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# Instant Cash Loans Limited

Scheme Supervisors' Sixth Quarterly Report to the Scheme Creditors

9 June 2021



# 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 (as amended).

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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.



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# Glossary

|                             |  |                                   |  |
|-----------------------------|--|-----------------------------------|--|
| <b>Bar Date</b>             | 9 April 2020   | <b>Non-Redress Claim</b>          | A claim which does not relate to the provision of a loan.  |
| <b>BAU</b>                  | Business as Usual  | <b>Non-Redress Creditors</b>      | As defined in the Scheme   |
| <b>BFS</b>                  | Beaully Financial Services Limited   | <b>Non-Redress Scheme Outturn</b> | Estimated pay out to Non-Redress Creditors in the Scheme   |
| <b>Dollar</b>               | Dollar Financial U.K. Limited  | <b>Redress Claim</b>              | A claim which relates to the provision of a loan   |
| <b>EOS</b>                  | Estimated Outcome Statement  | <b>Redress Creditors</b>          | As defined in the Scheme   |
| <b>Equalisation Clause</b>  | .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 Claims, an equalisation between Redress Creditors and Non-Redress Creditors will take place | <b>Redress Scheme Outturn</b>     | Estimated pay out to Redress Creditors in the Scheme   |
| <b>Excluded Liabilities</b> | As defined in the Scheme of Arrangement  | <b>Scheme</b>                     | ICL's Scheme of Arrangement which became effective on 9 October 2019   |
| <b>FCA</b>                  | Financial Conduct Authority  | <b>Shareholder Contribution</b>   | Funds paid and payable to ICL from the Shareholder and held on trust by ICL to settle Redress Claims and Scheme Costs. |
| <b>FOS</b>                  | Financial Ombudsman Service  | <b>Scheme Costs</b>               | As defined in the Scheme   |
| <b>GBP</b>                  | Great British Pound  | <b>Scheme Effective Date</b>      | 9 October 2019   |
| <b>ICL, or the Company</b>  | Instant Cash Loans Limited   | <b>Scheme Supervisors</b>         | Edward George Boyle and David John Pike  |
| <b>ICL Subsidiaries</b>     | 21 subsidiaries within the ICL group   | <b>Shareholder</b>                | Aurajoki Holdings UK Limited   |
| <b>January Report</b>       | Scheme Supervisors' Fifth Quarterly Report to the Scheme Creditors – covering the period to 8 January 2021, dated 1 March 2021, and made available to creditors via ICL's website in March 2021  | <b>SPL</b>                        | Single Payment Loans   |
| <b>KPMG</b>                 | KPMG LLP   | <b>Uphold Rate</b>                | The rate at which customer Redress Claims against ICL are agreed   |
| <b>Liquidator</b>           | A licenced insolvency practitioner appointed by the shareholder to manage the winding up of the Company  | <b>p/£</b>                        | 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.

## 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 2 month extension to the Scheme completion date. The final payment from Dollar was received in March 2021 and this marked the end of the asset realisation phase.
- ICL commenced payment of the first of two planned dividends on 21 May 2021, this being paid in batches on a weekly basis until the end of June 2021.
- A second dividend is planned in December 2021.
- The solvent liquidation of the Company will conclude after completion of the Scheme, expected to be in January 2022.



# 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 both Redress Creditor and Non-Redress Creditor claims.

## Dividends

- ICL commenced payment of an initial dividend of 4.31p/£ to 143,080 Redress Creditors on 21 May 2021. This will be paid in weekly batches until the end of June 2021.
- A second and final dividend is to be paid in December 2021, to allow for the distribution of further funds realised from a VAT recovery claim, the anticipated debt sale and from any uncashed dividend cheques.
- At this stage the quantum of the small final dividend is not known however we anticipate it will be significantly less than 1p/£.

## 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 sixth such report is for the period from 9 January 2020 to 11 May 2021. Our previous reports are available on the ICL website. We anticipate that our seventh report will be made available to Scheme Creditors in early September 2021.

## Estimated Scheme Outturn

- ICL's indicative estimate of the outturn to both Redress Creditors and Non-Redress Creditors will be in excess of 4.3p/£. As noted above, this is made up of a first dividend of 4.31p/£ and a small second and final dividend of which the quantum is currently unknown.
- As a result of the Equalisation Clause within the Scheme, the return to Non-Redress Creditors cannot exceed the return to Redress Creditors. As an initial dividend is now being paid, the Equalisation Clause has been triggered, resulting in £4.5m being transferred from Non-Redress to Redress. **This will mean that the return for all Scheme creditors is the same.**
- The key uncertainties that remain which could impact the p/£ return include:
  - The timing of the conclusion of the Scheme;
  - The proceeds from the sale of the remaining loan book; and
  - The value of uncashed dividend cheques.

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**Creditors outturn**



# Creditor outturn

| Indicative Creditor Scheme Outturn   |                                     |                                 |              |
|--------------------------------------|-------------------------------------|---------------------------------|--------------|
| £'m                                  | Previous estimate at January report | Estimate at date of this report | Variance     |
| Shareholder contribution             | 19.7                                | 19.7                            | -            |
| Other asset realisations             | 7.7                                 | 7.7                             | -            |
| <b>Total funds available</b>         | <b>27.4</b>                         | <b>27.4</b>                     | -            |
| Scheme costs– Redress                | (10.0)                              | (10.2)                          | (0.2)        |
| Scheme costs – Non Redress           | (2.6)                               | (2.7)                           | (0.1)        |
| <b>Available to Creditors</b>        | <b>14.8</b>                         | <b>14.5</b>                     | <b>(0.3)</b> |
| Creditor claim value                 | 355.0                               | 338.5                           | (16.5)       |
| <b>Estimated return to Creditors</b> | <b>4.2%</b>                         | <b>4.3%</b>                     | <b>0.1</b>   |

Source: Interpath estimates

## Key observations

ICL currently estimate that there will be a minimum Scheme outturn of 4.3p/£, post the application of the Equalisation Clause (Clause 4.1.2 of the Scheme).

Management have updated their estimate of the Scheme Outturn from the January Report, based on actuals to 11 May 2021 and based on the Scheme continuing until January 2022.

## Asset realisations

- Indemnity payments from Dollar were received by the Shareholder under the terms of their indemnity agreement, and the Shareholder made these funds available to ICL each month as anticipated by the Scheme.
- Due to the effect of COVID-19, a payment holiday with Dollar was agreed and no funds were received between April and July 2020. Indemnity payments recommenced from August 2020. A final payment of £0.2 million payment was received in March 2021 to cover any incremental operating costs incurred by ICL as a result of the payment holiday. The payment holiday did not reduce the total indemnity payments to be received over the life of the Scheme.
- The asset realisation phase concluded in March 2021 following the receipt of the final payment from Dollar.
- There has been no change in asset realisations since the January report.

## Scheme costs

- Anticipated Scheme Costs have increased by £0.3 million from the January Report driven principally by an assumed extension of the Scheme by one month to January 2021.

## Creditor claims

- The overall value of creditor claims have decreased by £16.5 million from the January report, with the reduction representing the creditors whose claims have been set-off against an outstanding debt.
- The £338.5 million of claims participated in the first dividend.



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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 £10.2 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.

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