

Execution Version

MORSES CLUB LIMITED

EARLY TERMINATION TRUST AGREEMENT

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THIS DEED is dated 22 May 2023 and made by:

MORSES CLUB LIMITED, a company registered in England and Wales with company number 06793980 whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT ("**Morses Club**" or the "**Trustee**").

WHEREAS:

- (A) Morses Club, regulated by the Financial Conduct Authority, is a regulated provider of short-term loans to customers in the United Kingdom.
- (B) As a regulated provider of consumer credit, Morses Club is required to ensure that its lending meets certain minimum standards. In certain cases, Morses Club has fallen below these standards and has issued loans to customers in situations where it should not have done so, entitling such customers to seek redress payments against it.
- (C) Due to the increasing volume of customer redress claims against Morses Club (for loans it may have wrongly issued) and Morses Club's difficult financial position (meaning that it would be unable to pay the compensation owing in respect of such redress claims in full and expects that, based on the current level of redress claims, it would have to enter into insolvency proceedings), it is proposed that a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 be implemented to, amongst other things, assess, settle and release such redress claims (and certain sums owing to the FOS (as defined below)).
- (D) SchemeCo, a wholly owned subsidiary of Morses Club, has been established for the sole purpose of proposing and implementing the scheme of arrangement. SchemeCo does not trade and accordingly does not generate its own income.
- (E) Morses Club has agreed to place £1,200,000 (the "**Early Termination Funding**") on trust within 30 calendar days of the Effective Date to be used for the sole benefit of Borrowers with valid claims in respect of Redress Liabilities and the FOS in respect of a valid claim for FOS Fees Liabilities in the event that the Scheme terminates following an Early Termination Event (as described below).
- (F) Morses Club has agreed to hold the Trust Property on trust in accordance with the terms of this Deed.
- (G) Morses Club intends this document to take effect as a deed.

IT IS AGREED as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In this Deed, the following expressions mean the following:

"Beneficiary" means Borrowers with valid claims in respect of Redress Liabilities and the FOS in respect of a valid claim for FOS Fees Liabilities.

"Early Termination Event" means each of the following:

- (a) SchemeCo does not procure the payment of the full amount of the Morses Club Funding into the Trust Account by 29 March 2024;
- (b) the current shareholders of Morses Club do not vote in favour of issuing new shares to investors at a general meeting of the shareholders, resulting in the current shareholders being diluted by 95% by 3 May 2024;
- (c) SchemeCo does not procure the payment of the full amount of the Shareholder Funding into the Trust Account by 28 June 2024;
- (d) to the extent that a Turnover Amount becomes available, SchemeCo does not procure the payment of the full amount of the Turnover Amount into the Trust Account by 29 July 2024; or
- (e) in the event that an Insolvency Event occurs in respect of Morses Club or SchemeCo prior to the payment of the full amount of the Compensation Fund into the Trust Account.

"**Early Termination Funding**" has the meaning given to that term in Recital (E).

"**Early Termination Trust**" has the meaning given to it in Clause 3.3.

"**Early Termination Trust Account**" has the meaning given to that term in Clause 3.1.

"**Insolvency Practitioner**" means any administrator, liquidator or any other insolvency practitioner appointed to Morses Club pursuant to the Insolvency Act 1986.

"**Scheme**" means the compromise or arrangement to be proposed by SchemeCo pursuant to Part 26 of the Companies Act 2006 in substantially the form attached in Schedule 1 to this Deed.

"**Termination Date**" means the date on which the Compensation Fund Payment has been paid in full into the Trust Account.

"**Trust Property**" means all amounts standing to the credit of the Early Termination Trust Account from time to time.

1.2 **Incorporation of defined terms**

Save as where otherwise defined in this Deed, capitalised terms have the meaning given to them in the Scheme.

1.3 **Construction**

In this Deed:

- (a) except where the context otherwise requires, references to a person include a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's legal and personal representatives, successors and permitted assignees;

- (b) a reference to a "Clause" is, unless indicated to the contrary, a reference to a clause of this Deed; and
- (c) "includes", "including" and similar words used in this Deed shall be deemed to have "without limitation to the generality of the foregoing" after them.

2. **EFFECTIVENESS**

This Deed is delivered and takes effect upon the date of its execution.

3. **EARLY TERMINATION TRUST ACCOUNT**

- 3.1 As soon as reasonably practicable and in any event prior to the date specified in Clause 3.2, Morses Club shall open a bank account with a United Kingdom bank for the purpose of holding the Trust Property in accordance with Clause 3.3 (the "**Early Termination Trust Account**").
- 3.2 Morses Club hereby unconditionally and irrevocably agrees and undertakes to pay the Early Termination Funding into the Early Termination Trust Account within 30 calendar days of the Effective Date.
- 3.3 Morses Club declares that it shall hold all Trust Property on trust (the "**Early Termination Trust**") for the exclusive benefit of the Beneficiaries (and to be applied in accordance with Clause 3.6).
- 3.4 Morses Club declares that as Trustee, it shall give notice of such trust arrangements to the Account Holding Bank.
- 3.5 Any interest accruing on the funds standing to the credit of the Early Termination Trust Account from time to time shall be deemed to form part of the Trust Property and shall be held on trust for the Beneficiaries and be available to be used for the purposes contemplated in Clause 3.6.
- 3.6 If the Scheme terminates following an Early Termination Event, the Trust Property shall be applied in payment of valid claims in respect of Redress Liabilities and FOS Fees Liabilities owing to a Beneficiary. For the avoidance of doubt, the Beneficiaries rights to the Trust Property shall be separate from, and additional to, such other rights as the Beneficiaries may have against any other assets of Morses Club.
- 3.7 Until the Termination Date, the Trust Property shall:
 - (a) be ring-fenced and kept separate from other monies of Morses Club; and
 - (b) not be subject to any set-off or netting arrangements with any other party.
- 3.8 Following the Termination Date, any remaining Trust Property shall be released from the Early Termination Trust and become the property of Morses Club.

4. **SURVIVAL**

For the avoidance of doubt and subject to Clause 6, the provisions of this Deed shall survive the occurrence of an Insolvency Event in respect of Morses Club and shall be capable of being relied upon and enforced against any Insolvency Practitioner.

5. **EXCLUSION OF THE TRUSTEE ACT 2000**

To the fullest extent permitted by law, none of Parts I, II, III or IV of the Trustee Act 2000 nor the requirement to discharge the duty of care set out in Section 1(1) of the Trustee Act 2000 in exercising any of its powers shall apply to the trust constituted by this Deed or Morses Club's role as trustee of such trust. The disapplication of those parts or sections of the Trustee Act 2000 shall constitute an exclusion of the relevant parts or sections of the Trustee Act 2000 for the purposes of that Act.

6. **TERMINATION**

With effect from the Termination Date, this Deed shall terminate and be of no further force or effect, and any and all Liabilities arising hereunder shall be discharged and released.

7. **EXECUTION**

This Deed has been executed as a deed and is delivered and takes effect on the Effective Date.

8. **THIRD PARTY RIGHTS**

8.1 Subject to Clause 8.2, a person who is not a party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Deed.

8.2 Each Beneficiary may enforce any of the terms of this Deed under the Third Parties Act.

9. **SEVERABILITY**

Where any provision in or obligation under this Deed shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations under this Deed, or of such provision or obligation in any other jurisdiction, shall not be affected or impaired thereby.

10. **COUNTERPARTS**

This Deed may be executed on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

11. **GOVERNING LAW AND JURISDICTION**

11.1 This Deed and all matters (including any contractual or non-contractual obligation) arising out of or in connection with it, its subject matter or formation shall be governed by and construed in accordance with English law.

11.2 All disputes arising out of or in connection with this Deed, including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with this Deed, shall be submitted to the exclusive jurisdiction of the English courts.

12. **ASSIGNMENT**

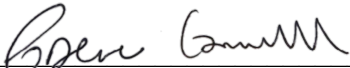
Morses Club may not assign any of its rights under or in connection with this Deed or declare a trust over or with respect to any of its rights under or in connection with this Deed.

IN WITNESS whereof Morses Club has caused this Deed to be duly executed on the date first written above.

SIGNATORIES

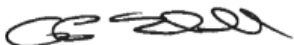
EXECUTED as a **DEED** by

MORSES CLUB LIMITED acting by two directors

Signed: 

Print name: Graeme Campbell

Director

Signed: 

Print name: Gary Marshall

Director

SCHEDULE 1
SCHEME

SCHEME OF ARRANGEMENT
under Part 26 of the Companies Act 2006 between

MORSES CLUB SCHEME LIMITED

and

THE SCHEME CREDITORS
(as defined in this scheme of arrangement)

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1. PART 1 – PRELIMINARY

1.1 Definitions

In this document, the following terms have the following meanings:

Ascertained Scheme Claim	Means in respect of: <ul style="list-style-type: none">(a) a Redress Creditor, the positive value (if any) of a Valid Scheme Claim;<ul style="list-style-type: none">(i) <i>less</i> the amount of any Paid Compensation (if any);(ii) <i>plus</i> the amount of Scheme Interest owed on that Valid Scheme Claim after subtracting the Paid Compensation;(iii) <i>less</i> the amount of any Valid Cross-Claim or Sold Loan Outstanding Balance (if any);(iv) <i>less</i> the amount of any VREQ Refund Payment (if any); and(b) the FOS, the FOS Fee Liability, once determined or adjudicated in accordance with this Scheme.
Bank Account	The United Kingdom bank account specified by the Scheme Creditor in accordance with Clause 3.8.3.
Borrower	A borrower or former borrower of a Loan (whether such person is resident in the United Kingdom or elsewhere).
Business Day	A day, other than a Saturday or a Sunday, on which banks are open for general business in London.
Claim Form	The claim form in substantially the form provided at Schedule 4.
Claims Deadline	At 5 p.m. on the date which is six months after the Effective Date (or, if such date is not a Business Day, the next following Business Day).
Claims Methodology	The methodology for assessing and determining the validity of any Scheme Claim as set out in Schedule 3.
Claims Portal	The portal at https://www.morsesclubscheme.com/claims-portal/ .

Compensation Fund	The full amount of the Shareholder Funding, the full amount of the Morses Club Funding, the full amount of the Turnover Amount (if any), and up to the latest of the dates set out in Clause 4.1.1, any net interest on the Trust Account.
Compensation Fund Payment	The payment by Morses Club into the Trust Account of the full amount of the Shareholder Funding, the Morses Club Funding and the Turnover Amount (if any) pursuant to the Implementation and Funding Agreement.
Completion	The date on which the Scheme Supervisors confirm the completion of the Scheme in accordance with Clause 7.1.
Court	The High Court of Justice of England and Wales.
Cross-Claim	Any amount (including all past, present and future principal and interest) as at the Effective Date owed (but unpaid) by a Scheme Creditor to Morses Club (including any owed amount written off by Morses Club) in respect of a loan.
Debt Purchaser	A party to whom the rights under certain Loans have been sold by Morses Club who has entered into a Debt Reduction Agreement.
Debt Reduction Agreement	<p>An agreement to be entered into between a Debt Purchaser, Morses Club and SchemeCo pursuant to which a Debt Purchaser agrees:</p> <ul style="list-style-type: none"> (a) to reduce a Scheme Claimant's Sold Loan Outstanding Balance held by that Debt Purchaser by up to the amount of that Scheme Claimant's Valid Scheme Claim; and (b) to pay to a Scheme Claimant any Sold Loan Refund Payments due and payable in accordance with Clause 2.14.
Deed Poll	The deed poll dated 12 December 2022 pursuant to which SchemeCo has agreed as a primary obligation in favour of each Scheme Creditor to pay to that Scheme Creditor all sums from time to time due and payable to it by Morses Club in respect of any Redress Liabilities (as defined in the Deed Poll) and/ or FOS Fees (as defined in the Deed Poll) owing by Morses Club to the Scheme Creditor, subject to certain conditions stated in the Deed Poll.
Determination Notice	This term has the meaning given to it in Clause 3.5.7.
Disputed Scheme Claim	This term has the meaning given to it in Clause 3.5.9.

Early Termination Funding	£1,200,000.
Early Termination Trust Account	This term has the meaning given to it in Clause 2.8.2.
Early Termination Trust Agreement	The agreement confirming the terms on which the Early Termination Funding shall be held in the Early Termination Trust Account by Morses Club.
Effective Date	The date on which the Order is delivered to the Registrar of Companies in England and Wales for registration.
Email Scheme Creditor	This term has the meaning given to it in Clause 3.1.2(b).
Excluded Claim	<p>Any claim that is not a Scheme Claim, including but not limited to:</p> <ul style="list-style-type: none"> (a) any claim made by a creditor in respect of a Loan before the Record Date where such claim has not been resolved by Morses Club by the Effective Date. For the avoidance of doubt, where a Redress Creditor made a claim before the Record Date and Morses Club has resolved (whether upheld or rejected) that claim, the Redress Creditor is entitled to make a new Scheme Claim for consideration in the Scheme. However, the amount of any compensation that Redress Creditor is entitled to will be reduced by the amount of any compensation they have previously received; (b) any claim in relation to a loan from a company other than Morses Club (except where the loan is a Purchased Loan); (c) any claim in relation to a loan issued before 1 April 2007 or after 2 August 2022 (inclusive); (d) any claim made by other customers of any other company in the Group; (e) any claims made by creditors of Morses Club or SchemeCo that are not Scheme Claims; or (f) any claim made by FOS in respect of FOS Fees for FOS's review of: <ul style="list-style-type: none"> (i) claims made against Morses Club before the Record Date even if such claims were reviewed by the FOS on or after the Record Date;

- (ii) any claim in respect of a loan made before 1 April 2007 or after 2 August 2022; or
- (iii) any claims which are not in relation to a Redress Liability.

FOS The Financial Ombudsman Service Limited, a company registered with company number 3725015 at Exchange Tower, Harbour Exchange Square, London, E14 9SR.

FOS Fees Fees owed to the FOS by Morses Club.

FOS Fees Liability A Liability owed by Morses Club and, pursuant to the Deed Poll, SchemeCo, to pay the FOS Fees in relation to the FOS's review of claims in respect Redress Liabilities, where:

- (a) the claim in respect of such Redress Liabilities was brought against Morses Club on or after the Record Date and then referred to the FOS; and
- (b) a claim is made by FOS in respect of Morses Club and SchemeCo's Liability to pay the FOS Fees on or after the Record Date and before Claims Deadline.

Group Morses Club and each of its subsidiaries.

Implementation and Funding Agreement The agreement to be entered into prior to the Effective Date and made between Morses Club and SchemeCo pursuant to which, amongst other things, Morses Club agrees to:

- (a) discharge all Scheme Costs;
- (b) on the date of the payment of the Shareholder Funding into the Trust Account in accordance with Clause 2.5.3, pay the Scheme Costs to Completion into to the Scheme Costs Trust Account;
- (c) comply with the terms of this Scheme as it applies to it; and
- (d) pay into the Trust Account:
 - (i) the Morses Club Funding, by no later than 29 March 2024;
 - (ii) the Shareholder Funding, by no later than 28 June 2024; and

- (iii) to the extent that a Turnover Amount becomes available, the Turnover Amount by 29 July 2024.

Insolvency Act

Insolvency Act 1986.

Insolvency Event

In respect of a company, any of the following events:

- (a) the making of an order by the Court to wind up the company pursuant to the Insolvency Act;
- (b) the passing of a resolution under s.84 of the Insolvency Act to wind up the company;
- (c) the appointment of an administrator of the company pursuant to the Insolvency Act;
- (d) the appointment of a provisional liquidator of the company pursuant to the Insolvency Act; or
- (e) the equivalent or an analogous event in any jurisdiction.

Liability

Any liability of a person, whether it is present, future, prospective or contingent, whether its amount is fixed or undetermined, whether or not it involves the payment of money and whether it arises at common law, in equity or by statute, in England and Wales, Scotland or Northern Ireland or in any other jurisdiction, or in any other manner whatsoever.

Loan

- (a) A loan made by Morses Club; and
- (b) any Purchased Loan made,

to any Borrower, provided that such loan was made between 1 April 2007 and 2 August 2022 (inclusive).

Morses Club

Morses Club Limited (formerly Morses Club PLC), a private limited company registered with company number 06793980 at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT.

Morses Club Board

The board of directors of Morses Club from time to time and/or any duly constituted committee thereof.

Morses Club Funding

£5,000,000 to be paid by Morses Club into the Trust Account by no later than 29 March 2024, subject to the provisions set out in Clause 2.6.

