



Instant Cash Loans Limited

Scheme Supervisors' Fifth Quarterly Report to the Scheme Creditors

1 March 2021

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 Creditors	As defined in the Scheme
BAU	Business as Usual	Non-Redress Scheme Outturn	Estimated payout to Non-Redress Creditors in the Scheme
BFS	Beaulay Financial Services Limited	November Report	Scheme Supervisors' Fourth Quarterly Report to the Scheme Creditors– dated 9 November 2020, and made available to creditors via ICL's website in November 2020
Dollar	Dollar Financial U.K. Limited		
EOS	Estimated Outcome Statement		
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 Redress Creditors Redress Scheme Outturn	A claim which relates to the provision of a loan As defined in the Scheme Estimated payout to Redress Creditors in the Scheme
Excluded Liabilities	As defined in the Scheme of Arrangement	Scheme	ICL's Scheme of Arrangement which became effective on 9 October 2019
FCA	Financial Conduct Authority		
FOS	Financial Ombudsman Service	Shareholder Contribution	Funds paid and payable to ICL from the Shareholder and held on trust by ICL to settle Redress Claims and Scheme Costs.
GBP	Great British Pound		
ICL, or the Company	Instant Cash Loans Limited	Scheme Costs	As defined in the Scheme
ICL Subsidiaries	21 subsidiaries within the ICL group	Scheme Effective Date	9 October 2019
KPMG	KPMG LLP	Scheme Supervisors	Edward George Boyle and David John Pike
Liquidator	A licenced insolvency practitioner appointed by the shareholder to manage the winding up of the Company	Shareholder SPL	Aurajoki Holdings UK Limited Single Payment Loans
MPL	Multiple Payment Loans	Uphold Rate	The rate at which customer Redress Claims against ICL are agreed
Non-Redress Claim	A claim which does not relate to the provision of a loan.	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.

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 is due in March 2021 and this will mark the end of the asset realisation phase.
- There is now a possibility that the Scheme may extend later into 2021 than previously envisaged. ICL are working with a third party purchaser of part of ICL's debt book to agree, in conjunction with the FCA, the wording of ICL's further communications to creditors whose loans were previously sold to that third party. Once the wording of those communications have been agreed, ICL will then be able to progress the remaining customer communications and move towards preparing to pay a dividend later in the year.
- The solvent liquidation of the Company will conclude after completion of the Scheme.

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.
- There are a large number of customers who have submitted valid claims in the Scheme but have not provided bank details, which means ICL is unable to make a dividend payment to these customers at the appropriate time. ICL has emailed these customers to make a further request for bank details to be provided, and is also preparing an application to the Court to seek directions on how to proceed in relation to those customers whose bank details remain outstanding.

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 fifth such report is for the period from 9 October 2020 to 8 January 2021. Our previous reports are available on the ICL website. We anticipate that our sixth report, covering the period to 8 April 2021, will be made available to Scheme Creditors in early May 2021.

Estimated Scheme Outturn

- **ICL's indicative estimate of the outturn to both Redress Creditors and Non-Redress Creditors has increased to 4.2p/£, 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 decreased by £1.1 million principally as a result of a successful debt sale in December 2020.
- 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 p/£ return include:
 - the value of the final indemnity payments in February and March 2021 from Dollar to the Shareholder, which may be affected by further fluctuations in the USD/GBP exchange rate; and,
 - the timing of the Scheme dividends being paid, which remains uncertain; and,
 - the sale of the paying debt book which is expected to complete before the end of Q1 2021.



