

MORSES CLUB SCHEME LIMITED

PROPOSAL FOR CUSTOMERS OF MORSES CLUB LIMITED IN RESPECT OF CERTAIN REDRESS CLAIMS

THIS PROPOSAL MAY AFFECT YOUR LEGAL RIGHTS. PLEASE READ IT
CAREFULLY.

WORDS AND PHRASES USED IN THIS DOCUMENT

We use some technical words and phrases in this document. You can tell which words they are because they have capital letters. You can find explanations for each of these words and phrases in the glossary available at www.morsesclubscheme.com.

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MORSES CLUB SCHEME LIMITED EXPLANATORY STATEMENT

Summary

Introduction

How does Morses Club's regulator view the Scheme?

The FCA's position is as follows:

- (i) The FCA wrote to Morses Club on 3 March setting out in detail the FCA's views on the Scheme ([FCA Letter to Morses Club Limited - 3 March 2023](#)). At the time, the FCA stated it opposed the Scheme in its then current form and had serious concerns about it. These concerns included the considerable uncertainty as to whether the funding sought by Morses Club to enable an enhanced distribution to be made to the Scheme Creditors will, in fact, be received. For example, the funding which is required from the Shareholders has not been received and may not be received. The position may well remain uncertain until mid-2024. This means that there is a real risk that customers will not receive any form of redress payment whatsoever under the Scheme and instead, that the Scheme will terminate with Morses Club going into administration. The FCA was concerned that customers could be in a worse position than if Morses Club went into administration now.
- (ii) The uncertainty over Scheme funding remains. However, since the FCA's letter, Morses Club has put in place mechanisms that Morses Club considers prevent customers from being worse off if the Scheme fails and Morses Club subsequently goes into administration, than they would be if the firm went into administration now.
- (iii) The FCA acknowledges the action taken by Morses Club and the improvements these would make to the proposed scheme, if these mechanisms work as described. However, whilst the FCA is not currently proposing to take any immediate regulatory action in relation to the Morses Club Group that might impact upon the Scheme; it reserves the right to take any action it might consider appropriate in the future or if circumstances change, including to oppose the Scheme in Court.

1. Morses Club Limited (referred to in this document as **Morses Club**) provides short-term loans to customers. Morses Club Scheme Limited (referred to in this document as **SchemeCo**) is owned by Morses Club. SchemeCo has agreed to take responsibility for paying compensation for certain claims made against Morses Club. SchemeCo was set up for the sole purpose of putting in place the proposal described in this document.
2. SchemeCo thinks that you may be a customer that received a loan between 1 April 2007 and 2 August 2022 (inclusive) from:
 - (a) Morses Club; or
 - (b) one of the companies listed at Schedule 1, where the loan was then purchased by Morses Club.

3. Morses Club may owe you compensation if one or more of the loans described above was unaffordable or unsustainable for you at the time it was given to you. If compensation is owed, you have the right to be paid back the interest and charges that you paid on the relevant loan, and interest on that amount.
4. SchemeCo is sending you this document because Morses Club cannot afford to pay all claims for compensation in full. Instead, Morses Club has developed what it considers to be a fair and efficient plan to process claims for compensation and pay as much as possible. Under the proposed plan relevant customers are currently estimated to receive approximately 20% of the cash they are owed in or around September 2024. This is more than they are estimated to receive if the plan does not go ahead.
5. More information about the plan is set out in this document. Please also visit www.morsesclubscheme.com (the **Website**) to find frequently asked questions about the plan. Further detail about how to contact us is set out under the heading "**How can I contact you about the Scheme?**" on page 14 below.

What is this document about?

6. This document gives you the information you need so that you can decide if you agree with our plan for paying you a proportion of any compensation that you may be owed by Morses Club.
7. SchemeCo plans to use a Court approved process called a scheme of arrangement (**Scheme**). SchemeCo is required by law to give you certain information about the Scheme. That information is set out in this document. This document is called the **Explanatory Statement**.
8. This document includes a lot of information. The most important points are summarised on pages 2 to 20. Further detail about the next steps you should take is set out under the heading "**Next Steps**" on page 18. You can find more detail about the Scheme from page 23 onwards.