Morses Club Social Media	The Morses Club Facebook page at https://www.facebook.com/MorsesClub/about/ .
Order	The order of the Court sanctioning the Scheme.
Outstanding Scheme Claim	Any Scheme Claim made on or after the Record Date but before the Effective Date where Morses Club acknowledged receipt of that claim and confirmed that it will be automatically included in the Scheme.
Paid Compensation	Any compensation paid by Morses Club to a Scheme Creditor in respect of a Liability which would be a Redress Liability but for the claim being made by that Scheme Creditor before the Record Date, where a Scheme Claim is made in the Scheme in respect of that same Redress Liability.
Postal Scheme Creditor	This term has the meaning given to it in Clause 3.1.2(c).
Proceedings	Any process, action, step, or other legal proceeding including, without limitation, any demand, arbitration, alternative dispute resolution, judicial review, adjudication, execution, diligence, seizure, distraint, forfeiture, re-entry, lien, enforcement of judgment or enforcement of any security interest.
Purchased Loan	A loan to any Borrower made between 1 April 2007 and 2 August 2022 (inclusive) and acquired by Morses Club from the persons and on the dates listed in Schedule 1.
Record Date	11 August 2022.
Redress Creditor	Any Borrower who may make a claim in respect of a Redress Liability.
Redress Liability	A Liability owed by Morses Club and, pursuant to the Deed Poll, SchemeCo to a Borrower arising out of or in relation to the assessment of the sustainability and/or affordability of a Loan, and in respect of which any Borrower has made or may make a claim on or after the Record Date.
Release Agreement	The agreement to be entered into by Morses Club, SchemeCo and the Scheme Creditors substantially in the form set out in Schedule 5.
Representatives	A person whom a Scheme Creditor has authorised to act on the Scheme Creditor's behalf where: <ul style="list-style-type: none"> (a) the Scheme Creditor has notified SchemeCo in writing of that authorisation; or

	(b) the person so authorised has notified SchemeCo in writing of their authority to act on the Scheme Creditor's behalf and provided evidence of that authority to SchemeCo's reasonable satisfaction.
Scheme	This scheme of arrangement, made in accordance with Part 26 of the Companies Act 2006, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court, agreed by SchemeCo and consented to by the statutory majority of Scheme Creditors in accordance with the voting instructions given in the Claim Form.
Scheme Adjudicator	Jonathan Herbst (or such other person as is appointed as a Scheme Adjudicator in accordance with Part 5) and any person who is employed by that person and to whom the functions of Scheme Adjudicator under the Scheme are delegated.
Scheme Claim	Any claim in respect of a Redress Liability or a FOS Fee Liability.
Scheme Claimant	A Scheme Creditor who has submitted a Scheme Claim in the Scheme in accordance with Clauses 3.2.3, 3.3.1 or 3.4.
Scheme Costs	Those costs which, in SchemeCo's reasonable view, represent: <ul style="list-style-type: none"> (a) the costs of designing, proposing, implementing and administering the Scheme; and (b) SchemeCo Administrative Costs.
Scheme Costs Trust Account	The account in the name of Morses Club, established and maintained in accordance with Clause 2.4.5.
Scheme Creditor	(a) a Redress Creditor; and/or <ul style="list-style-type: none"> (b) the FOS, in respect of a claim for FOS Fees Liabilities.
Scheme Creditor Payment	In respect of a Scheme Claimant: <ul style="list-style-type: none"> (a) the amount of that Scheme Claimant's Ascertained Scheme Claim, <p style="margin-left: 40px;">multiplied by,</p> (b) the Scheme Payment Percentage.
Scheme Interest	Interest calculated at the Scheme Interest Rate on the amount repaid on a Scheme Claimant's Loan which was in

	excess of the principal owing on such Loan from (i) the date on which a Scheme Claimant made such a payment; to (ii) the Effective Date.
Scheme Interest Rate	A simple rate of 8% per year.
Scheme Liability	(a) a Redress Liability; and/or (b) a FOS Fees Liability.
Scheme Meeting	The meeting of the Scheme Creditors convened under Section 896 of the Companies Act 2006 to consider and vote upon the Scheme.
Scheme Payment Percentage	This term has the meaning given to it in Clause 4.1.2.
Scheme Refund Payment	This term has the meaning given to it in Clause 2.12.1.
Scheme Supervisors	Dan Schwarzmann and Nigel Rackham each of PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, providing that their appointment as such has not been terminated in accordance with Part 6 (or such other person as is appointed as a Scheme Supervisor in accordance with Part 6) and any person who is employed by those persons or in the same firm as those persons and to whom the functions of Scheme Supervisor under the Scheme are delegated.
SchemeCo	Morses Club Scheme Limited, a company incorporated in England and Wales with the company number 14066120 having its registered office at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT.
SchemeCo Administrative Costs	The professional and administrative costs of operating and managing the affairs of SchemeCo and of winding-up SchemeCo or applying for it to be struck off the register following the completion or termination of the Scheme, as well as the cost of meeting any Liabilities required to achieve this (other than the Scheme Liabilities).
SchemeCo Board	The board of directors of SchemeCo from time to time and/or any duly constituted committee thereof.
Secured Funders	The lenders under the Secured Funding Facility.
Secured Funding Facility	The £25,000,000 committed facilities agreement originally dated 10 March 2014 (as amended and/or amended and restated from time to time) entered into between, amongst others, Morses Club PLC as borrower, Banco Santander S.A., London Branch as agent and

	Shawbrook Bank Limited and Santander UK Plc as mandated lead arrangers.
Shareholder Consent	This term has the meaning given to it in Clause 2.5.1.
Shareholder Funding	The greater of: <ul style="list-style-type: none"> (a) £15,000,000; or (b) the funding raised by Morses Club following the independent market valuation to be prepared by Interpath Advisory after the Claims Deadline, to be paid by potential investors in exchange for receiving 95% of Morses Club's shares.
Shelby	Shelby Finance LTD, a company incorporated in England and Wales with the company number 08117620 having its registered office at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT.
SMS Scheme Creditor	This term has the meaning given to it in Clause 3.1.2(a).
Sold Loan	A Loan, where Morses Club has sold and transferred its rights, interests and obligations under such Loan to a Debt Purchaser.
Sold Loan Outstanding Balance	Any Liability owed by a Scheme Creditor to a Debt Purchaser in respect of a Sold Loan.
Sold Loan Refund Payments	This term has the meaning given to it in Clause 2.14.
Trust Account	The account in the name of SchemeCo, established and maintained in accordance with Clause 2.4.1.
Trust Account Bank	The bank at which the Trust Account is held.
Turnover Amount	The amount calculated in accordance with Schedule 2 by the Scheme Supervisors and independently certified by a firm of accountants to be appointed by Morses Club.
Unclaimed Sum	The total amount of any Scheme Creditor Payments, VREQ Refund Payments and/or Scheme Refund Payments for which, pursuant to Clause 4.3.3: <ul style="list-style-type: none"> (a) a cheque was sent via post but was not cashed; or (b) a third failed attempt for an electronic payment was made (where SchemeCo has no postal address for the Scheme Creditor).

Updated Determination Notice	This term has the meaning given to it in Clause 3.5.10.
Valid Cross-Claim	A Cross-Claim which has been determined and/or adjudicated to be valid in whole or in part pursuant to Clause 3.5 or Clause 3.6 (as applicable).
Valid Scheme Claim	A Scheme Claim which has been determined and/or adjudicated to be valid in whole or in part pursuant to Clause 3.5 or Clause 3.6 (as applicable).
VREQ Customer	A Scheme Claimant who: <ul style="list-style-type: none"> (a) made or makes a Scheme Claim to Morses Club on or after the Record Date but before the Effective Date; and (b) made or makes any repayments on their unpaid Loans (in respect of principal, interest, fees or other amounts) to Morses Club after making such a Scheme Claim and before the Effective Date.
VREQ Customer Balance	This term has the meaning given to it in Clause 2.11.1.
VREQ Refund Payment	This term has the meaning given to it in Clause 2.11.1.
VREQ Trust Account	The account in the name of Morses Club with Santander Bank with account number 10771217 and sort code 09-02-22, the balance of which is held on trust by Morses Club for the VREQ Customers.
Website	The website at www.morsesclubscheme.com .

1.2 Interpretation

- 1.2.1 Clause and schedule headings in this document are included for convenience only and shall be ignored in its interpretation.
- 1.2.2 In this document, unless the context otherwise requires:
- (a) references to parts and clauses are references to the parts and clauses respectively of the Scheme;
 - (b) references to a period of months starting on one day in a calendar month shall end on the numerically corresponding day in the relevant month thereafter, except that:
 - (i) if the numerically corresponding day in the relevant month is not a Business Day, the period shall end on the next Business Day in that calendar month, if there is one, or if there is not, on the immediately preceding Business Day; and

- (ii) if there is no numerically corresponding day in that relevant month, the period shall end on the last Business Day in that same calendar month;
- (c) references to a 'person' include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (d) references to a statute or a statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- (e) the singular includes the plural and vice versa and words importing one gender shall include all genders;
- (f) the word 'including' shall be deemed to mean 'including, without limitation';
- (g) headings to parts and clauses are for ease of reference only and shall not affect the interpretation of the Scheme;
- (h) references to a period of days shall include Saturdays, Sundays and public holidays and where the final day falls on a Saturday, Sunday or public holiday, the next Business Day after such date; and
- (i) references to time shall be to London time (GMT/BST, as appropriate).

1.3 Other parties

1.3.1 Morses Club has given an undertaking to the Court to be bound by the terms of this Scheme as they apply to Morses Club.

1.3.2 SchemeCo undertakes to the Court to procure that Morses Club shall comply with the terms of this Scheme as it applies to it. SchemeCo further undertakes, where necessary, to take reasonable steps to enforce compliance with the terms of this Scheme and the Implementation and Funding Agreement by Morses Club.

1.3.3 Dan Schwarzmans and Nigel Rackham:

- (a) have given an undertaking to the Court to be bound by the terms of this Scheme as they apply to the Scheme Supervisors; and
- (b) shall have the powers, rights, duties and responsibilities conferred and imposed upon the Scheme Supervisors by the Scheme.

1.3.4 Jonathan Herbst:

- (a) has given an undertaking to the Court to be bound by the terms of this Scheme as they apply to the Scheme Adjudicator;
- (b) has entered into an agreement with SchemeCo with respect to his appointment; and

- (c) shall have the powers, rights, duties and responsibilities conferred and imposed upon the Scheme Adjudicator by the Scheme.

1.4 **The Effective Date**

The Scheme shall become effective, and bind SchemeCo, the Scheme Creditors, the Scheme Supervisors (in respect of the terms applicable to them) and the Scheme Adjudicator (in respect of the terms applicable to him) from the Effective Date.

2. PART 2 – GENERAL APPLICATION, SET-OFF, REFUND PAYMENTS AND RELEASES

2.1 Scope of the Scheme

- 2.1.1 The Scheme shall apply to all Scheme Claims and bind all Scheme Creditors.
- 2.1.2 The Scheme shall not affect the rights of any person in respect of a Liability against SchemeCo or Morses Club that is not a Scheme Liability.
- 2.1.3 For the avoidance of doubt, SchemeCo accepts no liability, and has no liability for any Excluded Claims and the Scheme does not apply to any Excluded Claims.

2.2 Prohibition on Commencing or Continuing Proceedings relating to Scheme Claims

- 2.2.1 Scheme Creditors may not commence or continue any Proceedings against SchemeCo or Morses Club, in any jurisdiction, to establish the existence, amount, or procure the payment, of a Scheme Claim otherwise than in accordance with the Scheme.
- 2.2.2 Any order, judgment, decision or award obtained by a Scheme Creditor in breach of Clause 2.2.1 shall not be deemed to give rise to an Ascertained Scheme Claim. No Scheme Creditor shall be entitled to rely on such an order, judgment, decision or award to prove a Scheme Claim and no Scheme Creditor shall have any right to enforce any such order, judgment, decision or award.
- 2.2.3 If any Scheme Creditor takes any action in breach of Clause 2.2.1, it shall, without prejudice to any other rights of SchemeCo or Morses Club, be treated as having received an advance distribution on account of its Scheme Claim equal to the amount or gross value of any money or benefit obtained by it at the expense of SchemeCo or Morses Club as the result of such action, and the extent to which it is entitled to participate in any distribution from the Compensation Fund shall be determined accordingly. If such a Scheme Creditor has not made a Scheme Claim in the Scheme, it shall be liable to pay SchemeCo or Morses Club any amounts received by it as a result of any action in breach of Clause 2.2.1.

2.3 Prohibition on Enforcing Scheme Claims

Scheme Creditors may not commence or continue any Proceedings against SchemeCo, Morses Club, the Scheme Adjudicator, the Scheme Supervisors, any member of the SchemeCo Board (whether past or present), or any member of the Morses Club Board (whether past or present), in any jurisdiction, to establish or enforce payment of any Scheme Claim or any part of it, except that a Scheme Creditor may commence and continue Proceedings against SchemeCo if SchemeCo has failed to make a Scheme Creditor Payment in breach of Part 4 or otherwise to enforce compliance with the terms of the Scheme.

2.4 The Compensation Fund

- 2.4.1 SchemeCo shall establish and maintain the Trust Account for the purposes of the Scheme and hold the Compensation Fund on trust for the Scheme Creditors with Ascertained Scheme Claims.
- 2.4.2 SchemeCo shall ensure that the Compensation Fund shall:
- (a) be held on trust in the Trust Account by SchemeCo for the benefit of Scheme Creditors with Ascertained Scheme Claims;
 - (b) be ring-fenced and kept separate from other monies (if any) of SchemeCo;
 - (c) only be used for the purposes set out in the Scheme in accordance with Clause 2.4.4; and
 - (d) not be subject to any set-off, netting arrangements or security rights with any party.
- 2.4.3 Any net interest earned on the Compensation Fund after the calculation of the Scheme Payment Percentage shall be paid to Morses Club.
- 2.4.4 The Compensation Fund shall be used to pay Ascertained Scheme Claims in accordance with Part 4.
- 2.4.5 Morses Club shall pay all outstanding Scheme Costs from time to time. On the date of the payment of the Shareholder Funding into the Trust Account in accordance with Clause 2.5.3, Morses Club shall pay the Scheme Costs to Completion into to the Scheme Costs Trust Account:
- (a) for the benefit of SchemeCo;
 - (b) to be ring-fenced and kept separate from other monies (if any) of Morses Club;
 - (c) to be used solely for the purposes of paying the Scheme Costs to Completion; and
 - (d) not to be subject to any set-off, netting arrangements or security rights with any party.

2.5 The Shareholder Funding

- 2.5.1 Morses Club shall procure that Interpath Advisory shall carry out an independent market valuation of Morses Club shares after the Claims Deadline and shortly before the equity raise process in respect of the Shareholder Funding is initiated.
- 2.5.2 Morses Club shall use reasonable endeavours to procure that its shareholders consent (the "**Shareholder Consent**") to sufficient shares being issued in

Morses Club to enable the investors providing the Shareholder Funding to receive 95% of Morses Club's shares.

2.5.3 Morses Club shall pay the full amount of the Shareholder Funding into the Trust Account by no later than 28 June 2024.

2.5.4 If Morses Club does not procure the Shareholder Consent or does not pay the full amount of the Shareholder Funding into the Trust Account by 28 June 2024 the Scheme shall terminate.

2.6 The Morses Club Funding

2.6.1 Morses Club shall pay the full amount of the Morses Club Funding into the Trust Account by no later than 29 March 2024.

2.6.2 If Morses Club does not pay the full amount of the Morses Club Funding into the Trust Account by 29 March 2024:

(a) SchemeCo shall not be required to procure that Morses Club shall pay the Shareholder Funding into the Trust Account in accordance with Clause 2.5.1; and

(b) the Scheme will terminate.

2.7 The Turnover Amount

2.7.1 Morses Club shall use reasonable endeavours to ensure that any potential Turnover Amount is maximised.

2.7.2 Morses Club shall pay the full amount of the Turnover Amount, if any, into the Trust Account by no later than 29 July 2024.

2.7.3 To the extent that a Turnover Amount becomes available, if Morses Club does not pay the full amount of the Turnover Amount into the Trust Account by 29 July 2024 the Scheme shall terminate.

2.8 The Early Termination Funding

2.8.1 Morses Club shall enter into the Early Termination Trust Agreement by no later than the Effective Date.

2.8.2 Morses Club shall establish and maintain a bank account in its name (the "**Early Termination Trust Account**") for the purposes of the Scheme and pay the full amount of the Early Termination Funding into the Early Termination Trust Account within 30 calendar days of the Effective Date.

2.8.3 If Morses Club does not pay the full amount of the Early Termination Funding into the Early Termination Trust Account within 30 days after the Effective Date, the Scheme shall terminate.

2.8.4 Morses Club shall procure that the Early Termination Funding shall:

- (a) be held on trust in the Early Termination Trust Account by Morses Club for the sole benefit of Borrowers with valid claims in respect of Redress Liabilities and the FOS in respect of a valid claim for FOS Fees Liabilities in the event that the Scheme terminates pursuant to Clauses 7.2.1(b) to 7.2.1(f);
- (b) be ring-fenced and kept separate from other monies (if any) of Morses Club; and
- (c) not be subject to any set-off, netting arrangements or security rights with any party.

2.9 Paid Compensation set-off

- 2.9.1 Where a Scheme Claimant has a Valid Scheme Claim calculated as at the Effective Date, SchemeCo shall deduct from the amount of such Valid Scheme Claim the amount of any Paid Compensation as at the Effective Date.
- 2.9.2 Only the balance (if any) due from SchemeCo to a Scheme Claimant following the deduction of any Paid Compensation from a Valid Scheme Claim (each calculated as at the Effective Date) shall be taken into account when determining that Scheme Claimant's Ascertained Scheme Claim.

2.10 Cross-Claim set-off

- 2.10.1 Where a Scheme Claimant has a Valid Scheme Claim calculated as at the Effective Date, SchemeCo shall deduct from the amount of such Valid Scheme Claim (after the deduction of any Paid Compensation in accordance with Clause 2.9.2) the amount of any Valid Cross-Claim as at the Effective Date.
- 2.10.2 Only the balance (if any) due from SchemeCo to a Scheme Claimant following the deduction of any Valid Cross-Claim from a Valid Scheme Claim (each calculated as at the Effective Date) shall be taken into account when determining that Scheme Claimant's Ascertained Scheme Claim. Any balance of the Valid Cross-Claim owed by the Scheme Claimant to Morses Club after deduction from a Valid Scheme Claim shall remain due and payable in accordance with its current terms.
- 2.10.3 For the avoidance of doubt, Morses Club shall release the Scheme Claimant from its obligation to repay the amount of the Valid Cross-Claim applied in set-off from the Valid Scheme Claim.

