

IMPORTANT UPDATE

BUSINESS LOAN NETWORK LIMITED (IN ADMINISTRATION)

NOTIFICATION TO ALL LENDERS

Issue Date: 20 May 2021

Delivery: By email only

Introduction

The purpose of this Notice to Lenders is to update Lenders in relation to the provision in the Order which was made on 15 April 2021 (as set out in the previous Notice to Lenders dated 21 April 2021) by which liberty was given to apply to the Court before 4.30pm on 19 May 2021 to vary, but not discharge, the terms of the Order.

This Notice should also be read in conjunction with the FAQ's which are available [here](#).

Extracts from Notice to Lenders dated 21 April 2021

To assist Lenders, we have copied below extracts from the Notice to Lenders dated 21 April 2021 by way of reminder.

...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.

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.

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.

Update - Liberty to apply to vary the Order

The Joint Administrators are not aware of any application having been made to Court seeking to vary the terms of the Order by 4.30pm on 19 May 2021.

The Joint Administrators will therefore now proceed to conduct the Administration in accordance with the terms of the Order and the methodology as detailed in the Report. A copy of the Report dated 9 April 2021 together with a copy of the Order is available on BLN's website by clicking [here](#).

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, subject to appropriate Anti Money Laundering and Know Your Client checks being completed.

In relation to the 25% Retention and as previously advised, 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 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. Please see below for further information regarding the timing and formation of a Creditors' Committee.

There will be consultation with the Creditors' Committee and the FCA regarding the distribution plan and if necessary, an application to the Court for approval prior to implementation.

Accordingly, the allocation of costs will not become known for some time.

Client Money Pool (client account balances held at the date of the Joint Administrators' appointment)

Please note that the 25% Retention does not 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 general pool of client money pool ("CMP") as per the FCA's Client Assets Sourcebook). Please see FAQ 16 for further information.

The costs however associated with the 'distribution' of Client Monies held as at the date of the Joint Administrators' appointment are deductible in accordance with the FCA's Client Assets Sourcebook. However, the Joint Administrators have formed the view that the costs of distribution are immaterial in the context of this matter and, so as not to complicate or hold up the return of Client Monies held in Lenders' accounts as at the date of the Joint Administrators' appointment in any way, no deductions will be made.

Creditors' Committee

Within 8 weeks of the Joint Administrators' appointment, the Joint Administrators will upload to the Portal (please refer to the Joint Administrators' letter to creditors dated 22 April 2021) details of the Joint Administrators' Proposals.

This document will set out the Administrators' plans for managing the Administration as well as other useful information.

The Joint Administrators' Proposals will contain details and an invitation to both Lenders and creditors to form a Creditors' Committee.

Please see FAQ 18 for further information about Creditors' Committees.

Client Identity - Anti Money Laundering and Know Your Client checks

The Joint Administrators' previous Notices to Lenders and FAQs have advised Lenders that 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 both:

- Client Money the Company was holding upon the appointment of the Administrators, being the CMP, and;
- 75% of all proceeds of loans which redeem after the Joint Administrators' appointment to which Lenders are entitled.

The Joint Administrators' review of the Company's AML & KYC checks is well progressed but remains ongoing.

To date, the review has identified that further AML & KYC information is required from a number of Lenders to satisfy AML & KYC requirements. Certain of these Lenders have already been contacted requesting the necessary information.

Further requests for AML & KYC information are anticipated to be sent to Lenders in the next week or so via email. The Joint Administrators ask Lenders to respond to any requests received as soon as they are able.

The Joint Administrators will contact Lenders with further updates once the necessary AML & KYC checks have been satisfactorily completed such that Lenders can request withdrawals or withdrawal requests already submitted be actioned. At this stage, it is hoped that the majority of Lenders will be able to withdraw their uninvested Client Monies allocated to Lenders' accounts with the Company from the commencement of July 2021.

The Joint Administrators will however issue further updates to Lenders to keep them informed of this timing.

Frequently Asked Questions

FAQs dated 21 April 2021 is 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>.*