What is being proposed?

9. SchemeCo plans to enter into a Scheme.

What is a Scheme?

10. A Scheme is an agreement between a company and some or all of the people it owes money to, known as its creditors. The company and the relevant creditors will be bound by the Scheme (including any creditors who vote against the Scheme or who don't vote at all) if:
 - (a) it is approved by a majority in number (that is more than 50%), representing 75% or more in value, of the creditors who vote;
 - (b) the Court approves the Scheme at a Court hearing. The Court will consider whether or not to approve the Scheme. The Court will only approve the Scheme if it believes the legal requirements for doing so are met; and

- (c) a copy of the Court order approving the Scheme is filed with the Registrar of Companies.
11. A Scheme becomes effective on the date on which the last of these steps occurs (the **Effective Date**). On the Effective Date, the company and its relevant creditors will be bound by the Scheme.

Who will be affected by this Scheme?

12. This Scheme will apply to all customers (**Customers**) who:
- (a) took out a loan between 1 April 2007 and 2 August 2022 (inclusive) from:
 - (i) Morses Club; or
 - (ii) one of the companies listed at Schedule 1, where the loan was then purchased by Morses Club,
 - (a **Loan**); and
 - (b) made or may make a claim for a Redress Liability. In summary, a **Redress Liability** is a liability owed by Morses Club in relation to the assessment of the sustainability and/or affordability of a Loan and in respect of which any Customer has made or may make a claim on or after 11 August 2022 (the **Record Date**).
13. The Scheme will also apply to the Financial Ombudsman Service (the **FOS**) for fees owed to it by Morses Club (**FOS Fees**) for its review of claims relating to Redress Liabilities made against Morses Club on or after the Record Date which were then referred to the FOS and where the FOS has made a claim for these FOS Fees owed to it on or after the Record Date (the **FOS Fees Liability**).
14. In SchemeCo's letter about the Scheme dated 13 December 2022, SchemeCo informed Customers that the loans to be affected by the Scheme would be dated from 1 April 2014 to 2 August 2022. These dates have now been changed to loans dated from 1 April 2007 to 2 August 2022. This amendment has been made to ensure that the Scheme includes all Customers with redress claims subject to the FOS' consideration up until 2 August 2022. This ensures a consistent and fair treatment of affected Customers, rather than potentially preferring customers who make redress claims for loans dated before 1 April 2014. It also assists the commercial effectiveness of the Scheme because it allows the Scheme to deal with all redress claims and therefore protects the future business from such claims.
15. The Customers and the FOS are together called **Scheme Creditors**. Any claim relating to a Redress Liability or a FOS Fees Liability is called a **Scheme Claim**.
16. Customers or other creditors of Morses Club who have claims that are not Scheme Claims will have their claims dealt with (and if appropriate, paid in full) by Morses Club in the usual way outside of the Scheme. Further information regarding who (and what claims) the Scheme does not apply to is set out under the heading "**Who does the Scheme not apply to?**" on page 33 below.

Why is SchemeCo proposing this Scheme?

17. Morses Club is required to make sure that the loans it gives to its Customers meet certain requirements to make sure that they are affordable and sustainable. This includes checking that Customers can afford to repay their loans when they are due and that any additional borrowing is also affordable, responsible and sustainable.
18. In some cases, the Loans given to Customers were unaffordable or unsustainable for them. These Customers are entitled to compensation equal to the interest and charges (including any legal costs, fees and/or fines which a Customer has paid in relation to a County Court judgment) on such Loans (the **Loan Interest and Charges**). On the other hand, where any Loan Interest and Charges on such Loans have not been paid, this amount will be written-off and a Customer will not be required to pay such amounts. These Customers are also entitled to interest at 8% per year on the compensation due to them. The interest will be calculated from the date on which the Customer had repaid an amount equal to the principal of their original Loan to the date that the Scheme becomes effective (the **Scheme Interest**).
19. In the last two years, an increasingly large number of claims in respect of Redress Liabilities have been made by Customers against Morses Club. Concerned by the increasing number of complaints and the risk of Morses Club being unable to pay compensation to Customers in full, on 11 August 2022, Morses Club announced that it would pause the processing of all new claims in respect of Redress Liabilities with immediate effect (the **Claims Pause**). The Claims Pause provided Morses Club time to further develop and finalise the terms of its proposed Scheme.
20. The purpose of the Scheme is to put in place a plan for SchemeCo to consider and pay Scheme Claims (on behalf of Morses Club). Whilst SchemeCo considers the plan to be fair and efficient, unfortunately, Scheme Creditors are not expected to be paid in full for their Scheme Claims.