2.11 Payments made to Morses Club before the Effective Date

- 2.11.1 Where:
 - (a) a Scheme Claimant has a Valid Scheme Claim;
 - (b) that Scheme Claimant is also a VREQ Customer, and
 - (c) after the deduction of any Paid Compensation and any Valid Cross-Claim that Scheme Claimant still has a positive balance due and payable

to them in respect of their Valid Scheme Claim (the "**VREQ Customer Balance**");

that VREQ Customer shall be entitled to a refund payment equal to the lesser of:

- (i) that VREQ Customer Balance; and
- (ii) the amount paid into the VREQ Trust Account in respect of such VREQ Customer,

(the "**VREQ Refund Payment**").

2.11.2 SchemeCo shall procure the payment of the VREQ Refund Payment to the VREQ Customer in accordance with Clause 4.2 as soon as practicable and, by no later than 30 days after the VREQ Customer receives a notice to stop making payments pursuant to Clause 3.5.3.

2.11.3 Any surplus held in the VREQ Trust Account following payment of all VREQ Refund Payments shall be returned to Morses Club.

2.11.4 A VREQ Customer's Valid Scheme Claim will be reduced by the amount of the VREQ Refund Payment made to that VREQ Customer.

2.12 **Payments made to Morses Club after the Effective Date**

2.12.1 If any Scheme Claimant has an Ascertained Scheme Claim and that Scheme Claimant has made payments on an unpaid Loan on or after the Effective Date, that Scheme Claimant shall be entitled to a refund of each such payment made on or after the Effective Date (the "**Scheme Refund Payment**").

2.12.2 Morses Club shall pay the Scheme Refund Payment to the relevant Scheme Claimant in accordance with Clause 4.2 as soon as practicable and, by no later than 30 days after the Scheme Claimant receives a notice to stop making payments pursuant to Clause 3.5.3.

2.13 **Debt reduction in respect of Sold Loans**

2.13.1 Any Sold Loan Outstanding Balance under a Sold Loan owed by a Scheme Claimant to any Debt Purchaser as at the Effective Date shall be deducted from the amount of the relevant Scheme Claimant's Valid Scheme Claim, in order to calculate that Scheme Claimant's Ascertained Scheme Claim.

2.13.2 Any remaining Sold Loan Outstanding Balance owed by a Scheme Claimant to any Debt Purchaser after the deduction in Clause 2.13.1 shall remain due and payable on its terms.

2.13.3 Where the amount owed in respect of a Sold Loan Outstanding Balance to a Debt Purchaser is deducted from the amount owed in respect of a Valid Scheme Claim, SchemeCo shall procure that the relevant Debt Purchaser to whom such Sold Loan Outstanding Balance is owed shall fully and finally release the

Scheme Creditor from the amount of the Sold Loan Outstanding Balance applied in such deduction.

2.14 **Payments made to Debt Purchasers after the Effective Date**

Where a Scheme Claimant has a positive balance due and payable to them in respect of a Valid Scheme Claim after the deduction of any Sold Loan Outstanding Balance in accordance with Clause 2.13.1, and that Scheme Claimant has made any repayments to a Debt Purchaser on an unpaid Sold Loan on or after the Effective Date, SchemeCo shall procure that each Debt Reduction Agreement provides that the Debt Purchaser shall refund to the Scheme Claimant all such Sold Loan repayments made on or after the Effective Date (the "**Sold Loan Refund Payments**") as soon as practicable and, by no later than 30 days after the Scheme Claimant receives a notice to stop making payments pursuant to Clause 3.5.3.

2.15 **Release of Scheme Claims owed to Scheme Creditors**

2.15.1 Subject to Clause 2.15.4, on the date that the Compensation Fund Payment has been paid in full into the Trust Account, all Scheme Creditors' Scheme Claims against Morses Club shall be fully and finally released.

2.15.2 On the date that the Compensation Fund Payment has been paid in full into the Trust Account, all Scheme Claims shall be forever released and discharged against SchemeCo (except to the extent that they are or become Ascertained Scheme Claims in accordance with the Scheme).

2.15.3 Payment of the Ascertained Scheme Claims (or part thereof) in accordance with Part 4 shall be in full and final settlement of all and any Scheme Claims of that Scheme Creditor and the Scheme Creditor shall forever release and discharge:

- (a) SchemeCo from any further claims in respect of all and any Scheme Liabilities; and
- (b) the persons listed in Schedule 1 in respect of all and any Scheme Liabilities relating to a Purchased Loan, solely to the extent that Morses Club has a corresponding Liability to such persons in respect of such Scheme Liabilities relating to a Purchased Loan.

2.15.4 If the Scheme terminates in accordance with Clause 7.2.1:

- (a) SchemeCo's obligations under the Deed Poll, the Implementation and Funding Agreement and this Scheme shall immediately terminate and the Scheme Creditors shall fully and finally release SchemeCo from all Liabilities in respect of Scheme Claims;
- (b) the monies standing to the credit of the Trust Account shall be released to Morses Club; and
- (c) the prohibition on commencing or continuing Proceedings against Morses Club described in Clause 2.2.1 shall cease.

2.16 **Release Agreement**

- 2.16.1 Each Scheme Creditor shall enter into the Release Agreement as set out in Schedule 5 on the Effective Date and hereby irrevocably authorises SchemeCo to sign the Release Agreement on their behalf as their agents.
- 2.16.2 Subject to the operation of Part 4 (which expressly binds all Scheme Creditors) and the effect of the Release Agreement executed pursuant to Clause 2.16.1, the Scheme Creditors shall not because of this Scheme waive any defences (in particular, of equitable set-off) they may have against any person (other than SchemeCo, Morses Club or a Debt Purchaser). Such defences shall apply against any person (other than SchemeCo, Morses Club or Debt Purchaser) in the same way as they would have applied to any such claim prior to the Effective Date.

2.17 **Representatives**

- 2.17.1 SchemeCo will recognise the Representatives' authority to represent relevant Scheme Creditors for all purposes in connection with the Scheme.
- 2.17.2 Where a Representative submits any information on a Scheme Creditor's behalf, the Representative shall do so through that Scheme Creditor's Claims Portal or by post.
- 2.17.3 Where a Scheme Creditor has a Representative, SchemeCo shall address any notifications or other communications under the Scheme to the Representative. SchemeCo shall not have any Liability to a Scheme Creditor or Representative arising from the operation of this Clause 2.16.

2.18 **The SchemeCo Board**

Save that the Scheme Supervisors and the Scheme Adjudicator shall have the powers, rights and duties conferred upon them by the Scheme, the powers of the SchemeCo Board shall remain as before the Effective Date and the SchemeCo Board shall be entitled to exercise all their statutory and managerial powers and rights in relation to SchemeCo in accordance with their duties and functions.

3. **PART 3 – DETERMINATION OF SCHEME CLAIMS**

3.1 **Notice of Effective Date and invitation to submit Scheme Claim**

3.1.1 As soon as practicable after the Effective Date, SchemeCo shall give notice:

- (a) that the Scheme has become effective;
- (b) of the date of the Claims Deadline; and
- (c) inviting Scheme Creditors to submit their Scheme Claim.

3.1.2 Such notice shall be given by:

- (a) sending an SMS text message to each person that SchemeCo believes to be a Scheme Creditor and for whom Morses Club has a mobile phone number (an "**SMS Scheme Creditor**");
- (b) sending an email with the relevant notice to each person that SchemeCo believes to be a Scheme Creditor and for whom Morses Club has an email address (an "**Email Scheme Creditor**");
- (c) posting the relevant notice to each person that SchemeCo believes to be a Scheme Creditor and for whom Morses Club does not have an email address (or where there has been a bounce back for that email address) and does not have a mobile phone number (or has been advised that the mobile phone number is not in use), but for whom it does have a postal address (a "**Postal Scheme Creditor**");
- (d) placing a notice and video on the Website;
- (e) placing a notice on the Claims Portal;
- (f) placing advertisements in the Daily Mirror and the Daily Mail; and
- (g) posting the notice on the Morses Club Social Media.

3.1.3 A reminder regarding the Claims Deadline shall be given three months after the Effective Date and one month before the Claims Deadline as follows:

- (a) sent via SMS text message to each SMS Scheme Creditor;
- (b) sent by email to each Email Scheme Creditor;
- (c) posted on the Website and the Claims Portal;
- (d) advertised in the Daily Mirror and the Daily Mail; and
- (e) posted on Morses Club Social Media.

3.2 Submission of Scheme Claims

3.2.1 Scheme Creditors must submit the details of their Scheme Claim on or before the Claims Deadline in accordance with Clause 3.2.3, 3.3.1 or 3.4 in order to be eligible to receive:

- (a) a Scheme Creditor Payment;
- (b) the Cross-Claim set-off referred to in Clause 2.10 above;
- (c) a VREQ Refund Payment;
- (d) a Scheme Refund Payment;
- (e) the set-off of a Sold Loan Outstanding Balance in accordance with Clause 2.13.1; and
- (f) a Sold Loan Refund Payment.

3.2.2 No payment will be made (nor set-off given) in relation to any Scheme Liability that has not been the subject of a claim submitted in accordance with Clause 3.2.3, 3.3.1 or 3.4 on or before the Claims Deadline, and Scheme Creditors shall have no recourse against SchemeCo or Morses Club in respect of any Scheme Liability except in accordance with the Scheme.

3.2.3 Subject to Clauses 3.3 and 3.4, Scheme Claims must be submitted:

- (a) on the Claims Portal;
- (b) on a Claim Form by post; or
- (c) if submitted by the FOS in respect of a FOS Fees Liability, by email to Morses Club,

and actually received by SchemeCo on or before the Claims Deadline.

3.2.4 Without prejudice to the right of SchemeCo to request further information, all Scheme Creditors must provide to SchemeCo the information and documents requested by either submitting such information directly onto the Claims Portal or by posting the same to SchemeCo.

3.2.5 After the Claims Deadline, Scheme Creditors may not:

- (a) make any new Scheme Claims, even if they were not aware that they had a Scheme Claim before the Claims Deadline;
- (b) revise Scheme Claims that they have already made in the Scheme, even to reflect information they were not aware of before the Claims Deadline; or
- (c) provide additional information about Scheme Claims that they have already made in the Scheme,

unless requested or required to do so by SchemeCo or the Scheme Adjudicator.

- 3.2.6 A Scheme Claim which has not been submitted to SchemeCo in accordance with Clause 3.2.3, 3.3.1 or 3.4 by the Claims Deadline shall be deemed to have been satisfied in full and released on the Claims Deadline and the Scheme Creditor shall have no further rights in respect of the same.

3.3 Claims Submitted for Voting Purposes at the Scheme Meeting

- 3.3.1 A Scheme Creditor shall be deemed to have submitted details of their Scheme Claim in accordance with the Scheme on the Effective Date (if the Scheme becomes effective), if that Scheme Creditor has submitted a vote by 12 May 2023 for the purpose of voting in the Scheme Meeting.

- 3.3.2 The amount in respect of which a Scheme Creditor was admitted to vote at the Scheme Meeting shall not be binding on anyone other than for the purposes of voting at the Scheme Meeting (and, for the avoidance of doubt, shall not be considered to be an Ascertained Scheme Claim, unless agreed or otherwise determined in accordance with Clause 3.5 or Clause 3.6 (as applicable)).

3.4 Outstanding Scheme Claims

Nothing in Clause 3.2 shall require Scheme Creditors who have an Outstanding Scheme Claim to re-submit details of that Outstanding Scheme Claim in the Scheme. Outstanding Scheme Claims shall automatically be deemed to have been submitted in the Scheme prior to the Claims Deadline and shall be determined in accordance with Clause 3.5 or Clause 3.6 (as applicable).

3.5 Determination of Scheme Claims

- 3.5.1 Within 30 days after a Scheme Claimant submits a Scheme Claim in accordance with the Scheme, and unless the Scheme Claimant has already been sent a Determination Notice under Clause 3.5.7, SchemeCo shall notify the Scheme Creditor in writing of receipt of its Scheme Claim in accordance with Clause 8.1.

- 3.5.2 SchemeCo shall examine each Scheme Claim submitted in accordance with the Scheme and shall consider and determine, acting fairly and reasonably, whether or not the Scheme Claim is valid in whole or in part in accordance with the Claims Methodology.

- 3.5.3 SchemeCo will initially assess each Scheme Claim:

- (a) within 30 days following the Effective Date in relation to Scheme Claimants who submitted a Scheme Claim after the Record Date and up to the Effective Date;
- (b) subsequently, after every 30 day period following receipt of such Scheme Claim; and

- (c) finally, within 30 days following the Claims Deadline in relation to all remaining Scheme Claimants who have submitted a Scheme Claim in the Scheme,

to determine if such Scheme Claimant is expected to have an Ascertained Scheme Claim. Within the time period specified in paragraphs (a) to (c) above SchemeCo shall notify the Scheme Claimant:

- (a) where a Scheme Claimant is expected to have an Ascertained Scheme Claim, that they can stop making repayments on their loans owed to Morses Club and/or their Sold Loans; and
- (b) if that initial assessment shows that a Scheme Creditor's Valid Cross-Claim should be reduced by their Valid Scheme Claim pursuant to Clause 2.10, the amount that that Scheme Creditor's Valid Cross-Claim has been reduced to.

3.5.4 The examination referred to in Clause 3.5.2 shall include (without limitation) considering any documentation submitted with the Scheme Claim on the Claims Portal or by post. In relation to each Scheme Claim submitted in accordance with the Scheme, SchemeCo shall also consider and determine:

- (a) any Paid Compensation;
- (b) any relevant Cross-Claim;
- (c) any Sold Loan Outstanding Balance; and
- (d) whether any VREQ Refund Payment may be due to the Scheme Claimant.

3.5.5 SchemeCo may inform any Scheme Claimant of further information or evidence it reasonably requires in order to determine that Scheme Claimant's Scheme Claim.

3.5.6 Scheme Claimants shall provide the information or evidence required under Clause 3.5.5 within 30 days of receiving the request, failing which SchemeCo shall determine the Scheme Claim based on the information available to it. Scheme Claimants shall submit any such information or evidence through the Claims Portal or by post in accordance with instructions given by SchemeCo.

3.5.7 As soon as practicable following the outcome of SchemeCo's determination of a Scheme Claimant's Scheme Claim under this Clause 3.5, SchemeCo shall give a notice to such Scheme Claimant (the "**Determination Notice**") setting out:

- (a) the total amount of their Valid Scheme Claim;
- (b) the amount of any Paid Compensation;
- (c) the amount of any Scheme Interest;
- (d) the amount of any Cross-Claim;

- (e) the amount of any Sold Loan Outstanding Balance;
- (f) the amount of any VREQ Refund Payment, if due; and
- (g) the amount of the Scheme Creditor's anticipated Ascertained Scheme Claim, if any.

The Determination Notice will also specify the amount of any Scheme Refund Payment or other refund due from a Debt Purchaser.

- 3.5.8 SchemeCo's determinations as set out in the Determination Notice shall be binding on SchemeCo and the Scheme Creditor 30 days after the giving of such notice and the amount of the anticipated Ascertained Scheme Claim specified in that Determination Notice, if any, shall be that Scheme Claimant's Ascertained Scheme Claim, unless before 5 p.m. on that date that Scheme Claimant disputes that determination in accordance with Clause 3.5.9.
- 3.5.9 Where a Scheme Claimant gives notice, within the period set out in Clause 3.5.8, that they do not agree with SchemeCo's determination of their Scheme Claim, and explains the reasons for that disagreement, that Scheme Claimant's Scheme Claim shall become a "**Disputed Scheme Claim**".
- 3.5.10 After a Scheme Claim becomes a Disputed Scheme Claim under Clause 3.5.9, SchemeCo shall seek to reach agreement with the Scheme Creditor in respect of such Disputed Scheme Claim. Once SchemeCo has reached an updated decision as to the Disputed Scheme Claim and, in any event, within 30 days of the Scheme Claim becoming a Disputed Scheme Claim, SchemeCo shall issue an updated notice (the "**Updated Determination Notice**") to the Scheme Claimant setting out its determination in respect of each of the matters set out in Clause 3.5.7.
- 3.5.11 SchemeCo's determinations as set out in the Updated Determination Notice shall be binding on SchemeCo and the Scheme Creditor 30 days after the giving of such notice and the amount of the anticipated Ascertained Scheme Claim specified in that Updated Determination Notice, if any, shall be that Scheme Claimant's Ascertained Scheme Claim, unless before 5 p.m. on that date that Scheme Claimant disputes that determination.
- 3.5.12 If the Scheme Claimant does challenge SchemeCo's determination in the Updated Determination Notice and gives reasons for that challenge within 30 days of the Updated Determination Notice being issued to the Scheme Claimant, SchemeCo shall refer the Disputed Scheme Claim to the Scheme Adjudicator and shall notify the Scheme Claimant of the referral.
- 3.5.13 Where a Disputed Scheme Claim is referred to the Scheme Adjudicator in accordance with Clause 3.5.12, the dispute between SchemeCo and the Scheme Claimant will be determined by the Scheme Adjudicator in accordance with Clause 3.6.

