

FREQUENTLY ASKED QUESTIONS

Business Loan Network Limited (In Liquidation) (“the Company”)

Issue Date: 28 August 2024

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(For updated FAQs - please see FAQ 1, 2, 3, 5, 6, 13, 14, 16 and 18)

(For new FAQs - please see FAQ, 19, 20 and 21)

This document has been prepared to assist several stakeholders of the Company and, as a result, the Liquidators have split this FAQ into sections under the following headings:

- General FAQs
- Creditors
- Lenders
- Borrowers
- Other

General FAQs

1. What is Administration and Liquidation?

An Administration is a UK insolvency process governed by the Insolvency Act 1986 in which the affairs, business and property of a company are managed by the Administrators.

The process is designed to protect a company whilst the Administrators seek to rescue the company as a going concern, achieve a better result for the creditors as a whole than would be likely if the company were wound up or realise property in order to make a distribution to one or more secured or preferential creditors.

A Liquidation is a further UK insolvency process governed by the Insolvency Act 1986.

2. Who are the former Administrators / Liquidators / Kroll?

Geoffrey Bouchier and Robert Armstrong of Kroll (“the former Administrators / the Liquidators”), were appointed Administrators on 15 April 2021 by the Court following an application by the directors of the Company.

Following the end of the Administration of the Company, the Company was placed into Creditors’ Voluntary Liquidation on 25 April 2023. Geoffrey Bouchier and Robert Armstrong of Kroll are appointed as the Liquidators.

The Liquidators are qualified insolvency practitioners, regulated by the Insolvency Practitioners Association. The Liquidators are officers of the Court, act independently of the Company and the directors for the benefit of all creditors and stakeholders.

3. Are the FCA aware that Administrators have been appointed?

The Financial Conduct Authority (“FCA”), by whom the Company is regulated, was informed and did not object to the appointment of the Administrators. The FCA were also consulted prior to the Company being placed into Liquidation.

As a regulated firm, the Company is required to keep the FCA informed of all material factors that affect its business, which will continue whilst the Company is in Liquidation.

4. Why did the Company enter into Administration?

The directors of the Company, having regard to its present and likely future financial position, took the decision to apply to the Court for an Order placing the Company into Administration to protect the interests of the Company's creditors as a whole.

The application to Court was made because in the circumstances directions of the Court were required to assist the former Administrators in carrying out their functions.

5. What happens now?

On 9 December 2019, the Company made the decision to close to new business and following consultation with the FCA commenced a managed run off plan in relation to loan recovery and distribution to lenders. The Liquidators' wind-down of the remaining loan book will continue during the Liquidation process.

The former Administrators originally appointed ESF Capital Limited ("ESF"), the Company's parent, which has been providing services to support the managed run off plan prior to the Administration, as wind down servicer to assist in this process.

However, ESF (now trading as Thincats Limited) provided the Liquidators with formal notice that they will no longer provide services to the Company. The services provided by Thincats includes:

- loan services, being the activities associated with the collection of outstanding Loans, and;
- lender services, being activities including the administration of the Client Estate, the provision of the electronic peer-to-peer platform currently in use, record keeping, processing of Lender distributions, answering Lender queries, performing reconciliation of Client Estate funds and banking matters, performing necessary Anti Money Laundering and Know Your Customer checks ("AML & KYC") and other necessary tasks.

From 28 August 2024, Loan and Lender servicing activities will be conducted by the Liquidators, with some of the servicing activities being undertaken by White Label Crowdfunding Limited.

Please see FAQ 19 below.

6. How long is the Liquidation likely to last?

The Liquidation of the Company is likely to continue until the remaining loan book has been recovered and monies returned to lenders to the extent that to do so is commercially expedient. The collection of the loan book may take up to a further 18 months to complete.

Creditors

7. I have a claim against the company. How do I submit my claim?

The Administrators will be writing to all known and contingent creditors of the Company within 7 days of the Administrators' appointment. This communication will set out how creditors can lodge a claim in the Administration.

8. Where can I get further information from?

The initial notification to creditors mentioned above will include further information regarding the timing of further formal updates in accordance with Insolvency legislation. This notification will also provide creditors with access to a website portal where the formal updates will be posted.

Within 8 weeks of appointment, the Administrators will publish on the website portal their Proposals. This document will set out the Administrators' plans for managing the Administration. The Proposals will contain essential updates for the creditors, to include dividend prospects and will explain how lenders and creditors will be entitled to vote for the purposes of the Proposals.

