



Instant Cash Loans Limited

Scheme Supervisors' Fourth Quarterly Report to the Scheme Creditors

9 November 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.

This Report is only for the benefit of the Client and the Scheme Creditors. The Report should not be copied, referred to or disclosed, in whole or in part, without our prior written consent, except that the Client may make it available to Scheme Creditors. Nothing in this report constitutes legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Engagement Letter.

This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Client) for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy and chooses to rely on this Report (or any part of it) does so at its own risk.

To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Client.

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

Contents

	Page
Glossary	4
Scheme Update	5
Redress Claims	7
Non-Redress Claims	9
Appendix	11



Glossary

August Report	Scheme Supervisors' Third Quarterly Report to the Scheme Creditors– dated 19 August 2020, and made available to creditors via ICL's website in August 2020	MPL	Multiple Payment Loans
Bar Date	9 April 2020	Non-Redress Claim	A claim which does not relate to the provision of a loan.
BAU	Business as Usual	Non-Redress Creditors	As defined in the Scheme
BFS	Beaulieu Financial Services Limited	Non-Redress Scheme Outturn	Estimated pay out to Non-Redress Creditors in the Scheme
Dollar	Dollar Financial U.K. Limited	Redress Claim	A claim which relates to the provision of a loan
EOS	Estimated Outcome Statement	Redress Creditors	As defined 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 Scheme Outturn	Estimated pay out to Redress Creditors in the Scheme
Excluded Liabilities	As defined in the Scheme of Arrangement	Scheme Shareholder Contribution	ICL's Scheme of Arrangement which became effective on 9 October 2019
FCA	Financial Conduct Authority	Shareholder Contribution	Funds paid and payable to ICL from the Shareholder and held on trust by ICL to settle Redress Claims and Scheme Costs.
FOS	Financial Ombudsman Service	Scheme Costs	As defined in the Scheme
GBP	Great British Pound	Scheme Effective Date	9 October 2019
ICL, or the Company	Instant Cash Loans Limited	Scheme Supervisors	Edward George Boyle and David John Pike
ICL Subsidiaries	21 subsidiaries within the ICL group	Shareholder	Aurajoki Holdings UK Limited
KPMG	KPMG LLP	SPL	Single Payment Loans
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
		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 new lending 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 was 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 their review of Non-Redress Creditor claims for validity. Any further reduction in Non-Redress Creditor claims value will be due to withdrawals.
- ICL's review of Redress Creditor claims is ongoing.

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 fourth such report is for the period from 9 July 2020 to 8 October 2020. Our first, second and third reports are available on the ICL website. We anticipate that our fifth report, covering the period to 8 January 2021, will be made available to Scheme Creditors in early February 2021.

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 consider a prudent estimate of the final outturn to be circa 4p/£.**
- Since the last report, the estimated shortfall to Non-Redress Creditors has reduced by £0.7 million principally as a result of a £0.9 million increase in forecast asset recoveries, partially offset by a £0.2 million increase in Scheme Costs (primarily refunds due to customers).
- However 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 value of the indemnity payments from Dollar to the Shareholder, which the Shareholder contributes to the Scheme, may be further reduced by adverse fluctuations in the USD/GBP exchange rate; and,
 - 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.



Redress Creditors

Check numbers

Indicative Redress Creditors' Scheme Outturn			
£'m	Previous estimate as at August Report	Estimate as at date of this report	Variance
Shareholder contribution - pre Scheme	3.6	3.6	-
Shareholder Contributions - post Scheme	16.7	16.3	(0.4)
Total Shareholder Contribution	20.3	19.9	(0.4)
Redress Claims - pre effective date	-	-	-
Scheme Costs - pre effective date	(1.9)	(1.9)	-
Scheme Costs - post effective date	(7.4)	(7.4)	-
Available to Redress Creditors	11.0	10.6	(0.4)
Redress Creditors	336.1	340.6	4.5
Estimated return to Redress Creditors (Pre-Equalisation)	3.3 p/£	3.1 p/£	0.2 p/£
Transfer of monies from Non-Redress per Equalisation Clause	2.8	3.5	0.7
Estimated return to Redress Creditors	4.1 p/£	4.1 p/£	-

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

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 £3.5 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 was 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.**
- The £0.4 million adverse variance in total anticipated shareholder contributions is caused by foreign exchange differences as funds are received in USD and then converted into GBP.

Redress Scheme Costs

- Anticipated Scheme Costs remain unchanged from the August Report.
- Work is ongoing between Management and the Liquidator to further refine business closure costs⁽¹⁾, 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.

Redress Creditors

- The overall value of Redress Creditor claims has increased by £4.5 million from the August report, primarily due to an increase in the volume of upheld claims for customers who switched between SPL and MPL products. The effect of this was partially offset by a £1.2 million decrease in claims resulting from the rejection of all claims relating to the period before April 2007 under the terms of the Scheme.