3.6 Adjudication of Disputed Scheme Claims

- 3.6.1 When referring any Disputed Scheme Claim to the Scheme Adjudicator, SchemeCo shall make available:
- (a) a copy of all communications sent and received by SchemeCo in connection with the Scheme Claim under this Part 3;
 - (b) a copy of all information and documents provided by the Scheme Claimant (or their Representative, if applicable) through the Claims Portal or by post (as applicable);
 - (c) details of any Paid Compensation;
 - (d) details of any Cross-Claim;
 - (e) details of any Sold Loan Outstanding Balance; and
 - (f) details of any VREQ Refund Payment.
- 3.6.2 The Scheme Adjudicator shall have access to all of SchemeCo's (and SchemeCo shall procure that the Scheme Adjudicator and Scheme Supervisors shall have access to all of Morses Club's) relevant records and information in their possession or under their control that the Scheme Adjudicator reasonably considers it needs to determine the Disputed Scheme Claim.
- 3.6.3 When a Disputed Scheme Claim is referred to the Scheme Adjudicator for adjudication:
- (a) the Scheme Adjudicator shall consider such of the documents and information made available to them under Clause 3.6.1 and (if applicable) Clause 3.6.2 as they shall consider appropriate. The Scheme Adjudicator shall seek to determine the Disputed Scheme Claim within 60 days of receiving the Disputed Scheme Claim, but they shall be entitled to extend this period on one or more occasions by giving notices to each of SchemeCo and the relevant Scheme Claimant if they determine (acting reasonably) that a longer period is required. Any such notices shall state the revised date by which the Scheme Adjudicator will determine the Disputed Scheme Claim;
 - (b) if necessary, the Scheme Adjudicator shall, before expiry of the period set out in paragraph 3.6.3(a) above, notify the person concerned that they require:
 - (i) further documents, data or information from the Scheme Claimant or SchemeCo, in which case, the recipient shall comply within 30 days of receipt of such notice; and/or
 - (ii) SchemeCo and/or the Scheme Claimant (or its Representative) to address them on particular matters, in which case, the Scheme Adjudicator may prescribe such procedures or provisions as they consider appropriate in respect of such address;

- (c) if the Scheme Adjudicator has sent a notice under Clause 3.6.3(b) above, they shall seek to determine the Disputed Scheme Claim within 60 days of: (i) receiving all further information requested pursuant to Clause 3.6.3(b)(i) above; or (ii) having been addressed on particular matters pursuant to Clause 3.6.3(b)(ii) above but shall be entitled to extend this period on one or more occasions by giving notices to each of SchemeCo and the Scheme Claimant if they determine (acting reasonably) that a longer period is required. Any such notices shall state the revised date by which the Scheme Adjudicator will determine the Disputed Scheme Claim;
 - (d) if SchemeCo or the Scheme Claimant fails to comply with a notice under paragraph 3.6.3(b)(i) above or Clause 3.6.3(b)(ii) above within 30 days, the Scheme Adjudicator shall make their determination on the basis of the information available to them; and
 - (e) the Scheme Adjudicator shall act as an expert and not as an arbitrator.
- 3.6.4 The Scheme Adjudicator shall notify SchemeCo and each relevant Scheme Claimant of their determination of the Disputed Scheme Claim in accordance with Clause 8.1 and the amount, if any, of the Scheme Claimant's Ascertained Scheme Claim.
- 3.6.5 Any notice given by the Scheme Adjudicator under Clause 3.6.4 shall be a final and binding determination of the Disputed Scheme Claim (and as to the amount of the Ascertained Scheme Claim, including any Paid Compensation, any Cross-Claim, any Sold Loan Outstanding Balance, any VREQ Refund Payment and any Scheme Refund Payment), to the extent the law permits, and the Scheme Claimant and SchemeCo shall have no right of appeal or review, or any right to commence any Proceedings, in respect of either the Scheme Adjudicator's determination or the procedure they employed. For the avoidance of doubt, the Scheme Adjudicator shall consider and determine whether or not the Disputed Scheme Claim is valid in accordance with the Claims Methodology.
- 3.6.6 At the time they give notice under Clause 3.6.4, the Scheme Adjudicator may make whatever directions they think just for the payment of remuneration, costs, charges and expenses, incurred by them, SchemeCo and the Scheme Claimant (including requiring the Scheme Claimant to pay the costs of dealing with their Disputed Scheme Claim but only if SchemeCo has informed the Scheme Claimant in advance that it considers its challenge to an Updated Determination Notice to be unreasonable and the Scheme Adjudicator determines that the Scheme Claimant's request to refer the Disputed Scheme Claim to the Scheme Adjudicator was unreasonable).
- 3.6.7 If, under Clause 3.6.6 above, the Scheme Adjudicator directs that a Scheme Claimant shall make any payment with respect to costs, the amount of that payment shall be deducted from that Scheme Claimant's Ascertained Scheme Claim (and such Scheme Claimant's Ascertained Scheme Claim shall be reduced accordingly).

3.7 Variation of time limits

- 3.7.1 Where SchemeCo determines that it is in the interests of Scheme Creditors or the efficient operation of the Scheme, SchemeCo may, by publishing a notice on the Website, or giving individual notice to the relevant party, extend any of the time limits in this Part 3 except for the Claims Deadline. Any exercise by SchemeCo of the power in this Clause 3.7.1 shall be accompanied by a certification from the Scheme Supervisors that they consider any such extension to be in the interests of Scheme Creditors or the efficient operation of the Scheme (as applicable).
- 3.7.2 Other than the Claims Deadline, where SchemeCo or the Scheme Adjudicator is satisfied that a Scheme Creditor has failed to comply with any time limit in this Part 3, because of exceptional circumstances outside the Scheme Creditor's control, SchemeCo or the Scheme Adjudicator (as applicable) may, in their absolute discretion, extend that time limit in this Part 3 for that Scheme Creditor, without notice.

3.8 Mutual assistance

- 3.8.1 From the Effective Date until the date on which the Scheme ends in accordance with Part 7, Scheme Creditors shall provide to SchemeCo, the Scheme Supervisors and the Scheme Adjudicator all assistance it or they reasonably require in connection with the Scheme.
- 3.8.2 In particular, SchemeCo may require the following information from a Scheme Claimant:
- (a) full details of how and when a Scheme Claim arose;
 - (b) legible copies of all contracts, orders, judgments, decisions and awards which are relevant to the Scheme Claim; and
 - (c) any other supporting information and documentation SchemeCo reasonably requires.
- 3.8.3 After receipt of (i) a notice to stop making payments pursuant to Clause 3.5.3; or (ii) a Determination Notice confirming that a Scheme Claimant has an Ascertained Scheme Claim or is otherwise entitled to a VREQ Refund Payment or Scheme Refund Payment (in each case in accordance with Clause 3.5.7), whichever is earlier, such Scheme Claimant shall provide details of their Bank Account, regardless of whether the Scheme Claimant disputes the Determination Notice.
- 3.8.4 From the Effective Date until the date on which the Scheme ends in accordance with Part 7, SchemeCo shall provide Scheme Creditors with such assistance as is reasonably practicable in connection with the processing of their Scheme Claims and use its reasonable efforts to answer reasonable questions from Scheme Creditors relating to the Scheme process and that Scheme Creditor's Scheme Claims.

- 3.8.5 The assistance described at Clause 3.8.4 includes the provision of a "frequently asked questions (FAQ)" page on the Website, as well as access to SchemeCo's customer service telephone helpline, until the Scheme ends in accordance with Part 7.

4. PART 4 – PAYMENT TO SCHEME CREDITORS

4.1 Scheme Payment Percentage

4.1.1 Within 30 days after the later of:

- (a) the date on which Morses Club pays the Morses Club Funding into the Trust Account;
- (b) the date on which Morses Club pays the Shareholder Funding into the Trust Account;
- (c) to the extent that a Turnover Amount becomes available, the date on which Morses Club pays the Turnover Amount into the Trust Account; and
- (d) the date on which all Scheme Claims made by the Claims Deadline have been determined or adjudicated (as applicable) in accordance with Clause 3.5 or Clause 3.6,

SchemeCo shall, with the help of the Scheme Supervisors, calculate the Scheme Payment Percentage and promptly issue instructions to the Trust Account Bank to pay the Scheme Creditor Payments in respect of each Ascertained Scheme Claim in accordance with Clause 4.2.

4.1.2 The "**Scheme Payment Percentage**" is:

- (a) the total amount of the Compensation Fund held in the Trust Account as at the date of the calculation,

as a percentage of,
- (b) the total of all Ascertained Scheme Claims.

4.2 Payments to Scheme Creditors

4.2.1 All Scheme Creditor Payments, VREQ Refund Payments and Scheme Refund Payments shall be made by electronic transfer to the relevant Scheme Creditor's Bank Account, or, in the event that the Scheme Creditor has not provided details of a Bank Account by the latest of the dates set out in Clause 4.1.1, or otherwise requests it, by cheque sent via post.

4.2.2 A sample of Bank Account details provided by Scheme Creditors will be verified against the payment run details for the electronic transfer prior to payment under Clause 4.2.1, however, the Scheme Creditor shall bear all risk of payment under Clause 4.2.1 and, at the discretion of SchemeCo, may be required to bear any costs incurred in relation to the payment as a deduction from the Scheme Creditor Payments.

4.2.3 On the date that the electronic transfer instruction is given for, or upon issue of a cheque sent via post for, the payment of a Scheme Creditor Payment, VREQ Refund Payment or Scheme Refund Payment, such Scheme Creditor Payment,

VREQ Refund Payment or Scheme Refund Payment (as applicable) shall be deemed paid and SchemeCo shall have no further (and Morses Club shall have no) Liability for such payment.

4.2.4 Upon an electronic transfer instruction being given for, or upon issue of a cheque sent via post for, the payment of any Scheme Creditor Payment, the relevant Ascertained Scheme Claim shall be deemed paid and SchemeCo shall have no further (and Morses Club shall have no) Liability for such Ascertained Scheme Claim.

4.2.5 Any Scheme Creditor Payments received by any Scheme Creditor from SchemeCo pursuant to Part 4 will be applied first, in respect of the relevant Ascertained Scheme Claim, towards interest and costs paid by the Scheme Creditor under the original Loan before being applied towards Scheme Interest on those amounts.

4.3 **Unsuccessful electronic transfer**

4.3.1 If an electronic transfer made is unsuccessful through no fault of SchemeCo or (in the reasonable opinion of SchemeCo) the Trust Account Bank, SchemeCo will:

- (a) notify the Scheme Creditor that payment has failed via SMS text message to any SMS Scheme Creditor, by email to any Email Scheme Creditor and by post to any Postal Scheme Creditor; and
- (b) re-attempt the electronic transfer within 14 days.

4.3.2 If, on a second attempt, the electronic transfer is again unsuccessful through no fault of SchemeCo or (in the reasonable opinion of SchemeCo) the Trust Account Bank, SchemeCo shall:

- (a) notify the Scheme Creditor that payment has failed for a second time via SMS text message to any SMS Scheme Creditor, by email to any Email Scheme Creditor and by post to any Postal Scheme Creditor; and
- (b) again re-attempt the electronic transfer within a further 14 days.

4.3.3 If, on the third attempt, the electronic transfer is unsuccessful through no fault of SchemeCo or (in the reasonable opinion of SchemeCo) the Trust Account Bank, SchemeCo shall:

- (a) notify the Scheme Creditor that payment has failed for a third time via SMS text message to any SMS Scheme Creditor, by email to any Email Scheme Creditor and by post to any Postal Scheme Creditor; and
- (b) to the extent that it has a postal address for the Scheme Creditor, issue a cheque sent via post in favour of the Scheme Creditor for such payment.

4.3.4 Following the issue of a cheque sent via post (or where SchemeCo has no postal address for the Scheme Creditor, upon the third failed attempt for an electronic payment) SchemeCo will be deemed to have discharged its obligations to the

Scheme Claimant in respect of that payment and SchemeCo shall have no further Liability for any relevant Ascertained Scheme Claim, VREQ Refund Payment or Scheme Refund Payment.

- 4.3.5 Unless the Scheme Supervisors decide otherwise, any Unclaimed Sum shall be applied against the Scheme Costs and thereafter repaid to Morses Club. Morses Club will retain the balance of any Unclaimed Sum after application against the Scheme Costs for a period of six years during which Scheme Creditors may contact Morses Club requesting any Scheme Creditor Payments, VREQ Refund Payments and/or Scheme Refund Payments to which they are entitled but which have not been paid to that Scheme Creditor following three failed payment attempts pursuant to this Clause 4.3. After the six year period has expired, the balance of any Unclaimed Sum after application against the Scheme Costs will be donated to a charity chosen by Morses Club.

5. PART 5 – THE SCHEME ADJUDICATOR

5.1 The Scheme Adjudicator

5.1.1 The Scheme Adjudicator shall be Jonathan Herbst.

5.1.2 The Scheme Adjudicator shall have the powers, rights and duties conferred upon them by the Scheme and shall discharge the duties and responsibilities imposed upon them by the Scheme.

5.1.3 SchemeCo shall enter into an agreement with the Scheme Adjudicator with respect to their remuneration and expenses.

5.2 Powers, role and duties of Scheme Adjudicator

5.2.1 The Scheme Adjudicator shall be responsible for the independent adjudication and the final determination of Disputed Scheme Claims referred to them in accordance with the terms of this Scheme.

5.2.2 The Scheme Adjudicator shall be entitled to engage legal and/or financial advisers from time to time as reasonably required, in order to advise and assist the Scheme Adjudicator in connection with the conduct of their functions and powers under the Scheme. Any costs so incurred (in addition to the Scheme Adjudicator's remuneration and expenses referred to in Clause 5.1.3) shall be a Scheme Cost.

5.3 Responsibility of Scheme Adjudicator

5.3.1 The Scheme Adjudicator shall act in good faith with reasonable skill and care and shall exercise their powers, duties and functions under the Scheme with a view to ensuring that Disputed Scheme Claims referred to them are adjudicated in accordance with the Claims Methodology in the interests of all Scheme Claimants.

5.3.2 In determining Disputed Scheme Claims pursuant to Clause 3.6, the Scheme Adjudicator shall act promptly, proportionately and in a cost-efficient manner relative to the value of the Disputed Scheme Claims under consideration.

5.4 Liability of Scheme Adjudicator

5.4.1 Subject to Clause 5.4.3, Scheme Creditors shall not be entitled to challenge: (i) the validity of any act done or omitted to be done in good faith and with due care by the Scheme Adjudicator in pursuance of the provisions of the Scheme; or (ii) the exercise, non-exercise, performance or non-performance by the Scheme Adjudicator in good faith and with reasonable skill and care of any power, duty or function conferred upon them for the purpose of the Scheme.

5.4.2 The Scheme Adjudicator shall not be liable for any loss resulting from any act they do or omit to do, unless any such loss is attributable to their own wilful neglect, breach of statutory duty, breach of trust, fraud or dishonesty.

- 5.4.3 Nothing in this Clause 5.4 shall prevent the Liability of the Scheme Adjudicator for negligence.
- 5.4.4 The Scheme Adjudicator may rely on and enforce the terms of this Clause 5.4 and this Clause 5.4 shall survive the termination of the Scheme Adjudicator's appointment in accordance with this Part 5 and the termination or completion of the Scheme.

5.5 **Vacation of office**

- 5.5.1 The Scheme Adjudicator shall vacate office, if they:
- (a) die or otherwise becomes unable to carry out their duties under the Scheme (where the Scheme Adjudicator is an individual (whether appointed pursuant to Clause 5.5.2 or otherwise));
 - (b) become bankrupt (where the Scheme Adjudicator is an individual) or become subject to an Insolvency Event (where the Scheme Adjudicator is not an individual) (whether appointed pursuant to Clause 5.5.2 or otherwise);
 - (c) are disqualified from acting as a director under the Company Directors Disqualification Act 1986 (where the Scheme Adjudicator is an individual (whether appointed pursuant to Clause 5.5.2 or otherwise));
 - (d) resign by giving 30 days' notice in writing to SchemeCo or such shorter period of time as may be agreed by SchemeCo; or
 - (e) are removed by SchemeCo because, in the reasonable opinion of SchemeCo and the Scheme Supervisors, they are unable or have failed to carry out their duties under the Scheme.
- 5.5.2 Where a vacancy arises in the office of Scheme Adjudicator, SchemeCo shall forthwith fill the vacancy with a person or firm having the requisite qualifications, resources and expertise (as applicable), that is duly qualified, in the reasonable opinion of SchemeCo and the Scheme Supervisors, to discharge the functions of the Scheme Adjudicator under the Scheme.

6. PART 6 – THE SCHEME SUPERVISORS

6.1 The Scheme Supervisors

- 6.1.1 The Scheme Supervisors shall be Dan Schwarzmann and Nigel Rackham of PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH (each exercising the powers of the Scheme Supervisor individually with the ability to act severally). SchemeCo shall have the power to appoint any successor of either or both of the Scheme Supervisors.
- 6.1.2 In exercising their powers and carrying out their duties under the Scheme, the Scheme Supervisors shall act as agents of SchemeCo.

6.2 Role of the Scheme Supervisors

- 6.2.1 The Scheme Supervisors shall discharge the duties and responsibilities imposed upon them by the Scheme.
- 6.2.2 The Scheme Supervisors shall act in good faith with reasonable skill and care in the interests of the Scheme Creditors as a whole and shall exercise their powers, duties and functions under the Scheme with a view to ensuring that the Scheme is implemented in accordance with its terms.
- 6.2.3 Without prejudice to the generality of Clause 6.2.1, the Scheme Supervisors shall in addition:
- (a) monitor SchemeCo's compliance with the terms of the Scheme;
 - (b) once every six months from the Effective Date, prepare a report for Scheme Creditors providing an update on the progress of the Scheme;
 - (c) confirm that any Scheme Costs incurred by SchemeCo have been properly incurred in accordance with the Scheme;
 - (d) calculate the Turnover Amount in accordance with Schedule 2 (*Turnover Amount*); and
 - (e) confirm the completion of the Scheme in accordance with Clause 7.1.