How does the Scheme work?

21. The Scheme, if implemented, will do three main things:
 - (a) First, it will require all Scheme Creditors to pursue any Scheme Claims they have against SchemeCo (and not against Morses Club);
 - (b) Second, it requires all Scheme Creditors to make their Scheme Claims within six months of the Effective Date (the **Claims Deadline**). The consequences of failing to do so are explained further at paragraph 24 below; and
 - (c) Third, it limits Scheme Creditors' rights to receive compensation for their valid Scheme Claims to the money held in a special compensation fund (as described at paragraph 25 below). As explained at paragraphs 30 to 34 below, Customers are expected to receive less than they are owed for their valid Scheme Claims.

Why is my claim against SchemeCo and not Morses Club?

22. Under the Scheme, SchemeCo will take responsibility for paying Scheme Claims. As a result, Scheme Creditors will have to make their Scheme Claims against SchemeCo and

not Morses Club. The reasons for this are explained in Schedule 6, paragraph A. Morses Club will however pay money into a special compensation fund (as described at paragraph 25 below) to help SchemeCo pay Scheme Claims if they are found to be valid.

All Scheme Claims must be made by the Claims Deadline

23. All Scheme Creditors that wish to make a Scheme Claim must do so by the Claims Deadline, which will be six months from the Effective Date. It is not yet certain when the Claims Deadline will be, but our current expectation is that this will be in November 2023. If the Scheme becomes effective, SchemeCo will let you know the exact date of the Claims Deadline. If a Customer (i) makes or has made a claim in respect of a Redress Liability before the Effective Date, or (ii) votes on the Scheme, they will automatically have their claim submitted in the Scheme if it goes ahead and they will not have to separately submit a Scheme Claim.
24. After the Claims Deadline, Scheme Creditors will not be allowed to make any Scheme Claims. 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; and
 - (b) if you are a Customer who has not fully repaid your Loan (or other loans that you owe to Morses Club) as at the Effective Date (**Unpaid Debt**), you will not be entitled to:
 - (i) any reduction in the amount that you owe under that Unpaid Debt; nor
 - (ii) any refunds that might otherwise apply.

Further detail about these reductions and refunds can be found under the headings "**What is 'Set-Off' and how might it affect me?**" on page 44; "**What are the VREQ Refund Payments?**" on page 45 and "**What are the Scheme Refund Payments?**" on page 45.

The Compensation Fund

25. If the Scheme goes ahead, Morses Club expects to fund a special compensation fund with at least £20 million (the **Compensation Fund**) to make payments (on a proportionate basis) to Scheme Creditors who are found to be owed cash in the Scheme. The total cash payment due to a Scheme Creditor in the Scheme is their **Ascertained Scheme Claim**. However, Scheme Creditors are expected to receive less than the cash they are owed for their Ascertained Scheme Claim. Ascertained Scheme Claims are calculated as described under the heading "**How is an Ascertained Scheme Claim calculated?**" on page 46 below.
26. Morses Club will fund the Compensation Fund with:
- (a) at least £15,000,000 (the **Shareholder Funding**) to be provided by investors (**Investors**). These Investors may include some of the current shareholders of Morses Club; *plus*