Redress Creditors

Scheme Creditor Update

Redress Creditors

Indicative Redress Creditors' Scheme Outturn			
£'m	Previous estimate at November Report	Estimate at date of this report	Variance
Shareholder contribution - pre Scheme	3.6	3.6	-
Shareholder Contributions - post Scheme	16.3	16.1	(0.2)
Total Shareholder Contribution	19.9	19.7	(0.2)
Redress Claims - pre effective date	-	-	-
Scheme Costs - pre effective date	(1.9)	(1.9)	-
Scheme Costs - post effective date	(7.4)	(8.1)	(0.7)
Available to Redress Creditors	10.6	9.7	(0.9)
Redress Creditors	340.6	340.3	(0.3)
Estimated return to Redress Creditors (Pre-Equalisation)	3.1p/£	2.9p/£	(0.2)p/£
Transfer of monies from Non-Redress per Equalisation Clause	3.5	4.6	1.1
Estimated return to Redress Creditors	4.1p/£	4.2p/£	0.1p/£



Key observations

ICL currently estimate that there will be an indicative Redress Scheme Outturn of 4.2p/£, 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 £4.6 million.

Asset realisations

- Indemnity payments from Dollar are received by the Shareholder under the terms of their indemnity 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 was agreed and 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 £0.2 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.
- The asset realisation phase will conclude in March 2021 following the receipt of the final two payments from Dollar.

Redress Scheme Costs

- Anticipated Scheme Costs have increased by £0.7 million from the November Report driven by:
 - An increase in advisory costs due to ongoing issues relating to communication with customers who loans had previously been sold to a third party.
 - A contingency for costs related to a potential Scheme extension that may result from the aforementioned creditor communication issues.
 - Anticipated legal costs in respect of a Court application seeking guidance on what to do with monies due to creditors with valid claims but have submitted no bank account details.

Redress Creditors

- The overall value of Redress Creditor claims has decreased by £0.3 million from the November report. This is due to the rejection of claims relating to loans made prior to April 2007, which were not subject to the jurisdiction of the FOS and in respect of which redress is not available under the terms of the Scheme.



Non-Redress Creditors

Non-Redress Creditors

Non-Redress Creditors Scheme Outturn			
£'m	Previous estimate at November Report	Estimate at date of this report	Variance
Unsecured loans	4.1	5.6	1.5
Stock	2.0	2.0	-
Intercompany	0.3	0.1	(0.2)
Total asset realisations	6.4	7.7	1.3
Less: Agents fees	(0.1)	(0.1)	-
Less: Scheme Costs	(2.3)	(2.5)	(0.2)
Total Scheme Costs	(2.4)	(2.6)	(0.2)
Net funds available to Unsecured Creditors	4.0	5.1	1.1
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	(10.7)	(9.6)	1.1
Estimated dividend to Non-Redress Creditors (Pre-Equalisation)	27.8%	35.3%	7.5%
Transfer of monies to Redress per Equalisation Clause	(3.5)	(4.6)	(1.1)
Estimated dividend to Non-Redress Creditors	4.1%	4.2%	0.1%



Key observations

Management have updated their estimate of the Non-Redress Scheme Outturn from the November Report, based on actuals to 8 January 2020. Data for the period to 31 August 2021 (the Scheme end date assumed for modelling purposes) has also been reforecast.

ICL currently estimates that there will be a Non-Redress Scheme Outturn of 4.2p/£, 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 £4.6 million.

Realisation of assets

- Expected collections on unsecured loans are £1.5 million higher than the £4.1 million presented in the November Report. This is due to the £2.1 million net sale proceeds received on the disposal of the non-paying debt book in December 2020, surpassing the budgeted £1.0 million figure. A sale of the paying book is expected to conclude by the end of Q1 2021. The remaining £0.4 million variance is due to CRS, the current debt collection agency, forecasting higher receipts.
- The £0.2 million reduction in anticipated intercompany realisations relates to an increase in salary recharges due to the employees of BFS performing work for the benefit of the Scheme.

Scheme Costs

- Anticipated Scheme Costs have increased by £0.2 million from the November Report, primarily driven by the introduction of a contingency for a potential further extension of the Scheme timetable.

Non-Redress Creditors

- Total claim value at the date of this report is £14.7 million, which remains unchanged from the November 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.



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 £10.0 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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