6.3 Powers of the Scheme Supervisors

- 6.3.1 The Scheme Supervisors shall have all of the powers necessary or desirable to enable them to discharge their duties and responsibilities under the Scheme (although it is acknowledged that the Scheme Supervisors cannot exercise any power that would result in their assuming control of SchemeCo's affairs so as to supplant the SchemeCo Board).
- 6.3.2 Without prejudice to the generality of Clause 6.3.1, each of the Scheme Supervisors shall be entitled:
- (a) to have access to, and the power to disclose to third parties, such company information, books, documents or personnel of Morses Club

and/or SchemeCo as may from time to time be necessary for the operation of the Scheme;

- (b) to delegate to or employ any person as they see fit for the carrying out of their powers, rights, duties and functions under the Scheme;
- (c) to do all acts and to execute in the name and on behalf of SchemeCo any deed, receipt or other document necessary for or incidental to their role under the Scheme;
- (d) to apply to the Court for directions in relation to any particular matter arising in the course of the Scheme;
- (e) to engage (or require SchemeCo to engage) legal and financial advisers from time to time as reasonably required, in order to advise and assist the Scheme Supervisors in connection with the conduct of their functions and powers under the Scheme;
- (f) to instruct SchemeCo to make payments pursuant to the terms of the Scheme, including payments that are necessary for or incidental to the performance of the Scheme Supervisors' or SchemeCo's functions under the Scheme;
- (g) to enforce, as SchemeCo's agents, Morses Club's obligations under the terms of the Implementation and Funding Agreement; and
- (h) to engage with the Financial Conduct Authority regarding the operation and progress of the Scheme.

6.4 Responsibility of the Scheme Supervisors

- 6.4.1 The Scheme Supervisors shall act in good faith with reasonable skill and care and shall exercise their powers, duties and functions under the Scheme with a view to ensuring that the Scheme is implemented in accordance with its terms.
- 6.4.2 In exercising their powers, duties and functions under the Scheme, the Scheme Supervisors shall act promptly, proportionately and in a cost-efficient manner relative to the value of the Scheme Claims under consideration.

6.5 Liability of the Scheme Supervisors

- 6.5.1 Subject to Clause 6.5.3, Scheme Creditors shall not be entitled to challenge: (i) the validity of any act done or omitted to be done in good faith and with due care by the Scheme Supervisors in pursuance of the provisions of the Scheme or; (ii) the exercise or performance by them in good faith and with reasonable skill and care of any power, duty or function conferred upon them for the purpose of the Scheme.
- 6.5.2 The Scheme Supervisors shall not be liable for any loss resulting from any act which they do or omit to do, unless any such loss is attributable to their own wilful neglect, breach of statutory duty, breach of trust, fraud or dishonesty.

6.5.3 Nothing in this Clause 6.5 shall prevent the Liability of the Scheme Supervisors for negligence.

6.5.4 Each of the Scheme Supervisors may rely on and enforce the terms of this Clause 6.5 and this Clause 6.5 shall survive the termination of the Scheme Supervisors' appointment in accordance with Part 6.

6.6 **Vacation of office**

6.6.1 A Scheme Supervisor shall vacate office if they:

- (a) die or otherwise becomes unable to carry out their duties under the Scheme;
- (b) become bankrupt;
- (c) resign by giving 30 days' notice in writing to SchemeCo or such shorter period of time as may be agreed by SchemeCo; or
- (d) are removed by SchemeCo because, in the reasonable opinion of the SchemeCo Board, they are unable or have failed to carry out their duties under the Scheme.

6.6.2 Where a Scheme Supervisor vacates office, SchemeCo shall forthwith fill the vacancy with a person having the requisite qualifications, and who is duly qualified, in the reasonable opinion of SchemeCo, to discharge the functions of a Scheme Supervisor under the Scheme. Pending the appointment of a second Scheme Supervisor, the remaining Scheme Supervisor shall continue to discharge the functions of the Scheme Supervisor under the Scheme.

6.6.3 Where both Scheme Supervisors vacate office, pending appointment of a replacement Scheme Supervisor in accordance with Clause 6.6.2, SchemeCo shall discharge the functions of the Scheme Supervisors under the Scheme.

7. PART 7 – COMPLETION AND TERMINATION OF THE SCHEME

7.1 Scheme Completion

If the Scheme Supervisors resolve (and notify SchemeCo of that resolution) that:

- 7.1.1 they are satisfied that the Scheme has been properly implemented in accordance with its terms;
- 7.1.2 all Scheme Claims have been determined and/or adjudicated (as applicable) in accordance with Clause 3.5 or Clause 3.6; and
- 7.1.3 all Ascertained Scheme Claims, VREQ Refund Payments and Scheme Refund Payments have been paid in accordance with Parts 3 and 4 and that all amounts standing to the credit of the Compensation Fund have been distributed in accordance with the Scheme,

SchemeCo shall promptly publish a notice on the Website confirming that the Scheme has been fully implemented in accordance with its terms.

7.2 Scheme Termination

7.2.1 This Scheme shall automatically terminate if:

- (a) Morses Club does not pay the full amount of the Early Termination Funding into the Early Termination Trust Account within 30 days after the Effective Date;
- (b) SchemeCo does not procure the payment of the full amount of the Morses Club Funding into the Trust Account by 29 March 2024;
- (c) the current shareholders of Morses Club do not vote in favour of issuing new shares to investors at a general meeting of the shareholders, resulting in the current shareholders being diluted by 95% by 3 May 2024;
- (d) SchemeCo does not procure the payment of the full amount of the Shareholder Funding into the Trust Account by 28 June 2024;
- (e) to the extent that a Turnover Amount becomes available, SchemeCo does not procure the payment of the full amount of the Turnover Amount into the Trust Account by 29 July 2024; or
- (f) in the event that an Insolvency Event occurs in respect of Morses Club or SchemeCo prior to the payment of the full amount of the Compensation Fund into the Trust Account,

in which case SchemeCo shall promptly publish a notice on the Website that the Scheme has been terminated at the date of the notice.

7.2.2 In the event of a termination of the Scheme after the payment of the Morses Club Funding but before the payment of the Shareholder Funding, SchemeCo

shall return the Morses Club Funding to Morses Club, as soon as reasonably practicable.

- 7.2.3 After the payment of the full amount of the Compensation Fund into the Trust Account, the Scheme shall not terminate upon an Insolvency Event in respect of Morses Club.
- 7.2.4 Following a notice under Clause 7.1 or Clause 7.2.1, the provisions of the Scheme, other than those referred to in Clause 7.2.5, shall be of no further effect.
- 7.2.5 Clauses 2.4.5, 2.8, 2.15.4, 5.4, 6.5 7.2.3, 8.1 and 8.2 shall survive the termination of the Scheme.

8. PART 8 – GENERAL PROVISIONS RELATING TO THE SCHEME

8.1 Notices

8.1.1 Any notice or other written communication to be given under or in relation to this Scheme may be given:

- (a) in the case of notice to SchemeCo, it is uploaded to the Claims Portal or sent for the attention of the Scheme of Arrangement Team by email to contact@morsesclub.com or by letter to Morses Club Scheme Limited, Building 1 The Phoenix Centre, 1 Colliers Way, Nottingham, NG8 6AT or at such other address as SchemeCo may notify to Scheme Creditors in accordance with sub-Clause 8.1.1(d);
- (b) in the case of notice to the Scheme Supervisors, it is sent for the attention of Dan Schwarzmann and Nigel Rackham by email to dan.schwarzmann@pwc.com and nigel.d.rackham@pwc.com or by letter to PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH or at such other address as the Scheme Supervisors may notify to Scheme Creditors in accordance with sub-Clause 8.1.1(d);
- (c) without prejudice to Clause 3.1.2, in the case of a notice to a Scheme Creditor in respect of their Scheme Claim:
 - (i) if the Scheme Creditor has submitted their Scheme Claim in the Scheme through the Claims Portal, through the Claims Portal; or
 - (ii) if the Scheme Creditor has submitted their Scheme Claim in the Scheme otherwise than through the Claims Portal or has not submitted a Scheme Claim in the Scheme, by SMS text message to each SMS Scheme Creditor, by email to each Email Scheme Creditor or by post to each Postal Scheme Creditor; and
- (d) in the case of Scheme Creditors as a whole (and other than as provided in Clause 8.1.1(c) and without prejudice to Clause 3.1.2) by posting on the Website.

8.1.2 Other than as provided for in Clause 8.1.4, any notice or other written communication to be given under the Scheme shall be deemed to have been served on the earliest of:

- (a) if sent by email or SMS before 5.00 p.m. on a Business Day, on that Business Day and if sent after 5.00 p.m. on a Business Day (or on a day that is not a Business Day) on the next immediately following Business Day;
- (b) if sent through the Claims Portal before 5.00 p.m. on a Business Day, on that Business Day and if sent after 5.00 p.m. on a Business Day (or on a day that is not a Business Day) on the next immediately following Business Day;

- (c) if posted to the Website before 5.00 p.m. on a Business Day, on that Business Day and if posted after 5.00 p.m. on a Business Day (or on a day that is not a Business Day) on the next immediately following Business Day;
 - (d) if sent by post, the second Business Day after posting; or
 - (e) the Business Day on which the notice or communication is received by the recipient.
- 8.1.3 Other than as provided for in Clause 8.1.4, in proving receipt of a notice sent by post, it shall be sufficient proof that the envelope was properly stamped, addressed and placed in the post.
- 8.1.4 Notwithstanding any other provision of this Clause 8.1, any Scheme Claim submitted by a Scheme Creditor in accordance with Clause 3.2.3(b) shall only be deemed to have been received on the Business Day on which the Scheme Claim is actually received by SchemeCo.

8.2 **Governing law and jurisdiction**

- 8.2.1 This Scheme shall be governed by, construed and take effect in accordance with English law.
- 8.2.2 Subject to Clause 2.2 and Clause 3.6.5, SchemeCo, the Scheme Supervisors, the Scheme Adjudicator, and the Scheme Creditors hereby submit to the exclusive jurisdiction of the Court and agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any claim, dispute or matter of difference which may arise out of the provisions of this Scheme, or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme.

**SCHEDULE 1
PURCHASED LOANS**

Companies from whom Morses Club purchased Loans and has assumed liability for any claims for Redress Liabilities arising in respect of them	Trading names	Date of purchase of loans
A.A Finance	A.A Finance	15/04/2015
Bee Clothing & Supply Company Ltd	Bee Family Finance	24/03/2015
Carson Finance Limited	Carson Finance	10/10/2016
CFS Loans Limited	CFS Limited	13/05/2015
Deebank Financial Services Limited	Deebank Financial, Deebank Financial Services	24/04/2016
Edie Dyson	Dyson Finance	30/07/2015
Eccles Savings and Loans Limited	Eccles Savings and Loans Limited	01/02/2019
Hays Credit LLP	Hays Credit	12/02/2019
KDS Finance Limited	K.D.S, K.D.S. Finance	17/05/2015
Bannons Limited	Lagan Finance	13/10/2015
Pearlmans Finance Limited	Pearlmans, Pearlmans Finance	31/08/2016
Portwood Finance Company Limited	Portwood, Portwood Finance, Portwood Finance Company	29/09/2016
Shopacheck Financial Services Limited	Shopacheck, SFS	10/03/2014
H.Stanley (Hull) Limited	H. Stanley (Hull), Stanley (Hull)	10/08/2016
Sunniside Clothing and Supplies Limited	Sunniside, Sunniside Clothing, Sunniside Supplies, Sunniside Clothing, Supplies Limited, Sunniside Finance	26/07/2015
The Universal Trading Company (Leicester) Limited	Universal, Universal Trading Company	24/07/2016

SCHEDULE 2 TURNOVER AMOUNT

1. The total sum arrived at from the calculations in paragraph 2 below (the "**Total Net Recoveries**") will be compared to the amount of the Morses Club Funding. Any amount by which the Total Net Recoveries exceeds the amount of the Morses Club Funding shall constitute the "**Turnover Amount**" for the purposes of the Scheme. Morses Club shall use reasonable endeavours to ensure that any potential Turnover Amount is maximised.
2. The Scheme Supervisors will calculate the following:
 - 2.1 the value of Morses Club and Shelby's existing cash as at the Effective Date; *less*
 - 2.2 £3 million required to be maintained by Morses Club as an operational liquidity reserve; *less*
 - 2.3 the amount due to the Secured Funders (which amount includes all sums outstanding under the Secured Funding Facility); *less*
 - 2.4 amounts held by Morses Club pursuant to the VREQ Trust Account; *plus*
 - 2.5 recoveries made by Morses Club and Shelby after the Effective Date and before 31 May 2024 (the "**Cut-off Date**") from loans that were issued prior to the Effective Date ("**Turnover Loans**") (less any such recoveries to be returned to Scheme Creditors with valid Scheme Claims in accordance with Clause 2.11 of the Scheme) including the proceeds of sale (or deemed proceeds in accordance with paragraph 3 below) of any remaining Turnover Loans before the Cut-off Date; *plus*
 - 2.6 the value of Morses Club and Shelby pre-payments as at 31 March 2024 which are allocated (in accordance with paragraph 4 below) to the Turnover Loans; *plus*
 - 2.7 any surplus held in the VREQ Trust Account once all required payments have been made thereunder in accordance with Clause 2.11 of the Scheme (or otherwise provisioned for); *less*
 - 2.8 deductions for:
 - 2.8.1 any interest accrued but unpaid on the Secured Funding Facility as at the Effective Date;
 - 2.8.2 interest accruing on the Secured Funding Facility or any new secured funding facility from the Effective Date to the earlier of: (a) 31 March 2024; or (b) the date of repayment of such facilities if repayment has been made before 31 March 2024, which is allocated (per paragraph 4 below) to the Turnover Loans;
 - 2.8.3 Morses Club and Shelby overheads and expenses (including VAT) from the Effective Date to (and including) 31 March 2024 which are allocated

(in accordance with paragraph 4 below) to the Turnover Loans, except for the specific items referred to in paragraph 6 below which shall not be taken into account for the purposes of calculating the Turnover Amount;

- 2.8.4 Morses Club and Shelby's accrued expenses as at 31 March 2024 which are allocated (in accordance with paragraph 4 below) to the Turnover Loans;
 - 2.8.5 residual expenses incurred by Morses Club and Shelby after 31 March 2024 but before the Cut-off Date which are specific to obtaining recoveries in relation to any Turnover Loans; and
 - 2.8.6 any Scheme related expenses incurred after 31 March 2024.
3. For the purposes of calculating the recoveries made by Morses Club or Shelby before the Cut-off Date pursuant to paragraph 2.5 above, Morses Club and Shelby will either have: (a) recovered or written off the outstanding Turnover Loans; (b) sold the outstanding Turnover Loans; or (c) retained the outstanding Turnover Loans having invited bids for them. In the case of (c) the best bid will be deemed to be the proceeds for the purposes of paragraph 2.5 above.
 4. For the purposes of allocating the aggregate total of the Morses Club and Shelby expenses (excluding those associated with marketing and the issuing of new loans after the Effective Date) to the Turnover Loans pursuant to paragraph 2.8.3 above, these will be based on the value of the collections from the Turnover Loans for the period from the Effective Date to 31 March 2024, as a proportion of the total value of all collections from Morses Club and Shelby loans (including new lending) during the period from the Effective Date to 31 March 2024.
 5. The Scheme Supervisors will calculate the Turnover Amount and the calculation of the Turnover Amount in accordance with this Schedule 2 will be independently certified by a firm of accountants to be appointed by Morses Club.
 6. For the avoidance of doubt, the following items will be excluded when calculating the Turnover Amount and will instead be allocated to the new business of Morses Club and Shelby:
 - 6.1 £3 million of cash in respect of the operational liquidity reserve;
 - 6.2 the value of any fixed assets (including depreciation) of Morses Club and Shelby (both tangible and intangible);
 - 6.3 all amounts received from the Shareholder Funding less the deduction of any costs incurred in connection with the implementation of and obtaining the Shareholder Funding;
 - 6.4 the value of any payments or repayments in respect of any intercompany debt between Morses Club and Shelby;
 - 6.5 the value of any redundancy or restructuring costs (excluding any Scheme related expenses) incurred after 31 March 2024;

- 6.6 all of Morses Club and Shelby's overheads, expenses (including VAT) of whatever nature which have not been allocated to the Turnover Loans; and
- 6.7 any interest in respect of the Secured Funding Facility or any new secured funding facility or alternative financing arrangements arising after 31 March 2024;
- 6.8 the value of Morses Club and Shelby's overheads and expenses incurred prior to 31 March 2024 associated with marketing and the issuing of new loans after the Effective Date.

SCHEDULE 3
CLAIMS METHODOLOGY

Morses Club Proposed Scheme Claims Methodology

This document outlines the Morses Club proposed Scheme methodology and outlines the calculations used in estimating the possible total gross preliminary redress value.

Scheme coverage

All loans that were issued from 1st April 2007 to 2nd August 2022 are included for consideration within the methodology (including any loans acquired by Morses Club that were issued within the specified date range where Morses Club carries liability), no exclusions are applied throughout.

Note: Morses Club has historically carried out regular data deletion in line with its data retention policy and requirements under GDPR. Where data has been deleted no elements remain that would allow a customer's borrowing history to be re-established and therefore cannot be assessed via the automated methodology. Based on business level data Morses Club estimates that c.150k loan sales have been deleted from the system. The data deletion routines were suspended from 17th June 2022, and no further deletion has taken place since that time.

Based on sales to 2nd August 2022 the scheme provides coverage for the following volumes of customers / loans:

Total Customer Volume	Total Loan Sales (Volume)	Total Loan Sales (Value)	Total Loan Interest (Value)
661,620	3,861,390	£1,238,281,713	£884,633,063

Overview of Scheme Outcomes

	Total	Failing Test	%
Customer Volume	661,620	405,760	61.3%
Loan Sales (Volume)	3,861,390	2,283,944	59.1%
Total Loan Sales (Value)	£1,238,281,713	£565,803,409	45.7%
Total Loan Interest (Value)	£884,633,063	£432,821,789	48.9%

Note – the values above include modelled values for missing CRA data from April' 14 to June' 19.

