

## IMPORTANT UPDATE

### BUSINESS LOAN NETWORK LIMITED (IN ADMINISTRATION)

#### NOTIFICATION TO ALL LENDERS

**Issue Date:** 21 April 2021

**Delivery:** By email only

#### Introduction

We write further to our appointment as Joint Administrators of the Company on 15 April 2021 and our Notice to Lenders of the same date.

In that initial notice was the following heading and commentary:

#### ***Loan Recoveries received after the date of the Administrators' appointment***

*Loan proceeds received after the Administrators' appointment will include amounts to which Lenders are entitled ("Client Assets") and amounts (fees and reimbursement of the costs of action taken by the Company – "Company Assets") the Company is entitled.*

*The Court has granted certain ancillary relief to assist the Administrators to achieve an orderly wind-down of the loan book and return of Client Assets to lenders.*

*The sealed Court Order will be posted on the Company's website and circulated when available, together with more details about the circumstances in which it was obtained and the practical consequences.*

The purpose of this Notice to Lenders is to update Lenders with details about the circumstances in which the Court Order was obtained, the terms of the Court Order and the consequences of those terms.

Please click [here](#) to view a copy of the Order.

The Order refers to a report of the proposed administrators dated 9 April 2021 ("the Report"). A copy of the Report (together with a supplemental Estimated Outcome Statement dated 14 April 2021 which was also provided to the Court) can be obtained by clicking [here](#). The password necessary to view the document is XXXXXXXXXX

#### **Circumstances requiring and Consequences of the Order**

As you will see from the Order, the Court has given directions authorising the Joint Administrators to use some of the monies which comprise Client Assets (essentially some of the proceeds of loans that redeem after the Joint Administrators' appointment to which lenders are entitled) to fund various tasks.

These directions were sought because, in order to achieve an orderly wind-down of outstanding loans and return loan proceeds to lenders, it was clear on the analysis undertaken prior to the application being made to the Court that a framework would have to be established to allow the costs and expenses of servicing loans, collecting the proceeds from borrowers on behalf of lenders and distributing to lenders to be deducted from Client Assets. The analysis supporting this conclusion was in evidence before the Court.

The proposed Joint Administrators were mindful of the comments made by HHJ Keyser QC in *Allanfield Property Insurance Services Ltd and others v Aviva Insurance Ltd and another* [2015] EWHC 3721 (Ch):

*"[the office-holders should]...devise at the outset a strategy for carrying out the work efficiently and with regard to the size of the trust fund so that expenditure is planned and controlled. Although an early application to the Court for directions is not itself a condition of the recovery of costs and disbursements, without such an application the office-holders run the risk that the work they have done will be regarded as unreasonable or disproportionate and of being unremunerated for significant parts of it."*

#### Consequences of the Order

Subject to any application to vary the Order (see below), the Joint Administrators' methodology provides that 75% of loan proceeds realised following the Joint Administrators' appointment, and to which lenders are entitled will be allocated to relevant lenders' accounts and made available for distribution, subject to appropriate Anti Money Laundering and Know Your Client checks being completed. The remaining 25% will be retained by the Joint Administrators to meet the necessary costs of dealing with Client Assets (see FAQ 16 for more details).

It is anticipated that once loans and other assets of the Company have been recovered to the extent possible and the costs and expenses of the Administration and dealing with Client Assets are known with certainty, a costs allocation plan will be formulated whereby the costs of dealing with the Client Assets, and to the extent applicable any shortfall in the general Administration estate, will be fairly allocated across lenders and to the extent applicable, any funds then remaining will be distributed amongst lenders.

The Joint Administrators will regularly consult with a creditors' committee (see FAQ 18) comprising creditors representing both ordinary and lender creditors and the FCA will be invited to attend as an observer during the course of the loan recovery and distribution process.

There will be consultation with the creditors committee and the FCA regarding the distribution plan and possibly an application to the Court for approval prior to implementation.

Accordingly, the allocation of costs will not become known for some time. It is possible that this will affect the value of any unsecured claims which lenders may have against the Company. The Joint Administrators will be separately contacting all known lenders, who are being treated as contingent creditors, within 7 days of the Joint Administrators' appointment. This communication will set out how creditors can lodge a claim in the Administration.

#### Liberty to apply to Vary the Order

The Order provides that lenders have liberty to apply to the Court to vary (but not discharge) paragraph 5 of the Order. Any such application has to be issued no later than 4.30pm on 19 May 2021.

The practical position is that until expiry of that period, or until any application which may be made in that period is disposed of, no lender withdrawals will be permitted from the platform. A further update will be provided to lenders on 20 May 2021.

If any application made to vary is upheld, the Joint Administrators will report further on any necessary revisions to their Administration Methodology and the overall strategy to achieve the objectives of the Administration.

## Frequently Asked Questions

The Joint Administrators have also updated the FAQs to reflect the above update. The updated FAQs dated 21 April 2021 is available to view and download at the Company's website.

## Other

In the event that you have a specific query for the Administrators, a dedicated email address for creditors to contact the Administration team has been set up by the Administrators. The address is [BLN@kroll.com](mailto:BLN@kroll.com).

Alternatively, you may write to us at: BLN Case Team, C/O Kroll, 32 London Bridge Street, London, SE1 9SG.

As stated in the Notice to Lenders dated 15 April 2021:

- Lenders continue to have access to the online Portal via the Company's website (<https://www.businessloannetwork.co.uk/>) as well as have access to the internal messaging system within the Portal.

Queries from lenders submitted via the internal messaging system or via [admin@businessloannetwork.co.uk](mailto:admin@businessloannetwork.co.uk) will continue to be answered in the usual way.

- Lenders will also continue to receive updates on loans for which they are invested by email in the usual way and as follows:
  - Loans which are not subject to recovery proceedings, updates will be provided where there is a significant development, and;
  - Loans which are subject to recovery proceedings, updates will be provided monthly or when there are material developments.

These updates will be provided by the Company by email in the usual way.

## Notices

- I. The affairs, business and assets of the Company are being managed by the Joint Administrators, Geoffrey Bouchier and Robert Armstrong who act as agents of the Company and without personal liability. Geoffrey Bouchier and Robert Armstrong are licensed as insolvency practitioners in the United Kingdom by the Insolvency Practitioners Association.*
- II. The General Data Protection Regulation requires that individuals whose data is being held be contacted and provided with information about their rights. A privacy notice is available at <https://www.kroll.com/privacy>.*