Appendix 5

Morses Limited script for video to customers

Hello everyone. My name is Jamie Drummond Smith and I am the Chairman of the Customers' Committee for Morses Club Limited. Where I talk about Morses, this is Morses Club Limited. This is a short summary of the make-up of the Committee and what it has done. The Committee was formed from representatives of current and former customers of Morses to negotiate the terms of a scheme of arrangement. I will explain the history of the negotiations in this summary. The Committee has reached agreement that Morses will put a minimum of £20 million into the Scheme Company for the benefit of customers who had been sold a loan they could not afford (referred to as redress creditors) subject to certain conditions being met in the future. In that case Morses would be able to continue trading. If those conditions are not met, then it is likely Morses will go into an insolvent administration process.

Morses offered three options to the Committee. The first was a wind-down option under which Morses would cease trading and the estimated outcome was a sum of £500,000 being left to meet any successful claims from redress creditors. The second option was for redress creditors to take ownership of Morses which might generate a sum of £35 million over five to six years from future profits. The third option was that Morses would raise money from new shareholders and contribute money from working capital. The sum being offered was £13 million to be put into the scheme.

The Committee rejected the first option as it offered a negligible amount to redress creditors. The Committee also rejected the second option as none of the Committee members thought redress creditors would want to hold shares in Morses and the outcome was uncertain. The Committee selected the third option but proposed that the sum introduced be a minimum of £25 million. Morses responded with a counter-proposal of a minimum of £20 million, £15 million from new shareholders and £5 million from working capital, with a possible extra amount if the loan book as at the date the scheme becomes effective realises more than expected. The conditions mentioned above are that Morses need to raise the £15 million from new shareholders and put in the £5 million from working capital.

Morses currently estimates that the agreement will result in a payment which significantly exceeds the payment that they would receive on an insolvent administration.

Whilst it is not possible to say this agreement is the best agreement that could have been reached as some of the elements depend on the attitude of others such as future investors. However, it is a much better deal than the original proposals from Morses and offers the chance of a much larger return than the alternative of insolvency. I have found Morses to be transparent in its dealings with the Committee

I cannot advise you on whether to vote for the scheme, you will need to make that decision for yourself depending on your own circumstances and your own views of the scheme proposed. The purpose of this video is to provide information to you to help you make your decision, and to encourage you to participate in the vote on the scheme so that your voice is heard.