- (b) £5,000,000 to be provided by Morses Club (the **Morses Club Funding**); *plus*
 - (c) the **Turnover Amount**. In summary, the Turnover Amount is the amount by which the realisable value of Morses Club's and its subsidiary Shelby Finance LTD's net assets as at the Effective Date (after certain deductions) exceeds £5,000,000. For more details about the Turnover Amount, see paragraph 3.23 below.
27. These amounts will only be paid if they become available and neither Morses Club nor SchemeCo can guarantee that they will become available. If, for whatever reason, the Compensation Fund is not funded by a minimum of £20,000,000, the Scheme will terminate early and Morses Club will have no choice but to close its business and enter into insolvency proceedings.
28. In addition to providing the Morses Club Funding, Morses Club will also pay all of the costs of implementing the Scheme.
29. More about the funding of the Compensation Fund and what happens if the Scheme terminates can be found in "**Part 4: What happens if the Scheme does not go ahead or terminates early?**" on page 50 below.

What are Scheme Creditors expected to receive under the Scheme?

30. Once all Ascertained Scheme Claims have been decided, the Compensation Fund will be divided proportionately between Scheme Creditors with Ascertained Scheme Claims.
31. Based on our current estimates, SchemeCo expects Scheme Creditors with Ascertained Scheme Claims to receive less than the cash owed to them. However, they are expected to receive a larger cash payment under the Scheme than they would if the Scheme does not go ahead. Under the Scheme, Scheme Creditors with Ascertained Scheme Claims are currently estimated to receive approximately 20% of the cash payments owed to them.
32. This range is based on Morses Club's estimate of:
- (a) the number of Scheme Creditors who will make a Scheme Claim in the Scheme by the Claims Deadline;
 - (b) the total value of all Ascertained Scheme Claims; and
 - (c) the total amount of the Compensation Fund.
33. The reasonableness of Morses Club's estimates has been independently reviewed by a firm of accountants, Interpath Advisory (**Interpath**). Their conclusions are set out in a report which was updated by letters dated 1 March 2023, 13 March 2023 and 23 March 2023 (the **Interpath Report**) to Morses Club and are more fully described in paragraphs 4.8 to 4.10 below. However, it is important to note that none of Interpath, Morses Club nor SchemeCo can say exactly how much cash Scheme Creditors will receive for their Ascertained Scheme Claims. The estimate given in paragraph 31 above

is not guaranteed and the cash paid may be higher or lower depending upon the uncertain factors described in paragraph 32 above.

34. If the Scheme does go ahead, SchemeCo expects to make payments to Scheme Creditors with Ascertained Scheme Claims before the end of September 2024. The time between the Claims Deadline (which is currently expected to occur in November 2023) and the expected date of payment to Scheme Creditors (currently expected to occur during September 2024) will be used by SchemeCo to review and adjudicate the Scheme Claims received by the Claims Deadline, to secure the Shareholder Funding and the Morses Club Funding and determine if there is any Turnover Amount. A detailed timeline from the Effective Date to the date of completion of the Scheme is provided on page 49.

What happens if the Scheme does not go ahead?

Insolvency of Morses Club

35. Morses Club believes that if the Scheme does not go ahead, it will have no choice but to close its business and enter into insolvent administration proceedings. The independent Interpath Report confirms that this conclusion is a reasonable assumption.
36. Whilst Scheme Creditors will keep all of the rights that they currently have against Morses Club, including the right to set-off unpaid loans, based on its current estimates, Morses Club believes that if it were to enter into insolvent administration proceedings, Scheme Creditors will receive approximately 1% of the cash that they are owed. Interpath considers that the return may be higher at approximately 3%. The different estimates calculated by Morses Club and Interpath are due to:
- (a) Interpath assuming that Morses Club will be able to collect a higher amount from Customers in respect of outstanding loans in an insolvent administration scenario than the amount that Morses Club has estimated; and
 - (b) Morses Club and Interpath providing different estimates for insolvency related costs and the level of funding required by other Morses Club group companies in an insolvent administration scenario.

However, under both estimates, this is much less than the amount that Scheme Creditors are estimated to receive under the Scheme. Interpath note that their estimation is at the high end of the range and Morses Club's estimate provides a low end to the range. Interpath also say that a number of the key assumptions used to calculate these amounts are uncertain meaning that the actual outcome may be different to these estimates.