9. Are Lenders automatically considered creditors of the Company?

The essence of a peer to peer platform is that the proceeds of loans the Company facilitates are not its property. The lenders to those loans are those who chose, via the Company's platform, to invest in them. Any shortfall in recovery suffered by lenders to any particular loan does not, of itself, give rise to a claim against the Company.

However, in the circumstances of this matter the Administrators have decided to treat all lenders as contingent creditors in this regard. In doing so, the Administrators are not admitting any lender's claim as to validity or value. As stated in FAQs 7 and 8, the Administrators will explain how claims can be submitted.

10. What if I have made a complaint to the Financial Ombudsman Service?

The Financial Ombudsman Service ("FoS") is an independent service for resolving disputes between consumers and businesses, and with a minimum of formality on a fair and reasonable basis.

Those who have complained to the FoS are invited to contact the Liquidators at BLN@kroll.com providing information setting out details of their claim as submitted to the FoS together with other supporting paperwork as appropriate.

11. Will lenders be able to get compensation from the FSCS?

The lending activities of peer to peer firms are not covered by the FSCS and so the Liquidators expect that lenders will not be able to seek compensation in this regard.

12. Do I need to use a 3rd party to get my money back?

Third parties may approach lenders, offering to help them bring claims against the Company to recover their investments.

Please note for the majority of lenders, the Liquidators expect that there will be no benefit in involving a third party in making a claim. Any lender who believes they have a complaint or a claim against the Company should contact the Liquidators in the first instance.

Further, all lenders should remain alert to the possibility of fraud. If you are cold called by someone claiming to be from Business Loan Network; Kroll or the FCA, please end the call and contact them directly. Find out more about protecting yourself from scams:

<https://www.fca.org.uk/consumers/protect-yourself-scams>

Lenders

13. Will I still be able to access the Company's Portal?

Included with the Replacement Platform is an internal ticketing system which can be utilised by Lenders to seek technical assistance as necessary. For example, requiring a password reset, assistance logging onto the Replacement Platform, information regarding their accounts, historic investment activities and information, as well as other such queries.

Due to the reduction of personnel available to respond to queries from Lenders in relation to specific loans, and in an effort to limit costs, the Liquidators will be unable to respond to loan-specific queries outside of any syndicate updates sent to Lenders.

14. Will I still be able to access my account?

Lenders will still be able to access their accounts on the Replacement Portal via the Company's website <https://www.businessloannetwork.co.uk/>.

Please refer to FAQ 16 below regarding the withdrawal of funds from your account.

15. When can I expect an update on the loans I have invested in?

Updates to lenders will be provided 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 as and when there are material developments.

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

16. I want to withdraw my uninvested funds, how long will this take?

Client Monies held as at the date of the Administrators' appointment

As the Company was holding client money (i.e. monies held in lenders' accounts with the Company) upon the appointment of the Administrators, the FCA's Client Assets Sourcebook (CASS) requires these monies to be notionally pooled, forming the general pool of client money pool ("CMP").

The Administrators were required to conduct a reconciliation of the CMP to confirm each clients' entitlement prior to distributing the client money i.e. allowing lender withdrawals. They are also separately required to ensure that appropriate Anti Money Laundering and Know Your Client checks have been performed prior to permitting lender withdrawals.

Due to reduced borrower collection activity, and in an effort to limit costs to lenders, the Liquidators will be reducing the processing frequency of Lender withdrawals to one per month, to be processed mid-month. If, however, you are experiencing financial hardship, please contact the Liquidators by email at BLN@Kroll.com who will consider your individual circumstances.

Please note that the Ancillary Relief mentioned below does not apply to the CMP.

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") to which the Company is entitled. In the circumstances, the Court has granted certain ancillary relief ("the Ancillary Relief") to assist the Administrators to achieve an orderly wind-down of the loan book and return of Client Assets to lenders.

Ancillary Relief was sought because 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 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."

Following consultation between the proposed Administrators and their legal team, the application to the Court described that in order to achieve adequate funding, it would be necessary to retain an amount of 25% from the amounts due to lenders following borrower loan redemptions. 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. There will be consultation with the creditors committee and the FCA regarding the cost allocation plan and possibly an application to the Court for approval prior to implementation.

As a consequence of the Ancillary Relief, 75% of Client Assets realised following the Administrators' appointment will be allocated to relevant lenders' accounts and made available for distribution, subject to appropriate Anti Money Laundering and Know Your Client checks having been performed as mentioned above (and subject as follows).