Non-Redress Creditors

Non-Redress Creditors

Non-Redress Creditors Scheme Outturn			
£'m	Previous estimate as at August Report	Estimate as at date of this report	Variance
Unsecured loans	3.6	4.1	0.5
Stock	1.6	2.0	0.4
Intercompany	0.4	0.3	(0.1)
Total asset realisations	5.6	6.4	0.8
Less: Agents fees	(0.1)	(0.1)	-
Less: Scheme Costs	(2.1)	(2.3)	(0.2)
Total Scheme Costs	(2.3)	(2.5)	(0.2)
Net funds available to Unsecured Creditors	3.4	4.0	0.6
Non-Redress Creditors			
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	1.6	1.6	-
Total Non-Redress Creditors	(14.7)	(14.7)	-
Surplus/(Shortfall) to Non-Redress Creditors	(11.4)	(10.7)	0.6
Estimated dividend to Non-Redress Creditors (Pre-Equalisation)	23.3%	27.8%	3.8%
Transfer of monies to Redress per Equalisation Clause	(2.8)	(3.5)	(0.7)
Estimated dividend to Non-Redress Creditors	4.1%	4.1%	-


Key observations

Management have updated their estimate of the Non-Redress Scheme Outturn from the August Report, based on actuals to Q3 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 £3.5 million.

Realisation of assets

- Expected collections on unsecured loans are £0.5 million higher than the £3.6 million presented in the August Report. This is due to collections exceeding forecast to date.
- Anticipated stock realisations have increased by £0.5 million from the August Report, due to an increase in the price of gold.
- The £0.1 million reduction in intercompany realisation relates to a downward adjustment to the anticipated 31 May 2021 receipt from BFS for the value of BFS stock credited into ICL, reflecting the increase in the gold price. This intercompany line is shown net of anticipated intercompany recharges in the interim period.

Scheme Costs

- Anticipated Scheme Costs have increased by £0.2 million from the August Report, primarily resulting from an increase in refunds to customers, as well as upward adjustments to salary costs.
- Work is ongoing between Management and the Liquidator to further refine business closure costs⁽¹⁾, 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

- Total claim value at the date of this report is £14.7 million, which remains unchanged from August Report.
- Claims are expected to remain unchanged for the remainder of the scheme as the bar date has passed and Management have completed their review of claim validity.

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



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 £9.3 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

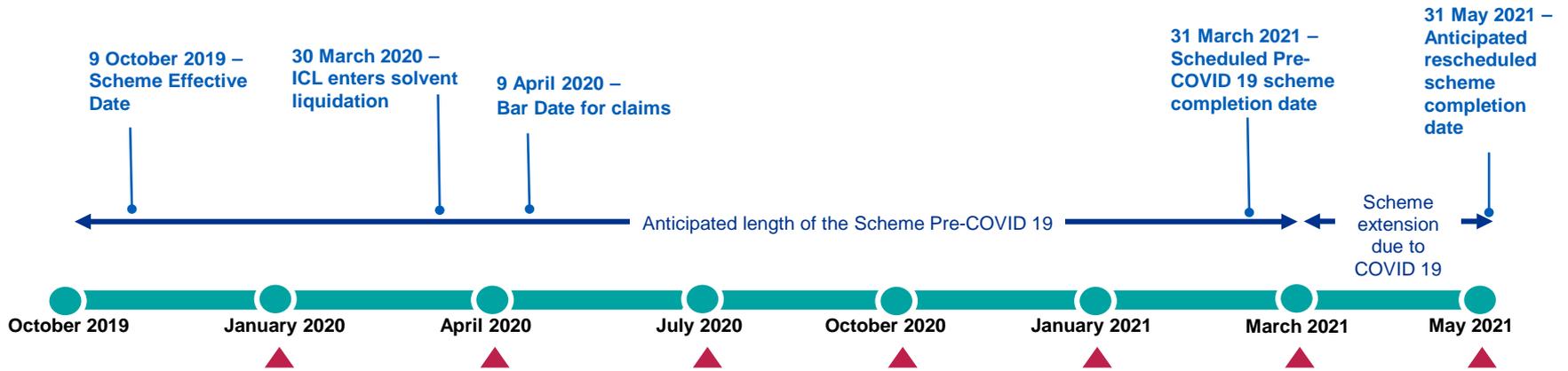
- Non-Redress Creditors consist of all other creditor claims against the Company (other than creditors with Excluded Liabilities). These primarily consist of creditors whose liability arose due to the closure of stores (rent, rates and other facilities), FOS fees due to customer complaints, intercompany 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 2 - 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.

© 2020 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.