Estimated cash payment in the different scenarios compared

Scenario	Current estimated approximate percentage payment
<i>Scheme</i>	20%
<i>Insolvent administration</i>	1% or 3%

37. Further details regarding what will happen if the Scheme does not go ahead are set out in "**Part 4: What happens if the Scheme does not go ahead or terminates early?**" on page 50 below.

What happens if the Scheme goes ahead but terminates early?

38. If the Scheme goes ahead but ends early, Morses Club will be insolvent and have to stop trading. In that case, Customers with valid redress claims, and the FOS in respect of valid claims for FOS Fees Liabilities, will be entitled, at a minimum, to payment from a £1.2 million fund (the **Early Termination Funding**) which Morses Club will put into a safe, ring-fenced account (the **Early Termination Trust Account**). The Early Termination Funding ensures that the cash which Morses Club considers would be available to Customers if Morses Club went into administration proceedings today, will also be available in the event that the Scheme goes forward, but ends early. Morses Club estimates that, in the event that Morses Club were to enter into administration proceedings today, Customers would receive approximately 1% of the cash owed to them. If the Scheme goes ahead but terminates early, Morses Club estimates that Customers will receive at least this amount. However, it should be noted that Customers may receive less than the approximately 3% that Interpath has estimated that Customers will receive (as described in paragraph 36 above).
39. If the Scheme goes ahead but terminates early, Customers with Unpaid Debts should also note that they may be worse-off if they continue to make repayments after the Effective Date. However, to limit this risk, within 30 days of (i) the Effective Date or (ii) a Customer making a claim (whichever is later), Morses Club will tell Customers to stop making payments on their Unpaid Debt if they are expected to have a valid redress claim.
40. Customers are asked to consider these points carefully in deciding whether or not to vote to support the Scheme.

How does Morses Club's regulator view the Scheme?

41. Morses Club has been regulated by the Financial Conduct Authority (the **FCA**) from its inception in 2014. Morses Club is also authorised by the FCA (confirmation of full authorisation having been received on 3 May 2017). Its firm reference number is 707379.

42. **The FCA's position is as follows:**

- (i) **The FCA wrote to Morses Club on 3 March setting out in detail the FCA's views on the Scheme ([FCA Letter to Morses Club Limited - 3 March 2023](#)). At the time, the FCA stated it opposed the Scheme in its then current form and had serious concerns about it. These concerns included the considerable uncertainty as to whether the funding sought by Morses Club to enable an enhanced distribution to be made to the Scheme Creditors will, in fact, be received. For example, the funding which is required from the Shareholders has not been received and may not be received. The position may well remain uncertain until mid-2024. This means that there is a real risk that customers will not receive any form of redress payment whatsoever under the Scheme and instead, that the Scheme will**

terminate with Morses Club going into administration. The FCA was concerned that customers could be in a worse position than if Morses Club went into administration now.

- (ii) The uncertainty over Scheme funding remains. However, since the FCA's letter, Morses Club has put in place mechanisms that Morses Club considers prevent customers from being worse off if the Scheme fails and Morses Club subsequently goes into administration, than they would be if the firm went into administration now.
- (iii) The FCA acknowledges the action taken by Morses Club and the improvements these would make to the proposed scheme, if these mechanisms work as described. However, whilst the FCA is not currently proposing to take any immediate regulatory action in relation to the Morses Club Group that might impact upon the Scheme; it reserves the right to take any action it might consider appropriate in the future or if circumstances change, including to oppose the Scheme in Court.

What happens if I make a redress claim now?