Proposed Scheme Methodology

For loans issued 1st April 2007 – 31st March 2014

Due to limited data availability for loans during this period, whilst the methodology will be applied, outcomes will be found in favour of the claimant wherever gaps in data persist. Therefore, to ensure equitable outcomes for customers with loans in this period it is anticipated that all loans within this period will be eligible for redress.

For loans issued 1st April 2014 – 2nd August 2022

The proposed Scheme methodology would assess claims by carrying out tests using internal and external data on all loans within a complainant's history with MCL. Rather than applying a waterfall methodology the tests are applied to each loan individually with every test applied to every loan (regardless of the outcome of any other test). Redress will be paid for every loan where one or more of the following tests were breached:

- Affordability rules regarding:
 - Minimum income of £100/week or
 - Minimum remaining NDI of £25/week or
 - Morses Club terms exceed 65% of customer NDI

- Automated income validation was accepted with a "TAC ICF"¹ of <7
- Customer loan sequence extending to >4 without a break in lending⁴
- Customers had active accounts > 33% over term at the point of sale
- Responsible Lending Scorecard²
- Sustainability Hard Stop Rules³
- Customer registered insolvent at the point of loan issue

¹"TAC" is the name commonly used for the TransUnion Affordability Report which allows for CRA verification of customer declared incomes. The "ICF" or Income Confidence Factor is a measure of the quality of the data source available to TransUnion to make the assessment of the accuracy of the customer declared income, ranging from 0-9 with higher values indicating improving confidence in data source quality.

²The 'Responsible Lending Scorecard' uses customer CRA data to create a comprehensive series of rules (20+) which look for common indicators of potential financial distress.

³The 'Sustainability Hard Stop Rules' use customer CRA data to create a series of individual knock out rules that look for signs of potential financial distress across areas that would suggest that further lending at that time may have been unsustainable.

⁴ Full detail of the test approach is included in the 'proposed scheme methodology rationale' section.

Proposed Scheme Methodology Rationale

The proposed Scheme is not designed to challenge normal HCC borrowing patterns or to redefine the expected profile of a typical sub-prime customer, therefore each of the rules within the Proposed Methodology has been designed to identify elements within the profile of any loan sale which would be atypical for the profile of an HCC customer or could suggest that the lending may have been unsustainable or unaffordable at the time. The rules are designed to provide coverage across a range of areas and therefore loans do not typically hit multiple rules. As a loan only needs to fail one of the tests to be eligible for redress this is by design with the intention of providing a balanced methodology for the scheme.

The scheme rules fall into three categories looking at a broad range of indicators of potential unaffordable lending these are:

- Customer Affordability
- The patterns of customer borrowing with MCL
- Customer's credit file information

Customer Affordability

The rules in this section look directly at the customer's levels of income, how this was determined, and the impacts the MCL contractual repayments may have had on the customer's overall financial wellbeing.

Affordability rules regarding:

1. **Minimum income of £100/week or**
2. **Minimum remaining NDI of £25/week or**
3. **Morses Club terms exceed maximum customer NDI usage**

Threshold: = 1 or more of the 3 rules are True

Note: There are 3 individual tests with the 'Affordability Rules' group working on a 'or' basis rather than 'and,' meaning that a fail in at least one of the 3 tests will see the applicable loan being eligible for redress.

Test 1 is a measure of the customer's evidenced income value, where a loan was issued when supported by an I&E assessment that included total customer weekly income of less than £100 redress will be paid on that loan. The figure of £100 is based on the value of the current standard Universal Credit allowance for a single individual (under the age of 25) (£61.23 per week and is assumed to be utilised in full to pay non-discretionary

outgoings), plus the minimum remaining NDI buffer of £25, plus sufficient funds to cover the average MCL terms for a £200 loan (£10), rounded up to the nearest £10. (£61.23 + £25 + £10 = £96.23, rounded to £100).

Tests 2 and 3 are measures of the remaining weekly disposable income available to the customer having taken out an MCL loan. NDI is calculated as the customer's evidenced income value minus all non-discretionary outgoings (both for credit commitments and their contribution to other essential household expenditure).

Under test 2 the value of their total weekly MCL contractual commitment is deducted from their NDI value, where the result of this calculation is less than £25 the customer will receive redress for the loan sale that resulted in this outcome.

For Test 3, the customer's total MCL contractual commitment is divided into their NDI value, where the customer has taken 4 MCL loans or fewer the maximum permitted NDI usage is 65%, where a customer has taken 5 loans or more the maximum NDI usage is 50%. Where the customer's total MCL contractual terms exceed the permitted threshold for NDI usage the customer will receive redress for the loan sale that resulted in this outcome.

Note – when carrying out the above test MCL will adjust the level of outgoings related to the credit commitments included in the calculation to reflect the greater of the values declared by the customer at the time of the assessment or those shown in the CRA data

Automated income validation was accepted with a "TAC ICF" of <7

Threshold: = True

The purpose of this test is to mitigate against the risk of unaffordable lending arising from a customer overstating their income and where this has been accepted by Morses Club as a result of the TAC ICF outcome. Redress is paid when the ICF is <7 or if a joint flag is present.

MCL Borrowing Patterns

The tests within this section takes different aspects of the customer's MCL borrowing patterns and history prior to subsequent loan issue to look to identify lending that would be classed as outside the typical borrowing patterns of an HCC customer.

Customer loan sequence without break in lending

Threshold: >4 loans

The nature of the HCC product (where customers value the service provided, the simple fixed weekly repayments, and standard forbearance which means no fess or additional interest charges are levied for missed payments) means that customers may choose to hold an extended relationship with MCL. This, in turn, means that it is normal for some customers to take a higher number of MCL loans over time when compared to other financial sectors. This test seeks to identify where the borrowing patterns of the customer appear to be outside the 'normal' HCC borrowing patterns. Redress is paid on the 5th and all subsequent loans when taken in a sequence that does not include a sufficient break between the loans (of 70 or more days).

Active accounts > 33% over term at the point of sale

Threshold: >=1

Note - A loan is described as '33% over term' where it has been active for a period that is more than 33% over the contracted duration (i.e., a loan running for 44 weeks or more against a contractual duration of 33 weeks). Due to forbearance within the HCC product, it is not unusual for customers to miss payments or make reduced payments as a result of financial shocks occurred within the lifetime of the loan. Where this occurs, a customer may take longer than the contracted duration to repay a loan without penalty (where no late fees, penalties, or additional interest is charged). However, a loan running one third beyond its original contractual term is seen as being an potential indicator of a customer having a level of financial distress meaning it may not have been appropriate for MCL to allow further borrowing where this was the case. Therefore, redress will be paid on all loans issued where a customer had an account twice its contractual term at the time the new loan was issued.

Customer Credit File Information

The Responsible Lending Scorecard is applied as a series of interrelated tests looking at the customer's credit file at the time of MCL borrowing.

Responsible Lending Scorecard

Threshold: 2 or more 'fails'

For all periods covered by the Scheme MCL did not have access to credit data for existing customers or did not have the Responsible Lending Scorecard in place. Therefore, as part of the Scheme methodology an enhanced version of the original MCL Responsible Lending Scorecard is to be applied to all loans using data from the time that the loan was issued. The Responsible Lending Scorecard is designed to look across a customer's credit data to look for signs of potential financial distress. Redress will be paid to any loans issued to a customer where the associated CRA data results in an overall fail of the Responsible Lending scorecard.

Sustainability Hard Stop

Threshold: 1 or more 'fail'

A test applied to a customer's 5th and all subsequent MCL loans which isolates specific aspects of the customer's credit file and applies a 'hard stop' if any one of a number of key sustainability risk indicators are present. Redress is paid against any loans failing any single element of this test.

Customer registered insolvent at the point of loan issue

Threshold: = True

Throughout the period MCL has had a policy rule that lending to customers who were currently insolvent was not permitted however at times this was manually enforced. Redress will be paid where the policy rule was not correctly applied.

Responsible Lending Scorecard Rules Detail

Responsible Lending Scorecard

The Responsible Lending Scorecard Includes a comprehensive series of rules (23) which would cover common indicators of financial difficulties such as arrears, defaults, CCJs, recent borrowing patterns, and overall levels of credit. The rules focus on recency, looking primarily at the last 3 to 6 months, previous month, or current position in relation to the point in time that the loan was issued.

The rules are not designed as standalone rules, rather they work with other rules within the test to identify where the customer's credit file shows are higher likelihood of financial distress. Each rule has a threshold beyond which the customer would receive a 'fail'. A customer would produce an overall fail where 2 or more 'fails' are observed.

The rules within the Responsible Lending Scorecard are as follows:

Rule No	Description
1	Value of utilities defaults > £500
2	Number of mortgage accounts in 1+ months arrears >=1
3	Total balance on home credit (including Morses) >= £4,000
4	Total balance on revolving credit >= £10,000
5	Number of accounts defaulted in the last 6 months >=2
6	Total balances now as a % of total balances 6 months ago = 100%
7	Total balance on unsecured loans >= £17.5k
8	Total balances to income ratio >65%
9	Insolvent in the last 36 months
10	Credit applications in the last 3 months >= 8
11	Number of accounts on repayment plan >= 1

12	Active CCJs (\geq £250) in the last 12 months \geq 1
13	Sum of the worst status of 'Worst status in the last month in accounts opened within the last 24 months' and 'Worst Current Payment Status on active Sector 3 (Revolving Credit and Budget) Accounts' (excluding defaults); and the 'number of active accounts with a current status of '1'; or Overdraft in arrears (excluding defaults) = True
14	Total value of debt in Debt Management \geq £50
15	Number of Runaways $>$ 0
16	Number of active short term loan accounts \geq 2
17	Number of short-term loan accounts opened in the last 3 months \geq 3
18	Value of short-term loans opened in the last 6 months $>$ 1500
19	Number of short-term loan accounts opened in last month \geq 2
20	Balances on all revolving credit accounts as a % of current limits Now v 6 months ago
21	Value Cash Advance in the current month / Total Credit Card Repayment Amount in the current month $>$ 100%
22	Volume/Value of accounts opened in the last 3 months \geq £1,500 & \geq 3 accounts OR value \geq £2,500
23	Value of accounts opened in last 3 months $>$ 3,000

Responsible Lending Scorecard Rules overview

Rule 1: Total value of all utilities defaults

Threshold: $>$ £500

A default on Utilities, as a priority debt, could be an indicator of financial distress. As the measure covers the full period of credit data (up to 6 years) the threshold of £500 is set to reflect a default equivalent to a number of months of unpaid bills and to remove any nominal values.

Rule 2: Number of mortgage accounts 1 or more months in arrears

Threshold: \geq 1

Mortgage arrears are a sign of potential financial distress therefore the threshold has been set to fail where any mortgage arrears are present.

Rules 3&4: Total balance on home credit (including Morses) / Total balance on revolving credit

Threshold: \geq £4,000 / \geq £10,000

These rules are set to identify customers who have high existing debt balances. Working alongside rule 7&8 to produce an overall fail where a customer has high balances in multiple sectors or where their balances are high compared to income.

Rule 5: Number of accounts defaulted in the last 6 months

Threshold: \geq 2

A default represents a broken credit agreement and is an indicator that a customer has been unable to maintain their contractual repayments. As it is not uncommon for sub-prime customers to have default on their credit file the rule focuses on recency (last 6 months) with a threshold of 2 or more observed.

Rule 6: Total balances now as a % of total balances 6 months ago

Threshold: =100%

This measure looks at balance inertia, whereby the balances have remained unchanged for the last 6 months. As an alternate to measures based on arrears status alone this element looks for where balances are not being reduced in line with the arrears status or where there is potential that a customer is borrowing at a level equivalent to any repayments made.

Rule 7: Total balance on unsecured loans

Threshold: \geq £17,500

The threshold on this rule is set to identify customers with balances that are significantly higher than the average in this area. The rule works alongside rules 3&4 to create an overall fail where customers have high balances across multiple sectors.

Rule 8: Total balances to income ratio (excluding mortgages)

Threshold: >65%

A high balance to income ratio could be an indication that the customer may have reached or exceeded their capacity to manage their credit commitments (with a threshold of >65% set to reflect this). This rule pairs with rules 3,4, &7 and will create an overall fail where the combined balances are high against the customer's income.

Rule 9: Insolvent in the last 36 months

Threshold: = True

Customers insolvent at the point of loan application are declined by MCL, therefore a 'fail' is declared where the customer was insolvent in the previous 3 years but is now discharged.

Rule 10: Credit applications in the last 3 months

Threshold: >=8

Customers will usually have a level of credit search activity within their credit files however there is a correlation between individuals showing a higher volume of 'hard' credit searches within a short period and financial difficulty. The threshold is set to identify where the volumes are outside typical subprime customer behaviour.

Rule 11: Number of accounts on repayment plan

Threshold: >=1

Repayment plans are typically put in place in response to short term issues which lead to customers struggling to meet their full contractual repayments, therefore the threshold is set at 1 or more.

Rule 12: Number of CCJs >=£250 with outstanding balance

Threshold: >= 1 (where >=1 was issued within last 12 months)

It is not atypical for sub-prime customers to have CCJs on their credit file and can be representative of previous financial difficulty rather than an ongoing issue (CCJs can also be present for other payment disputes that are not necessarily related to a financial services product, i.e., unpaid or disputed parking fines). Therefore, the rule threshold in this area is looking to find a balance between the recency of the events and evidence that it is more than a breakdown of a singular financial commitment.

Rule 13: Sum of arrears statuses or Overdraft in arrears

Threshold: >=2 or = True

Sub-prime customers may have arrears on their credit file, this in isolation should not be viewed as a sign of significant financial difficulty. Therefore, these rules look to identify where excessive arrears or overdraft arrears are present. The 'sum of arrears statuses' is calculated as the sum of the worst status of 'Worst status in the last month in accounts opened within the last 24 months', 'Worst Current Payment Status on active Sector 3 (Revolving Credit and Budget) Accounts' (excluding defaults), and Worst payment status in the last 1 month in accounts opened in last 12 months excluding historic defaults; and the 'number of active accounts with a current status of '1'. Where this equals 2 or more, or where the customer has overdraft arrears (excluding defaults), the test is failed.

Rule 14: Total value of debt in Debt Management (within last 12 months)

Threshold: >=£50

Debt Management plans are usually used when a customer cannot afford to pay their full contractual commitments or where they need to take a temporary break in repayments. The rule looks over the 12 months prior to the issuance of the MCL loan with the threshold is set at £50 to exclude any nominal balances.

Rule 15: Number of Runaways

Threshold: >0

'Runaways' are where a customer is shown to be 4 or more months in arrears within 6 months of taking a new credit account (with a balance of £25 or more within Telecoms, Utilities, Home Credit, or Home Shopping; or £100 or more in loan / instalment credit, mortgages, revolving credit, bank accounts, or insurance). The threshold is set at one or more as any presence of these on a customer's credit file would suggest some form of financial difficulty.

Rules 16-19: Short term loan accountsThreshold: Number of active short term loan accounts ≥ 2 ; Number of short-term loan accounts opened in last 3 months ≥ 3 ; Value of short-term loans $\geq 6m$ $>£1,500$; Number of short-term loan accounts opened in last month ≥ 2

A sequence of rules designed to interact and create an overall fail if the customer has a higher volume and/or value of short-term loan borrowing in the period immediately before taking an MCL loan.

Rule 20: Balances increase on all revolving credit accounts as a % of current limits now v 6 months agoThreshold: $\geq 50\%$

Focussing on revolving credit accounts, looks at where a customer has taken a significant increase ($\geq 50\%$) in usage against their credit limits in the period prior to taking an MCL loan.

Rule 21: Value Cash Advance in the current month / Total Credit Card Repayment Amount in the current monthThreshold: $>100\%$

Cash advances can carry a handling fee or service charge and are treated differently to purchases with interest being charged from the date of withdrawal. These transactions also typically incur a higher interest rate than standard credit card purchases. Therefore, whilst convenient, due to the additional costs incurred frequent use could be seen as an indicator of potential financial distress. The test would be failed where the total value of cash advances in the most recent month is greater than the total of repayments made in the same period.

Rule 22&23: Recent BorrowingThreshold: Accounts opened in last 3 months $\geq £1,500$ & ≥ 3 accounts; or value $\geq £2,500$ / Value of accounts opened in last 3 months $>£3,000$

Working as a pair, rule 22 looks for a higher recent borrowing (3 or more loans in the last 3 months with a combined balance of £1,500 or more, or a higher value of recent borrowing ($\geq £2,500$)). Rule 23 acts as an upper limit for rule 22 creating an overall fail if the customer has recent borrowing $\geq £3,000$.

Volumes of accounts meeting proposed Scheme rules (by test) (for sales from 1st April 2014 to 2nd August 2022 only)

Information regarding the outcome of each test is presented below however as a loan could fail multiple tests the sum of the totals presented below will differ from the overall estimate of possible gross preliminary redress.

Note – every loan will be assessed against every test regardless of the outcome of other tests, with redress paid in the event of any failed test (for avoidance of doubt, any positive test outcome does not remove eligibility for redress). Therefore, the order of presentation of the test in this document is in no particular order and should not be interpreted as any waterfall or exclusion methodology.

