

FREQUENTLY ASKED QUESTIONS

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

Issue Date: 21 April 2021

Issue Number: 2 (For updated FAQs, please see FAQ 12 and FAQ 16)

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

- General FAQs
- Creditors
- Lenders
- Borrowers
- Other

General FAQs

1. What is Administration?

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.

2. Who are the Administrators / Kroll?

Geoffrey Bouchier and Robert Armstrong of Kroll (a trading name of Duff & Phelps Ltd.) (“the Administrators”), were appointed by the Court following an application by the directors of the Company.

The Administrators are qualified insolvency practitioners, regulated by the Insolvency Practitioners Association. The Administrators 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 of 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.

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 Administration and any subsequent liquidation procedure.

4. Why has the Company entered 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 Administrators in carrying out their functions.

5. What happens now?

The Administrators will assume responsibility for managing the Company's affairs.

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 Administrators' wind-down of the remaining loan book will continue during the Administration process. The Administrators have 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. ESF will continue to be the primary contact with borrowers and lenders on behalf of the Company in Administration. ESF has the know-how, systems and personnel and is believed to be best placed to achieve this objective in an orderly and cost-efficient manner.

6. How long is the Administration likely to last?

The Administration 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 Administrators have been advised that the collection of the loan book may take up to 5 years to complete. Under UK Insolvency legislation, an Administration lasts up to 12 months but can be extended for further periods, which is envisaged to be the case here.

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 Administrators 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 investors 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 Administrators expect that investors 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 Administrators 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 Administrator's 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?

The Administrators will continue to operate the Company's Portal with the support of ESF. The internal messaging system within the Portal will remain live. Questions from lenders (not relating to the Administration but rather lenders' investments and/or account with the Company) submitted via the internal messaging system or via admin@businessloannetwork.co.uk will continue to be answered in the usual way.

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

Lenders will still be able to access their accounts via the portal in the usual way.

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 are 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. It is currently anticipated that this work (predominately in relation to checking appropriate Anti Money Laundering and Know Your Client checks have been performed) will take several weeks to complete. The Administrators will confirm once this work has been completed as well as provide an update as to when lenders will be able to request withdrawals from the CMP.

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).

Please note that the Court Order provides that an application to vary paragraph 5 of the Order may be made prior to 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.

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 continue to be monitored by ESF who have been appointed wind down servicer by the Administrators.

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 process.

The Administrators will invite creditors to consider whether a creditors' committee should be established, provided sufficient creditors are willing to be members of the committee, in due course.

It is envisaged that a creditors committee will be established comprising ordinary non-lender creditors as well as lenders representing both institutional and retail investors (on the basis that lenders may be regarded, for the moment, as contingent creditors). The FCA will be invited to attend committee meetings as an observer.

In order to enable creditors to make an informed decision, a guidance note on the rights, duties and the functions of the Committee entitled 'A Guide for Creditors – March 2017' can also be found at the following link:

<https://www.duffandphelps.co.uk/services/disputes-and-investigations/restructuring/corporate-restructuring/creditor-guides-and-employee-fact-sheets>

The function of a creditors committee has been articulated in the case of Brilliant Media Specialists Ltd Case 2015 BCC:

“Whilst the views of a creditors' committee should be taken into account during an administration and will frequently be taken as reflecting the views of the creditors as a whole, it is not for the committee to determine how the administration should be conducted. That is a decision for the office holder in performance of the duties and powers Parliament has thought fit to entrust to administrators. The outcome of such decision making, which will be made from time to time on both macro and/or micro bases (as appropriate), will depend upon the office holder's assessment of how best to achieve the purpose of the administration in accordance with the powers conferred upon them by paragraph 5 9 of Schedule B1 and within Schedule 1 to the Act.”

Notices

- I. *Please note that the information contained in this document is of a general nature and is prepared for the benefit of investors, creditors and borrowers of the Company and does not constitute any form of legal, accountancy or taxation advice on the part of the Administrators 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 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.*