Borrowers

17. If I am a borrower, what will happen to my loan?

Borrowers continue to be bound by the terms of the loan agreement facilitated by the Company and remain required to repay the loan on the specified redemption date. Any direct debit or standing orders will continue to be collected on the due dates.

If a borrower is subject to ongoing recovery strategy these strategies will be monitored by the Liquidators.

Should borrowers have any queries, they should contact the Company in the usual way.

Other

18. What is a Creditors' Committee?

A creditors committee may consist of between three and five members.

The aim of establishing a creditors committee is to ensure creditors have a 'voice' during the Administration or Liquidation process.

During the Administration, a Creditors' Committee was established on 6 August 2021. Following the Company moving into Liquidation on 25 April 2023, the Creditors' Committee automatically transitioned into a Liquidation Committee on the same date and the Liquidators filed the necessary form at the Registrar of Companies to formalise this process.

Further details in respect of the Liquidation Committee can be found at section 5.1 in the Liquidators' latest progress report dated 24 June 2024, a copy of which is filed at Companies House.

19. Who is White Label Crowdfunding Limited?

White Label Crowdfunding Limited ("WLCF") will provide the replacement electronic peer-to-peer platform ("Replacement Platform") and provide certain other services in this regard, which includes certain processing services related to the platform.

The Liquidators settled upon WLCF following consideration of available options, requirements and costs. WLCF has an off-the-shelf electronic peer-to-peer platform which was considered the most

efficient replacement solution in the circumstances, in terms of cost and the requirements given the relatively mature stage of the run-off.

The costs of the Replacement Platform are being met from the funds retained from Lenders, pursuant to the Court Order of Deputy ICC Judge Baister made on 15 April 2021. Lenders should note that the percentage of funds retained from gross principal and interest payments remains unchanged at 25%, as outlined in FAQ 16.

More information relating to the Replacement Platform can be found at FAQ 20 below.

20. What is different on the Replacement Platform?

Whilst the Liquidators have sought to ensure the Replacement Platform is similar to the existing platform, there are some minor differences which are outlined below.

The presentation and layout of the Replacement Platform is similar to the current platform.

The principal difference between the Replacement Platform and the current platform is that most data displayed on Lenders' dashboards is current information, being information relating to current outstanding Loans and monies currently held and available for withdrawal by Lenders. Detailed below is a brief overview of the Replacement Platform:

- Under the heading 'Account Summary Data', the following information is shown:
 - 'CMP Balance' – Client Money that was present as at the date the Company was placed into Administration and that is available for withdrawal (if not already withdrawn);
 - 'PPE Balance' – Loan Recoveries received after the Administrators' appointment to which Lenders are entitled and which are available for withdrawal (if not already withdrawn);
 - 'Cash Retention' – The funds retained from Lenders, pursuant to the Court Order of Deputy ICC Judge Baister made on 15 April 2021;
 - 'Assets' – Outstanding principal Loan capital; and
 - 'Total' – Total of CMP, PPE and Assets.

- The 'Loan Invested In' summary now shows a summary of current outstanding Loans.

- The 'Withdraw Funds' button is displayed on the right-hand side of Lenders' dashboards and should be used to request withdrawal of funds.

- Lenders can also access 'Statements' which enables Lenders to view a transactions log, to include historic data.

21. Do I need to do anything when logging onto the Replacement Platform for the first time?

From 28 August 2024, and when the Replacement Platform goes live, you will be required to go through a password reset procedure. The Replacement Platform will guide you through this process. Your username will remain the same.

As part of this process, the Replacement Platform will seek to verify your current details - name and address. Once you have verified or updated your current details, necessary Know Your Customer (“KYC”) checks will be performed in accordance with UK legislation. The Replacement Platform will automatically perform these checks and therefore please do ensure your details are correct when logging on for the first time.

In some cases, some Lenders may be required to provide some additional information in order to complete the necessary KYC checks. If this is the case, affected Lenders will be contacted directly.

Notices

- I. *Please note that the information contained in this document is of a general nature and is prepared for the benefit of lenders, creditors and borrowers of the Company and does not constitute any form of legal, accountancy or taxation advice on the part of the Liquidators or any other party. If you are concerned about your individual circumstances and the impact of the insolvency of the Company on your personal position, you should take appropriate professional advice accordingly.*

- II. *The affairs, business and assets of the Company are being managed by the Liquidators, 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.*