- 43. On 11 August 2022, Morses Club announced that it would pause the processing of all new claims for Redress Liabilities made on or after 11 August 2022 with immediate effect.
- 44. Any Customer making a compensation claim for Redress Liabilities to Morses Club now (or who did so on or after 11 August 2022) will receive a "holding letter" advising them that Morses Club has paused the processing of all new claims for Redress Liabilities and that their redress claim will automatically be included in the Scheme if it goes ahead. Accordingly, any Scheme Claims made now will automatically be included in the Scheme and that Customer will not need to submit a claim in the Scheme. In addition, any payments which a Customer makes between making a claim and the Effective Date may be subject to a refund, as described below under the heading "**What are the VREQ Refund Payments?**" on page 45.
- 45. For the avoidance of doubt, where a Customer made a redress claim before 11 August 2022, Morses Club has reviewed such claims in the usual way and, where valid, has paid compensation for such claims in full, as normal, outside of the Scheme. Where Morses Club has resolved (whether upheld or rejected) such a claim, but the Customer is unhappy with Morses Club's decision, the Customer is entitled to make a new Scheme Claim, in the Scheme. However, the amount of any compensation the Customer is entitled to will be reduced by the amount of any compensation they have already received for such claim.
- 46. On 10 January 2023, the FOS announced that it would no longer be processing complaints or accepting new complaints made by Customers against Morses Club where such complaints are covered by the Scheme. All Scheme Claims made on or after 11 August 2022 in respect of a Loan will be required to be considered and determined in the Scheme.

Do I need to make a separate Scheme Claim for each Loan that I have?

47. **No.** When assessing your Scheme Claim, SchemeCo will automatically consider all Loans you have which are the subject of the Scheme.

Do I need to continue making payments on my outstanding loans?

48. **Yes,** you should continue to make payments on your outstanding loans when these payments become due unless and until you receive a notice from Morses Club telling you to stop making payments because you are owed compensation by Morses Club. These notices will be sent by Morses Club:
- (a) within 30 days following the Effective Date (expected to be in late May 2023) if you submitted a Scheme Claim after the Record Date and up to the Effective Date;
 - (b) after every 30 day period following receipt of a Scheme Claim until the Claims Deadline; and
 - (c) again within 30 days following the Claims Deadline (expected to be in November 2023).
49. If you make any repayments after the Effective Date and are then found to have an Ascertained Scheme Claim, you will be entitled to a full refund of such repayments. **However, if Morses Club enters into insolvency proceedings at any time before you have received such refund payments, there is a risk that you will not receive such refund payments in full and it is unlikely that such amounts will be refunded at all. Also, if you have Unpaid Debt you may be worse-off if you continue to make repayments after the Effective Date.**
50. To the extent that you are determined to have a valid Scheme Claim under the Scheme, any amounts you continue to owe on your Unpaid Debt will be reduced by the amount of your valid Scheme Claim. Further detail about this can be found under the heading "**What is 'Set-Off' and how might it affect me?**" on page 44.

What is SchemeCo asking you to do?

51. SchemeCo is asking Customers who are affected by the Scheme to:
- (a) register their details on the Website (if they have not already done so);
 - (b) vote on the Scheme (although you do not have to if you do not want to); and
 - (c) make your Scheme Claim by the Claims Deadline.
52. All of these steps are explained in further detail in this document and should you require any assistance with making a Scheme Claim or voting on the Scheme, you can contact

the Morses Club team using the contact details provided at paragraph 72 below. You should not need a claims management company to help you with this process.

Voting on the Scheme

53. SchemeCo is encouraging all Customers to vote on the Scheme (although you do not have to vote if you do not want to). Voting is a way for you to have your say about the Scheme. If you do not like the Scheme, you can: (i) vote against it or (ii) object to it. However, if the Scheme becomes effective, you will be bound by its terms, even if you voted against it, objected to it or did not vote at all. If you vote against the Scheme, your Scheme Claim will still be automatically included in the Scheme on the Effective Date if it goes ahead. If you do not vote at all, you will remain entitled to make a Scheme Claim for consideration and determination in the Scheme. Further detail about how to vote on this Scheme can be found under the heading "**How can I vote on the Scheme?**" on page 57. Further detail about how to object to this Scheme can be found under the heading "**Part 8: Your Rights to Object to the Scheme**" on page 63.

Recommendation to vote for the Scheme

SchemeCo recommends that you vote for the Scheme. SchemeCo believes that the Scheme is the best option for Scheme Creditors as it is likely to provide them with the highest cash payment for their Ascertained Scheme Claim.