For the following rules MCL has access to all relevant data to apply the tests directly to all loans covered by the proposed scheme methodology:**Affordability rules regarding:**

- Minimum income of £100/week or
- Minimum remaining NDI of £25/week or

- Morses Club terms exceed maximum permitted use of customer NDI

	Total	Failing Test	%
Customer Volume	536,216	74,094	13.8%
Loan Sales (Volume)	2,938,588	240,893	8.2%
Total Loan Sales (Value)	£1,038,157,606	£105,787,808	10.2%
Total Loan Interest (Value)	£742,322,391	£78,506,902	10.6%

Automated income validation was accepted with a "TAC ICF" of <7

	Total	Failing Test	%
Customer Volume	303,137	134,758	44.5%
Loan Sales (Volume)	971,355	419,612	43.2%
Total Loan Sales (Value)	£377,194,290	£162,868,305	43.2%
Total Loan Interest (Value)	£278,993,858	£118,373,279	42.4%

Customer loan sequence extending to >4 without break in lending

	Total	Failing Test	%
Customer Volume	635,509	22,957	3.6%
Loan Sales (Volume)	3,199,770	122,809	3.8%
Total Loan Sales (Value)	£1,112,577,726	£37,631,870	3.4%
Total Loan Interest (Value)	£794,174,111	£26,124,249	3.3%

Customers had active accounts > 33% over term at the point of sale

	Total	Failing Test	%
Customer Volume	635,509	10,864	1.7%
Loan Sales (Volume)	3,199,770	25,839	0.8%
Total Loan Sales (Value)	£1,112,577,726	£8,013,090	0.7%
Total Loan Interest (Value)	£794,174,111	£5,707,198	0.7%

Customer registered insolvent at the point of loan issue

	Total	Failing Test	%
Customer Volume	496,770	4,148	0.8%
Loan Sales (Volume)	1,198,284	5,139	0.4%
Total Loan Sales (Value)	£430,852,595	£1,446,760	0.3%
Total Loan Interest (Value)	£801,830,333	£953,886	0.1%

For the following rule MCL does not have CRA data for all loans covered by the proposed Scheme methodology therefore modelled values are used where the data is not available to provide an estimation of the volumes of loan sales that would meet the test and therefore be eligible for redress:

Note - Morses Club has agreement to acquire additional data from TransUnion in response to claims received for loans issued for the period April 2014 – June 2019 where Morses Club does not currently hold such data. Morses Club is to perform a data refresh for all sale to ensure that accurate data associated to the point of sale is available. This ensures that the rules are applied precisely meaning equitable application of any approved Scheme rules. For avoidance of doubt, no modelled or assumed values will be used in assessing claims.

Responsible Lending Scorecard

The volumes of data / account where CRA data is not available is as follows:

	Total	CRA Data Not Available	%
Customer Volume	635,509	138,739	21.8%
Loan Sales (Volume)	3,199,770	2,020,194	63.1%
Total Loan Sales (Value)	£1,112,577,726	£691,158,011	62.1%
Total Loan Interest (Value)	£794,174,111	£484,008,662	60.9%

The outcomes for loans where CRA data is available is as follows:

	Total	Failing Test	%
Customer Volume	496,770	142,207	28.6%
Loan Sales (Volume)	1,198,284	252,633	21.1%
Total Loan Sales (Value)	£430,852,595	£91,091,305	21.1%
Total Loan Interest (Value)	£317,821,671	£66,770,790	21.0%

To estimate the full total potential gross redress, the following approach has been taken to estimate the impacts of the RL Scorecard rule set for customers where data is not available:

- Where data is available the test has been applied directly to those loans (existing customers from June 2019, for new customers from 2014).
- Data has been analysed to look at the overall failure rate from all searches made in 2021. This shows that 17.98% of all searches would have contained data that would have failed the Responsible Lending Scorecard test in isolation.
- This percentage is applied to lending where CRA data is not available, and no other tests were failed.

The estimated outcomes for all loans (including modelled values) for the test are as follows:

	Total	Failing Test	%
Customer Volume	635,509	230,999	36.3%
Loan Sales (Volume)	3,199,770	510,316	15.9%
Total Loan Sales (Value)	£1,112,577,726	£171,045,145	15.9%
Total Loan Interest (Value)	£794,174,111	£160,621,155	18.0%

Responsible Lending Scorecard Rules Detail

The table below shows additional detail regarding the fail rates for each of the Responsible Lending Scorecard rules (note these figures are based only on the cohort of customers where CRA data is currently available)

	Description	Volume / Value of Loans Failing Test			
		Loan Volume	Sales Value	Interest Value	%
1	Value of utilities defaults > £500	65,897	£21,839,575	£16,020,198	5.0%
2	Number of mortgage payments in 1+ months arrears > 0	12,486	£4,837,745	£3,557,308	1.1%
3	Total balance on home credit (including Morses) >= £4,000	33,882	£16,931,920	£12,959,125	4.1%
4	Total balance on revolving credit >= £10,000	4,601	£2,060,750	£1,539,540	0.5%
5	Number of accounts defaulted in the last 6 months >=2	54,847	£17,066,475	£12,100,169	3.8%
6	Total balances now as a % of total balances 3 months ago = 100%	55,372	£14,977,875	£10,256,940	3.2%
7	Total balance on unsecured loans >= £17.5k	11,071	£4,568,170	£3,343,474	1.1%
8	Total balances to income ratio > 65%	68,104	£28,377,365	£21,132,198	6.6%
9	Insolvent in the last 36 months = True	11,072	£3,079,505	£2,112,711	0.7%
10	Credit applications in the last 3 months >= 8	21,964	£5,266,560	£3,296,545	1.0%
11	Number of accounts on repayment plan >= 1	137,154	£53,895,150	£40,791,601	12.8%
12	Active CCJs (>=£250) in the last 12 months >=1	105,267	£34,280,955	£24,524,583	7.7%
13	Sum of arrears statuses >=2 or Overdraft in arrears (excluding defaults) = True	234,802	£79,794,040	£58,058,863	18.3%
14	Total value of debt in Debt Management >=£50	25,930	£8,920,875	£6,410,834	2.0%
15	Number of Runaways > 0	11,470	£3,045,175	£2,071,422	0.7%
16	Number of active short term loan accounts >= 2	16,923	£6,600,735	£4,950,603	1.6%
17	Number of short-term loan accounts opened in the last 3 months >= 3	526	£215,770	£156,412	0.0%
18	Value of short-term loans opened in the last 6 months > 1500	661	£310,020	£231,289	0.1%
19	Number of short-term loan accounts opened in last month >= 2	126	£54,050	£38,619	0.0%
20	Balances on all revolving credit accounts as a % of current limits Now v 6 months ago >= 50% increase	29,759	£12,431,200	£9,482,088	3.0%
21	Value Cash Advance in the current month / Total Credit Card Repayment Amount in the current month >100%	7,909	£3,180,120	£2,365,713	0.7%
22	Volume/Value of accounts opened in the last 3 months >=£1,500 & >=3 accounts OR value >=£2,500	67,664	£25,705,595	£18,892,490	5.9%
23	Value of accounts opened in last 3 months > 3,000	31,876	£12,395,895	£9,081,655	2.9%
	Total Population	1,198,284	£430,852,595	£317,821,671	-

Sustainability Hard Stop

The volumes of data / account where CRA data is not available is as follows:

	Total	CRA Data Not Available	%
Customer Volume	243,259	113,671	46.7%
Loan Sales (Volume)	1,538,683	1,037,730	67.4%
Total Loan Sales (Value)	£616,277,911	£394,403,056	64.0%
Total Loan Interest (Value)	£450,638,907	£282,307,941	62.6%

The outcomes for loans where CRA data is available is as follows:

	Total	Failing Test	%
Customer Volume	129,588	63,092	48.7%
Loan Sales (Volume)	500,953	166,414	33.2%
Total Loan Sales (Value)	£221,874,855	£72,767,880	32.8%
Total Loan Interest (Value)	£168,330,966	£55,508,249	33.0%

To estimate the redress from this test the following approach has been taken where data is not available:

- Where data is available the test has been applied directly to those loans.
- The outcome percentages from loans where data is available has then been applied to the entire sample.

The estimated outcomes for all loans (including modelled values) for the test are as follows:

	Total	Failing Test	%
Customer Volume	243,259	118,467	48.70%
Loan Sales (Volume)	1,538,683	510,843	33.20%
Total Loan Sales (Value)	£616,277,911	£202,139,155	32.80%
Total Loan Interest (Value)	£450,638,907	£118,467	33.00%

Sustainability Hard Stop Detail

The table below shows additional detail regarding the fail rates for each of the sustainability hard stop rules (note these figures are based only on the cohort of customers where CRA data is currently available):

	Description	Volume / Value of Loans Failing Test			
		Loan Volume	Sales Value	Interest Value	%
1	Active CCJs (>=£250) in the last 12 months >=1	41,306	17,897,255	13,549,755	8.05%
2	Number of accounts defaulted (>=£250) in the last 6 months >=2	18,721	8,088,740	6,129,431	3.64%
3	Arrears rules (only one of the 3 elements needed to fail): a) Sum of arrears statuses >=2 (Calculated from worst current status (on accounts opened in last 12, excluding historic defaults) plus number of active accounts with a current status of '1') b) Overdraft in arrears = True c) Number of mortgage accounts 2 or more	106,334	46,525,130	35,575,984	21.13%
4	Number of active short term loan accounts >=3	2,649	1,184,450	898,341	0.53%
5	Number of short-term loan accounts opened in the last 3 months >= 4	117	50,150	36,214	0.02%
6	Number of accounts on repayment plan >= 2	31,666	13,587,710	10,299,534	6.12%

Total Population	500,953	£221,874,855	£168,330,966	-
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Proposed Scheme Methodology Calculator

The estimated possible total gross preliminary redress value is calculated using a number of steps as follows:

For all loans issued 1st April 2014 – 2nd August 2022

- Based on the rules above where data is currently available the following breakdown down of sales that would be due potential redress is as follows:

	All Sales Covered By The Proposed Scheme Methodology		Not Meeting Any Of The Proposed Scheme Rules		Meeting At Least One Of The Proposed Scheme Rules		Meeting At Least One Of The Proposed Scheme Rules Break Down Of Potential Set Off					
	Sale	Int	Sale	Int	Sale	Int	No Deduction		Previous Redress Paid		All Write Off	
	Sale	Int	Sale	Int	Sale	Int	Sale	Int	Sale	Int	Sale	Int
2014	71,544,831	52,441,968	62,391,028	45,730,287	9,153,803	6,711,681	8,315,223	6,097,231	637,370	466,348	201,210	148,102
2015	108,538,550	77,655,206	94,346,480	67,517,975	14,192,070	10,137,231	12,486,350	8,924,118	996,210	722,556	709,510	490,557
2016	141,631,515	96,177,874	126,116,065	85,736,637	15,515,450	10,441,238	12,683,760	8,632,923	905,070	630,010	1,926,620	1,178,305
2017	171,701,930	116,308,430	151,586,710	102,726,858	20,115,220	13,581,572	16,316,960	11,062,000	1,111,040	769,508	2,687,220	1,750,064
2018	178,975,640	123,325,547	109,311,455	74,828,878	69,664,185	48,496,669	56,553,020	39,373,470	3,746,565	2,649,988	9,364,600	6,473,211
2019	172,822,850	122,024,077	77,202,265	53,606,408	95,620,585	68,417,669	76,213,490	54,544,099	5,215,095	3,792,669	14,192,000	10,080,901
2020	117,684,490	87,470,402	51,554,440	38,076,413	66,130,050	49,393,989	54,566,835	40,764,222	3,605,415	2,720,772	7,957,800	5,908,995
2021	107,382,700	85,249,130	55,336,810	43,791,349	52,045,890	41,457,781	43,100,640	34,444,740	1,799,040	1,459,069	7,146,210	5,553,972
2022	42,295,220	33,521,477	28,187,490	22,261,968	14,107,730	11,259,509	12,963,555	10,353,791	197,685	162,868	946,490	742,850
Total	1,112,577,726	794,174,111	756,032,743	534,276,774	356,544,983	259,897,337	293,199,833	214,196,593	18,213,490	13,373,787	45,131,660	32,326,957

- The estimated value of loans in the period April 2014 – June 2019 that would meet the Responsible Lending Scorecard test is calculated as follows:

- Profile of all CRA searches carried out in 2021:
 - All searches (excluding loan 1) = 803,781
 - Searches failing Responsible Lending Scorecard Test = 144,533
 - $i / ii = 17.98\%$

- The calculated 17.98% has been applied to all sales not meeting any other test within the proposed methodology to produce an estimated value of Responsible Lending scorecard fails for the period April'14 to June'19 (note loan 1 is excluded as data is available to apply the test directly).

	Not Meeting Any Of The Proposed Scheme Rules (Excl Ln1)		% Only RL Fail	Estimated RL Fails	
	Sales	Int		Tot Sales	Total Int. Charge
2014	60,103,638	42,496,137	17.98%	10,141,338	12,580,573
2015	90,182,825	61,004,715		15,974,298	19,122,992
2016	118,732,974	72,393,772		21,115,719	23,307,588
2017	138,441,829	81,372,858		26,143,663	26,483,064
2018	100,891,449	61,139,503		18,328,242	19,429,853
2019	69,169,046	41,116,658	26,454,265	19,108,657	
2020			26,262,185	19,565,891	
2021			20,550,165	16,204,687	
2022			6,075,270	4,817,850	
Total			171,045,145	160,621,155	

- The output of the RL Scorecard test model is then overlaid on the initial overall test outcomes to produce the final estimate of total gross preliminary redress value (before any potential set off for previous claims redress, previous write off, or existing customer outstanding balances):

	All Sales Covered By The Proposed Scheme Methodology		Not Meeting Any Of The Proposed Scheme Rules		Meeting At Least One Of The Proposed Scheme Rules	
	Sale	Int	Sale	Int	Sale	Int
2014	71,544,831	52,441,968	51,200,170	32,380,501	20,344,661	20,061,467
2015	108,538,550	77,655,206	78,280,347	48,222,572	30,258,203	29,432,634
2016	141,631,515	96,177,874	107,072,857	63,480,940	34,558,658	32,696,934
2017	171,701,930	116,308,430	129,847,167	78,952,912	41,854,763	37,355,518
2018	178,975,640	123,325,547	93,804,302	57,149,537	85,171,338	66,176,010
2019	172,822,850	122,024,077	77,199,695	53,604,745	95,623,155	68,419,332
2020	117,684,490	87,470,402	51,553,227	38,075,570	66,131,263	49,394,832
2021	107,382,700	85,249,130	55,333,483	43,788,853	52,049,217	41,460,277
2022	42,295,220	33,521,477	28,187,055	22,261,626	14,108,165	11,259,851
Total	1,112,577,726	794,174,111	672,478,304	437,917,257	440,099,422	356,256,854

5. In addition to any redress of loan interest paid the overall estimated gross redress calculation includes 8% interest per year, and increases the gross estimated redress as follows:

Total Loan Interest (Value)	Estimated 8% Per Annum Interest	Total Gross Estimated Redress
£342,362,837	£110,935,396	£453,298,233

Note – the 8% interest value is calculated from the date the principal sum of the loan was repaid until the proposed Scheme effective date, calculated as 8% basic interest per annum.

6. Against the total gross estimated redress deductions have been estimated to reflect set off for previous redress paid, or for previous balance Write Off. This set off creates the total net estimated redress as follows:

Total Gross Estimated Redress	Calculated Set Off for previous redress / write off (+ reduction in 8% interest)	Total Net Estimated Redress
£453,298,233	-£80,851,762	£372,446,471

7. Based on other recent schemes in comparable financial sectors PwC have advised that MCL should expect a redress liability of approximately 20% of the net estimated redress value (therefore estimated as **£74,489,294**).

For Customers with loans issued 1st April 2007 – 31st March 2022 Only

1. For customers with loans during this period only, redress for the value of loan interest paid and the additional 8% interest per year, the totals are as follows:

Total Loan Interest (Value)	Estimated 8% Per Annum Interest	Total Gross Estimated Redress
£22,458,394	£15,831,385	£38,289,779

2. Against the total gross estimated redress deductions have been estimated to reflect set off for previous redress paid, or for previous balance Write Off. This set off creates the total net estimated redress as follows:

Total Gross Estimated Redress	Calculated Set Off for previous redress / write off (+ reduction in 8% interest)	Total Net Estimated Redress
£38,289,779	-£6,829,491	£31,460,288

3. The estimated redress liability for this cohort of customers is based on a 10% take up rate and is therefore estimated as **£3,146,029**).

For Customers with loans issued 1st April 2007 – 31st March 2022 in addition to the period 1st April 2014 to 2nd August 2022.

1. For customers with loans in the period 1st April 2014 to 2nd August 2022 who also have loans in the period 1st April 2007 to 31st March 2014, the additional redress for interest paid on loans prior to 1st April 2014 plus the additional 8% interest per year are as follows:

Total Loan Interest (Value)	Estimated 8% Per Annum Interest	Total Gross Estimated Redress
£64,472,661	£51,387,993	£115,860,654

2. Against the total gross estimated redress deductions have been estimated to reflect set off for previous redress paid, or for previous balance Write Off. This set off creates the total net estimated redress as follows:

Total Gross Estimated Redress	Calculated Set Off for previous redress / write off (+ reduction in 8% interest)	Total Net Estimated Redress
£115,860,654	-£20,665,287	£95,195,367

3. The estimated redress liability for this cohort of customers is based on a 25% take up rate and is therefore estimated as **£23,798,842**).

Total Estimated Redress Liability

Therefore, the total estimated redress liability is therefore estimated as **£101,434,165**.

**SCHEDULE 4
CLAIM FORM**

Morses Club Scheme Limited

CLAIM FORM

You can use this Claim Form to vote on the Scheme and submit a claim in the Scheme. You can find more information about the Scheme, including Frequently Asked Questions, on our Website (www.morsesclubscheme.com). In this Claim Form, the word "Customer" means a person who took out a loan between 1 April 2007 and 2 August 2022 (inclusive) from Morses Club (or a person who had a loan during that time from another company which Morses Club has bought and for which it is now responsible).

An online version of this Claim Form is included in the Claim Portal available on our Website at www.morsesclubscheme.com. This will be the easiest way for you to vote on the Scheme. If you are not using the Claim Portal, then sign this form and return it to us by Post to: Scheme of Arrangement Team, Morses Club Scheme Limited, Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham, NG8 6AT.

