

IMPORTANT UPDATE

BUSINESS LOAN NETWORK LIMITED (IN ADMINISTRATION)

NOTIFICATION TO ALL LENDERS

Issue Date: 14 July 2021

Delivery: By email only

Introduction

The purpose of this Notice to Lenders is to provide an update on the following matters:

- Recap
- Platform software updates;
- Status update regarding Anti Money Laundering and Know Your Client checks;
- Timing of Lender withdrawals from the Platform, and;
- Timing and formation of the Creditors Committee.

Recap

The Joint Administrators have previously advised that at a hearing held on 15 April 2021 the Court gave 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.

This means for all proceeds of loans which redeem after the Joint Administrators' appointment to which Lenders are entitled:

- 25% will be retained by the Joint Administrators as a provision to meet the necessary costs of dealing with Client Assets ("25% Retention"), with;
- 75% being allocated to relevant Lenders' accounts and made available for distribution ("PPE"), subject to appropriate Anti Money Laundering and Know Your Client checks being completed.

The above and specifically the 25% Retention does not however apply to Client Monies held as at the date of the Administrators' appointment (i.e. monies held in Lenders' accounts with the Company as at the date of the Joint Administrators' appointment – known as the client money pool ("CMP") as per the FCA's Client Assets Sourcebook). Please see FAQ 16 for further information.

Platform Software Updates

To assist Lenders, the Joint Administrators and their servicer ESF Capital Limited ("ESF") manage the orderly winddown of the Platform, the Platform will be updated imminently such that you will shortly be able to see a display of uninvested client monies split into the following categories:

- "CMP Balance" – being the CMP;
- "PPE Balance" – being the PPE;
- "Cash Retention" – being the 25% Retention.

The remainder of the Platform from a visual, function and Lender perspective remains the same.

Once Lender withdrawal requests have been processed and/or further loans recovered, the amounts visually displayed for both CMP Balance and PPE Balance will adjust accordingly.

The Cash Retention amount will increase as loan recoveries are made in the Administration and will represent 25% of all loan book recoveries. The 25% Retention will then be utilised to meet the properly incurred and approved costs of dealing with Client Assets.

The Joint Administrators have previously stated that a Cost Allocation plan will be formulated at a later date whereby the costs of dealing with the Client Assets will be fairly allocated across Lenders. This will be done in consultation with the creditors committee. Please see the Joint Administrators earlier communications for further information in this regard.

Client Identity - Anti Money Laundering and Know Your Client checks ("AML & KYC")

By way of reminder, the Joint Administrators are required to ensure that appropriate Anti Money Laundering and Know Your Client checks have been performed prior to permitting Lender withdrawals ("AML & KYC").

This applies to Lender withdrawals from both the CMP and the PPE.

The Joint Administrators are now able to confirm that the majority of Lenders' accounts have been reviewed and approved from an AML & KYC perspective. Thank you to those Lenders who provided us with requested information.

There are however some Lender accounts where further AML & KYC information is required, the overriding majority of whom have been contacted and information requested. The Joint Administrators ask Lenders to respond to any requests received as soon as they are able. The Joint Administrators together with their appointed servicer, ESF, continue to prioritise AML & KYC Lender verifications.

Lender Withdrawals

The Joint Administrators are now in a position to permit Lenders to withdraw their uninvested client monies allocated to their accounts (both CMP and PPE) which have been reviewed and approved from an AML & KYC perspective.

Lenders who have submitted a Lender withdrawal request via the Company's Platform (<https://www.businessloannetwork.co.uk/>) where the required AML & KYC checks have been reviewed and approved, will receive a confirmation communication from ESF advising that their withdrawal request for uninvested client monies allocated to their accounts (whether CMP and/or PPE) will be processed and paid.

The Joint Administrators now invite all Lenders to submit Lender withdrawal requests if they have not already done so in the usual way via the Company's Platform. Please note that there is no need to specify the withdrawal sum as the entire available cash balance will be returned to you. As above, Lender accounts where the required AML & KYC checks have been reviewed and approved will receive a confirmation communication in due course to advise that their withdrawal request for uninvested client monies allocated to their accounts (whether CMP and/or PPE) will be processed and paid.

Lenders accounts which have yet to be approved from an AML & KYC perspective would have received a communication from ESF requesting further necessary information. As mentioned above, the Joint Administrators ask Lenders to respond to any requests received as soon as they are able. The Joint Administrators together with ESF will continue to prioritise AML & KYC Lender verifications.

Timing

The Joint Administrators will commence processing Lender withdrawals in the coming days. This will be completed in batches based upon the date of withdrawal request. The Joint Administrators request you bear with this process whilst lender requests are processed and brought up to date.

Quantum

In order to run an efficient process and return client monies to lenders, the Joint Administrators intend to treat all lender withdrawal requests as being for the entire balance of their CMP and/or PPE.

Innovative Finance ISA ("IFISA")

For those Lenders who hold IFISA, we encourage those Lenders to consider whether they wish to transfer out their investments to another provider as opposed to withdrawing their investments from the IFISA environment. Lenders who do not transfer their IFISA to another provider but instead withdraw same may lose the tax-free status of the funds.

Lenders who wish to transfer their IFISAs to an alternative provider should contact admin@businessloannetwork.co.uk communicating this intention prior to submitting a Lender withdrawal request. Lenders who have already submitted a Lender withdrawal request, please contact admin@businessloannetwork.co.uk as soon as possible.

Please note that only a small number of Lenders invested via IFISAs so the above will not apply to the majority of Lenders. The Joint Administrators servicer, ESF, will endeavour to seek confirmation from Lenders who have IFISA before processing any Lender withdrawal requests.

If Lenders have questions regarding tax on their investments, they may wish to contact HMRC or seek independent financial advice.

Creditors Committee

Sufficient nominations have been received to form a Creditors' Committee.

The Joint Administrators are in the process of completing the necessary steps to enable the committee to be formed and constituted as outlined at section 11.3 of the Joint Administrator's Statement of Proposals.

Creditors and Lenders will be notified of the members of the committee accordingly in due course.

Frequently Asked Questions

FAQs dated 21 April 2021 remain available to view and download at the Company's website. Please click [here](#) to view same.

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.

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

As stated in the previous Notices to Lenders:

- 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 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>.*