme Costs are £0.1 million higher than the May Report due to some additional unforeseen costs primarily relating to business closure costs<sup>(1)</sup>.

## Non-Redress Creditors

- Total claim value at the date of this report is £14.7 million, a £1.4 million decrease from the anticipated £16.1 million claims shown in the May Report, resulting from withdrawals and part rejections of claims post the Bar Date. Please refer to page 13 for a breakdown of claims balance to date.

Note: (1) Business closure costs as the term is used in this report include head office exit costs and related redundancies, and do not correspond to the more limited Business Closure Costs as defined in the Scheme

# Non-Redress Creditor claims progress

Non-Redress Claim value			
£'m	Claim value as at the May Report	Claim value as at the date of this report	% of forecast claims value
Trade creditors	3.6	3.3	92%
Intercompany creditors	2.7	2.6	96%
FOS	4.2	4.2	100%
Landlord claims	5.6	4.6	82%
Non-Redress customers	-	-	n/a
<b>Total Non-Redress Claims</b>	<b>16.1</b>	<b>14.7</b>	<b>88%</b>



## Key observations

**As at the date of this report, £14.7 million of the £16.1 million Non-Redress Claims received prior to the Bar Date, are expected to rank for dividend.**

Total Non-Redress Creditor claims have reduced post the Bar Date due to withdrawals and part rejections of some pending claims principally from trade creditor and landlord claims.

Management have noted that the reduction in claim value for landlords resulted from the methodology used by landlords to calculate their claims, in particular the value for dilapidations on the property

**Management have now completed their review of the validity of Non-Redress Creditor claims.**



# Appendix

# Appendix 1 - Overview of Scheme

- The Scheme consists of two classes of creditors, which will each benefit from different assets. The purpose of the Scheme is to crystallise all creditor claims, including all customer Redress Claims and claims arising from the effect of the Scheme on obligations arising under property leases, associated property contracts and other outstanding contractual commitments. This allows the Company and the ICL Subsidiaries to be wound down through a solvent process whilst maximising realisations to creditors.



## Redress Creditors

- Redress Creditors consist of all creditors with claims relating to the provision of a loan, which will primarily consist of affordability related complaints but may also include other complaints such as fraud or system errors.
- In the Scheme, the Redress Creditors shall receive the benefit of a Shareholder Contribution (c.£20 million), reduced by the costs to run the scheme (estimated to be £8.9 million at the date of this report).
- A significant proportion of the Redress Creditors in the Scheme were previously creditors of the ICL Subsidiaries, not ICL itself. Upon the Scheme becoming effective, ICL assumed these Redress Liabilities in exchange for the release of certain intercompany positions and indemnities by the ICL subsidiaries. As a condition of the Scheme, these creditors also released their claims against the ICL Subsidiaries.



## Non-Redress Creditors

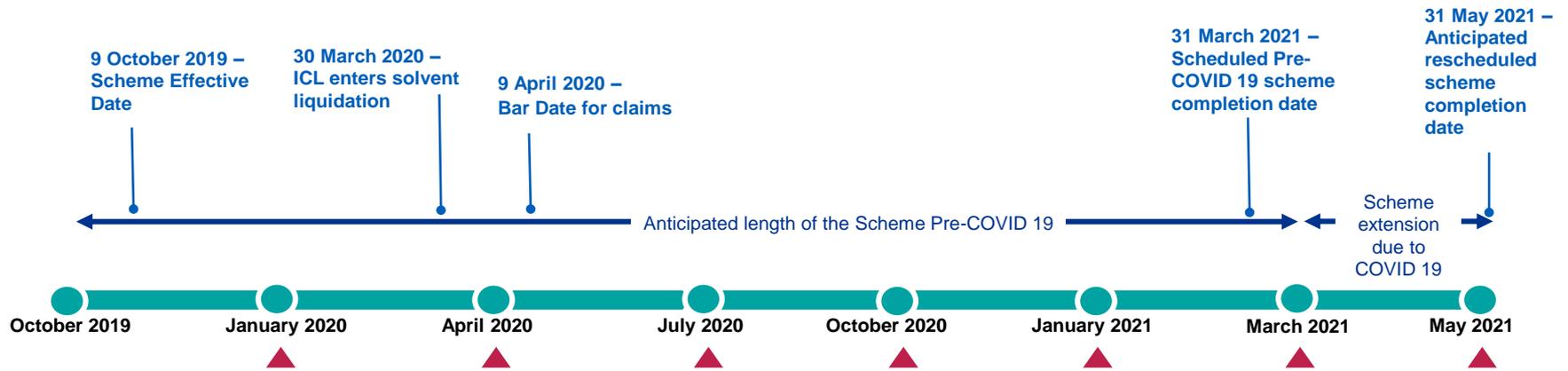
- Non-Redress Creditors consist of all other creditor claims against the Company (other than creditors with Excluded Liabilities). These primarily consist of creditors whose liability arose due to the closure of stores (rent, rates and other facilities), FOS fees due to customer complaints, intercompany balances and other trade creditors.
- The effect of the Scheme was to reduce the rent, service charge and other similar obligations arising under closed property leases to nil. This results in the landlords having significant claims relating to the future lease obligations.
- The Non-Redress Creditors shall receive the benefit of the realisable value of the Company's assets. These realisable assets are i) outstanding loans relating to the online unsecured loan business, and ii) stock relating to the closed down pawn broking business which includes customer pledged goods (Management advised that all customer owned retail stock was sold prior to the Scheme Effective Date).



## Scheme Costs

- Scheme Costs incurred from the Scheme Effective Date are to be generally paid from the funds available to the Redress Creditors. Only such costs arising in relation to the Non-Redress Creditors, or the assets of which they will receive benefit, shall be borne by that estate.
- Scheme Costs shall include the costs of designing, implementing and administering the Scheme, the costs of discharging the Excluded Liabilities and funds required to complete the closure of the Company and the ICL Subsidiaries.

# Appendix 3 - Scheme Timeline



Key ▲ Quarterly report to Creditors Issued



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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