To vote AND make a claim in the Scheme (if it becomes effective) complete both Sections A and B below.

Important notes about voting and claims:

- **If you wish to vote on the Scheme and make a claim, please return this Claim Form (with Sections A and B completed) by the Registration Deadline (5.00 pm on 12 May 2023). If you return your Claim Form by post, please post it early to ensure it gets to us on time. If you wish to attend the Scheme Meeting you must complete row 3 in Section A, Part 3 (*Voting Instructions*). We will then send you the details for joining the virtual Scheme Meeting. If you wish to join the Scheme Meeting without voting please call our helpline on 0333 011 0688. If you have not received the details for joining the virtual Scheme Meeting by 17 May 2023, please contact us on 0333 011 0688.**
- **Any Claim Form received after the Registration Deadline will not be counted for voting on the Scheme and will not enable you or any person/company authorised by you to attend and vote at the Scheme Meeting, unless the Chair of the Scheme Meeting otherwise agrees. Your Claim Form will however still be counted for the purpose of making a claim in the Scheme, if the Claim Form is received before the Claims Deadline. The Claims Deadline will be 6 months after the date on which the Scheme becomes effective and is expected to occur in November 2023. The exact date will be published on www.morsesclubscheme.com once known.**
- **If you return this Claim Form (with Section A completed) by the Claims Deadline, your claim will be automatically submitted in the Scheme on the date that the Scheme becomes effective without you needing to separately submit your claim. If you wish to vote on the Scheme ONLY and not make a claim in the Scheme please contact us on 0333 011 0688.**
- **All Scheme Creditors that wish to make a Scheme Claim must do so by the Claims Deadline. After the Claims Deadline, Scheme Creditors will not be allowed to make any Scheme Claim. This means that if you do not make a Scheme Claim before the Claims Deadline:**
 - (a) you will not receive any cash payments for any valid Scheme Claim you might otherwise have had;
 - (b) if you are a Customer who has not fully repaid your Loan, you will not benefit from any reduction in the amount that you owe under certain loans or be entitled to any refunds that might otherwise apply.
- **We strongly recommend that you make your claim well in advance of the Claims Deadline so that you do not miss it. If you are in any doubt about whether you have a claim, you should submit a Claim Form to ensure that it is considered.**
- **You can amend this Claim Form at any time up to the Registration Deadline (for voting on the Scheme) or the Claims Deadline for making a claim in the Scheme.**
- **Please also sign the bottom of this form before returning it to us.**

SECTION A - CLAIM FORM AND CUSTOMER / REPRESENTATIVE DETAILS

PART 1	
Everyone should fill in the information requested in this Part 1	
Customer's Scheme ID	□□□□-□□□□-□□□□
Customer's first name	
Customer's surname	
Customer's full address	
Customer's date of birth (Day / Month / Year)	□□ / □□ / □□□□
Customer's phone number	
Customer's email address	
The information in Part 2 below is optional and only needs to be completed if you are a representative for a Customer.	
PART 2	
Complete this Part 2 if you are a Representative	
<p>Representatives</p> <p>If you are completing this Claim Form for a Customer you are a "Representative".</p> <p>If you are a Representative, please state your full name, address, phone number and email address in the space provided. Please also send evidence of your authority to act for the Customer with this Claim Form. By signing this Claim Form you confirm that you have been given express authority to submit this Claim Form on behalf of the Customer.</p>	<p>Representative's full name:</p> <p>Representative's full address:</p> <p>Representative's phone number:</p> <p>Representative's email address:</p>

We strongly recommend that you read the Data Privacy Notice available on the Website to understand your data will be used as part of this claims process. If you provide us with an email address, we will in future use that email address as the preferred way of contacting you about the Scheme.

SECTION A (CONTINUED)

PART 3 – Voting instructions		
<p>Please complete this Part 3 to vote on the Scheme. Please select and complete only one row. If you want to appoint “the Chair” or someone other than the Chair to vote for you on the Scheme at the Scheme Meeting but still want to join the Scheme Meeting, please contact the Scheme Helpline on 0333 011 0688. This Claim Form will only be counted for voting purposes if it is received before the Registration Deadline at 5 pm on 12 May 2023.</p>		
1.	<p>I wish to appoint the Chair to vote on the Scheme and I instruct him to:</p> <p>vote for the Scheme <input type="checkbox"/></p> <p>vote against the Scheme <input type="checkbox"/></p> <p>(tick one box above)</p>	<p>If you want the Chair to vote on the Scheme at the Scheme Meeting, please complete this row and tell us how you want the Chair to vote by ticking the relevant box. If you pick this option, you do not have to attend the Scheme Meeting.</p>
2.	<p>I wish to appoint someone other than the Chair to vote on the Scheme and I instruct them to:</p> <p>vote for the Scheme <input type="checkbox"/></p> <p>vote against the Scheme <input type="checkbox"/></p> <p>at their discretion <input type="checkbox"/></p> <p>(tick one box above)</p>	<p>If you want someone other than the Chair to vote on the Scheme at the Scheme Meeting on your behalf (a "proxy"), please complete this row and tell us who you want to appoint as proxy by completing their name, e-mail and telephone number in the space below. Please also tell us how you want the proxy to vote by ticking the relevant box. If you tick the "at their discretion" box, the proxy can decide whether to vote for or against the Scheme.</p> <p>If you pick this option, this vote will only count if the proxy attends and votes at the Scheme Meeting. If your proxy does not want to attend the Scheme Meeting, please complete row 1 of this Part 3 instead (and the Chair will vote for you).</p> <p>Name of proxy: _____</p> <p>Email address of proxy: _____</p> <p>Telephone of proxy: _____</p>
3.	<p>I will attend the Scheme Meeting. I intend to vote:</p> <p>vote for the Scheme <input type="checkbox"/></p> <p>vote against the Scheme <input type="checkbox"/></p> <p>(tick one box above)</p>	<p>If you want to join the Scheme Meeting and vote on the Scheme at the Scheme Meeting yourself, please complete this row and indicate how you intend to vote by ticking the relevant box. You can change your vote at the Scheme Meeting if you wish.</p> <p>If you pick this option, your vote will only count if you attend and vote at the Scheme Meeting. If you do not want to attend the Scheme Meeting, please complete row 1 of this Part 3 instead (and the Chair will vote for you).</p>

IMPORTANT NOTE: By voting in favour of the Scheme, you also authorise Morses Club to consent on your behalf, following the Scheme Meeting and up to and including at any Court hearing to sanction the Scheme, to any modification of or addition to the Scheme or any terms or conditions to the Scheme that would not directly or indirectly have a materially adverse effect on the interests of Scheme Creditors, in their capacity as such, under the Scheme. If you are returning this Claim Form by email or post, please sign here after completing it.

Name:		Signature:		Date:	
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By signing and returning this Claim Form to us in accordance with the instructions set out in this Claim Form, you:

- 1) consent to let us record and use the information provided in this Claim Form in order to assess your claim if the Scheme goes ahead; and**
- 2) you confirm that all of the information provided in this form is correct and accurate.**

SECTION B - CLAIM DETAILS

THE SECTION BELOW IS OPTIONAL. HOWEVER, PLEASE COMPLETE IT AND PROVIDE INFORMATION IF IT IS RELEVANT TO YOU.

EVEN IF YOU DO NOT SUBMIT THE FURTHER INFORMATION REQUESTED BELOW, PROVIDED THAT YOU RETURN THIS CLAIM FORM (WITH SECTION A COMPLETED) BY THE CLAIMS DEADLINE (CURRENTLY EXPECTED TO BE NOVEMBER 2023) YOUR CLAIM WILL AUTOMATICALLY BE INCLUDED IN THE SCHEME. HOWEVER, WE MAY ASK YOU TO PROVIDE FURTHER INFORMATION TO SUPPORT YOUR CLAIM:

Other information if relevant	
<p>We may also take into account if Customers may not have been able to understand whether they could afford the loan if the Customer suffered from certain medical conditions (such as Alzheimer's, Dementia or a brain injury) or a mental health condition.</p>	
<p>Did you have a medical or mental health condition at the time the loan was issued? Please tick yes or no</p>	Yes <input type="checkbox"/>
	No <input type="checkbox"/>
<p>Please state the nature of the medical or mental health condition</p>	State medical condition: _____
	State medical condition: _____
<p>Please state when you had this medical or mental health condition</p>	Year <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> to <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Year <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> to <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<p>Are there any other factors that may have been relevant at the time that you took out a loan that you would like to submit in support of your claim (for example, evidence of a vulnerability or any relevant circumstances or interactions that you had with Morses Club at the time). Please tick yes or no.</p>	Yes <input type="checkbox"/>
	No <input type="checkbox"/>
<p>Please tick this box to indicate if you have provided information (e.g. Doctors letter on letterheaded paper or equivalent) or other evidence of a medical or mental health condition or any other supporting evidence that may have limited your ability to afford a loan or to understand if you could afford a loan. Without evidence, this information will not be taken into consideration when assessing your claim.</p>	<input type="checkbox"/>
<p>Please tick this box to allow us to use the information provided above to assess your claim. Without this permission, this information will not be taken into consideration when assessing your claim.</p>	<input type="checkbox"/>

SCHEDULE 5 RELEASE AGREEMENT

This Release Agreement is made on the Effective Date, and is made between:

- (1) THE SCHEME CREDITORS, as defined in the Scheme and each acting by its agents and attorneys as appointed pursuant to the Scheme;
- (2) MORSES CLUB, as defined in the Scheme; and
- (3) SCHEMECO, as defined in the Scheme,

(together the "**Parties**").

WHEREAS:

- (A) SchemeCo has entered into a deed poll dated 12 December 2022 creating Liabilities to the Scheme Creditors in respect of certain Liabilities also owed to them by Morses Club;
- (B) SchemeCo has proposed the Scheme which the Court has approved; and
- (C) The Scheme Creditors will therefore be able to submit a claim under the Scheme in respect of certain liabilities originally owed to them by Morses Club.

IT IS AGREED as follows:

1. DEFINITIONS

All defined terms which are not otherwise defined in this Release Agreement have the same meaning they have in the scheme of arrangement between SchemeCo and the Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "**Scheme**").

2. RELEASES AND WAIVERS

2.1 In consideration of each Scheme Creditor's right to submit a claim under the Scheme in respect of any Scheme Liability owed to them by Morses Club (as well as SchemeCo), on the date that the Compensation Fund Payment has been paid in full into the Trust Account, each Scheme Creditor (whether or not they have submitted a Scheme Claim or have an Ascertained Scheme Claim) shall fully, irrevocably release:

- (a) Morses Club to the fullest extent permissible by applicable law from (and fully, irrevocably and unconditionally waive) any and all claims, actions, debts, losses, Liabilities, demands and proceedings whatsoever, whether existing, prospective or contingent, known or unknown, which any of the Scheme Creditors has or, but for this Release Agreement, may in the future have, in any capacity whatsoever against Morses Club under or in connection with or arising out of any Scheme Liability; and
- (b) SchemeCo to the fullest extent permissible by applicable law from (and fully, irrevocably and unconditionally waive) any and all claims, actions, debts, losses, Liabilities, demands and proceedings whatsoever, whether existing, prospective or contingent, known or unknown, which any of the Scheme

Creditors has or, but for this Release Agreement, may in the future have, in any capacity whatsoever against SchemeCo under or in connection with or arising out of any Scheme Liability, except to the extent that such Scheme Liabilities are or become Ascertained Scheme Claims in accordance with the Scheme; and

- (c) the directors, employees and legal and financial advisers of Morses Club and SchemeCo, to the fullest extent permissible by applicable law from (and fully, irrevocably and unconditionally waive) any and all claims, actions, debts, losses, Liabilities, demands and proceedings whatsoever, whether existing, prospective or contingent, known or unknown, which any of the Scheme Creditors has or, but for this Release Agreement, may in the future have, in any capacity whatsoever against the directors, employees and legal and financial advisers of Morses Club and SchemeCo under or in connection with or arising out of such directors', employees' and legal and financial advisers' participation in the formulation, negotiation, preparation, promotion, the entry into and/or the implementation of the Scheme;

2.2 The release in Clause 2.1 does not apply to:

- (a) any obligations under the Implementation and Funding Agreement; or
- (b) any Liability incurred by Morses Club or SchemeCo after the Effective Date, but only to the extent that such Liability arises directly from the conduct of Morses Club or SchemeCo following the Effective Date.

2.3 On the date of payment of an Ascertained Scheme Claim (or part thereof) in accordance with Part 4 of the Scheme, each Scheme Creditor with an Ascertained Scheme Claim shall fully and irrevocably release:

- (a) SchemeCo to the fullest extent permissible by applicable law from (and fully, irrevocably and unconditionally waive) any and all claims, actions, debts, losses, Liabilities, demands and proceedings whatsoever, whether existing, prospective or contingent, known or unknown, which any of the Scheme Creditors has or, but for this Release Agreement, may in the future have, in any capacity whatsoever against SchemeCo under or in connection with or arising out of any Scheme Liability; and
- (b) the persons listed in Schedule 1 to the fullest extent permissible by applicable law from (and fully, irrevocably and unconditionally waive) any and all claims, actions, debts, losses, Liabilities, demands and proceedings whatsoever, whether existing, prospective or contingent, known or unknown, which any of the Scheme Creditors has or, but for this Release Agreement, may in the future have, in any capacity whatsoever against those persons listed in Schedule 1 under or in connection with or arising out of any Scheme Liability in respect of a Purchased Loan (the "**Purchased Loan Liability**") solely to the extent that Morses Club has a corresponding Liability to such persons in respect of such Purchased Loan Liability.

2.4 From the date that the releases in:

- (a) Clause 2.1 take effect,

- (i) Scheme Creditors are not permitted to commence or continue any Proceedings against Morses Club, in any jurisdiction, in respect of a Scheme Liability, Scheme Claim, Scheme Creditor Payment, or otherwise in connection with the Scheme;
 - (ii) Scheme Creditors are not permitted to commence or continue any Proceedings against the directors, employees and legal and financial advisers of Morses Club and SchemeCo, in any jurisdiction, in respect of such directors', employees' and legal and financial advisers' participation in the formulation, negotiation, preparation, promotion, the entry into and/or the implementation of the Scheme; and
 - (b) Clause 2.3 take effect:
 - (i) Scheme Creditors are not permitted to commence or continue any Proceedings against SchemeCo in any jurisdiction, in respect of a Scheme Liability, Scheme Claim, Scheme Creditor Payment, or otherwise in connection with the Scheme; and
 - (ii) Scheme Creditors are not permitted to commence or continue any Proceedings against the persons listed in Schedule 1 in any jurisdiction, in respect of a Purchased Loan Liability solely to the extent that Morses Club has a corresponding Liability to such persons in respect of such Purchased Loan Liability.
- 2.5 Subject to the operation of Clause 3.2 of the Scheme (which for the avoidance of doubt, expressly binds all Scheme Creditors) and the effect of this Release Agreement, the Scheme Creditors do not, because of the Scheme, waive their rights to raise any defences (in particular, of equitable set-off) which they had a right to raise against any person (other than SchemeCo, Morses Club or a Debt Purchaser). Such defences shall apply to any claim brought against any person (other than SchemeCo, Morses Club or a Debt Purchaser) in the same way as they would have applied to such claim prior to the date of this Release Agreement.
- 2.6 The releases and waivers in this Clause 2 shall not apply to any Liability in respect of fraud, wilful misconduct, gross negligence, or dishonesty by any Releasee (as defined at Clause 3.3).
3. **EXECUTION, COUNTERPARTS AND AMENDMENT**
- 3.1 This Release Agreement may be executed in any number of counterparts, and by each of the Parties on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.
- 3.2 This Release Agreement may not be amended, varied or modified nor any provision waived except with prior written consent of each Party to this Release Agreement provided that any amendment which adversely affects the rights of a person who is a beneficiary of a release or waiver hereunder but is not a Party hereto may not be made without that person's prior written consent.

- 3.3 If any release or waiver given by a Party hereto (the "**Releasor**") in favour of another Party hereto or other beneficiary hereunder (the "**Releasee**") is found by a court of competent jurisdiction to be unenforceable (an "**Unenforceable Release**"), the Releasor agrees that it shall not (and shall not instruct, encourage or support any other person to) bring or join any action, claim or suit or other proceedings of any kind against the Releasee in relation to or arising out of any matter or thing which was the subject of such Unenforceable Release.

4. **INVALIDITY**

Each of the provisions of this Release Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable in any respect under the law of any jurisdiction, it shall have no effect in that respect and the Parties shall use all reasonable efforts to replace it in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

5. **THIRD PARTY ENFORCEMENT RIGHTS**

- 5.1 The specified third-party beneficiaries of the releases, waivers, undertakings and/or commitments referred to in Clause 2 shall, in each case, have the right to enforce the relevant terms by reason of the Contracts (Rights of Third Parties) Act 1999. The rights of any such third-party beneficiary are subject to the other terms and conditions of this Release Agreement.
- 5.2 Except as provided in Clause 5.1, any person who is not a Party to this Release Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

6. **GOVERNING LAW AND JURISDICTION**

- 6.1 This Release Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.
- 6.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute including a dispute relating to the non-contractual obligations arising out of or in connection with this Release Agreement.
- 6.3 The courts of England and Wales are the most appropriate and convenient courts to settle any dispute in connection with this Release Agreement. Each of the Parties irrevocably waives any right that it may have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.
- 6.4 References in Clause 6.2 and Clause 6.3 to a dispute in connection with this Release Agreement include any dispute as to the existence, validity or termination of this Release Agreement.

SIGNED by:

SCHEMECO for and behalf of **THE SCHEME CREDITORS**

Name: _____

Title: _____

MORSES CLUB, acting by _____, a director

Name: _____

Title: _____

SCHEMECO, acting by _____, a director

Name: _____

Title: _____