Whilst SchemeCo expects you to receive less than the cash owed to you in the Scheme (currently estimated to be approximately 20%) this is significantly more than the amount that you are expected to receive if the Scheme does not go ahead and Morses Club enters into insolvent administration proceedings. In this event, Morses Club estimates that Scheme Creditors will receive approximately 1% of the cash that they are owed (but Interpath considers that the return may be higher at approximately 3% for the reasons explained at paragraph 36 above).

You should note that, if Scheme becomes effective but terminates early, Customers with valid redress claims, and the FOS in respect of valid claims for FOS Fees Liabilities, will be entitled, at a minimum, to payment from the Early Termination Funding. The Early Termination Funding ensures that the cash which Morses Club considers would be available to Customers if Morses Club went into administration proceedings today, will also be available in the event that the Scheme goes forward, but ends early. However, if the Scheme ends early and a Customer has Unpaid Debt, that Customer may be worse-off if they continue to make repayments on that Unpaid Debt after the Effective Date.

Please see "Part 7: Things to consider when deciding whether to vote for the Scheme" on page 60 below for more information.

What happens after you have voted?

54. The Scheme is approved by Scheme Creditors if a majority in number, representing 75% in value of Scheme Creditors voting, vote for it. If enough Scheme Creditors vote in favour of the Scheme, SchemeCo will ask the Court to approve it. The Court will consider whether or not to approve the Scheme and will only approve it if it believes

that the legal requirements for doing so are met. If the Court does not approve the Scheme, it will not go ahead.

55. If the Scheme becomes effective, SchemeCo will let you know and invite you to make a Scheme Claim. You will have to make that Scheme Claim by the Claims Deadline (unless you have a claim that is automatically included in the Scheme). 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; and
 - (b) if you are a Customer who has not fully repaid your Unpaid Debt, you will not be entitled to:
 - (i) any reduction in the amount that you owe under that Unpaid Debt; nor
 - (ii) any refunds that might otherwise apply.

SchemeCo will let you know the exact date of the Claims Deadline as soon as possible after it has been fixed.

56. Under the Scheme, Morses Club estimates that Scheme Creditors with Ascertained Scheme Claims will receive a payment in respect of their Ascertained Scheme Claims before the end of September 2024.
57. If Scheme Creditors vote against the Scheme or the Court does not approve it, Morses Club believes that it will likely enter into insolvent administration proceedings. In this case, Morses Club estimates that Scheme Creditors will receive approximately 1% of the cash they are owed (but Interpath estimates that the return may be higher at approximately 3% for the reasons explained at paragraph 36 above). Scheme Creditors who have unpaid loans due to Morses Club will, however, continue to benefit from a reduction in the amount that they owe under such loans and may be entitled to certain, limited, refunds that might otherwise apply.

Directors' interests

58. Under the Companies Act 2006, SchemeCo is required to give you certain information about our directors, and their interests in the Scheme.

SchemeCo Directors' Interests

59. SchemeCo's directors are Gary Peter Marshall and Graeme James Campbell.
60. The directors are paid their salaries and expenses by Morses Club in the ordinary course of business.
61. The Early Termination Funding described in paragraph 38 is available because Morses Club's financial advisers, PricewaterhouseCoopers LLP (**PwC**), have agreed to defer a payment of £1 million plus VAT (£1.2 million) (the **PwC Deferred Fee**). This amount would otherwise have become due on the Effective Date. In return for this commitment, the Morses Club management team have agreed to defer taking approximately £40,000 of their collective remuneration per month (the **Deferred Management**

Remuneration) whilst the Early Termination Trust Account is in existence. This arrangement allows Morses Club to pay the £40,000 per month saved on the Deferred Management Remuneration towards the PwC Deferred Fee. Gary Marshall and Graeme Campbell are members of the senior management team and as such have agreed to contribute to the Deferred Management Remuneration by deferring 20% of their respective salaries.

62. Once the Compensation Fund has been fully funded by Morses Club, any outstanding balance of the PwC Deferred Fee which has not been paid from the Deferred Management Remuneration will be repaid using the Early Termination Funding remaining in the Early Termination Trust Account. Morses Club management will also be entitled to receive the Deferred Management Remuneration that has been deferred during the course of the Scheme. It is important to understand that this will not be an additional amount payable to the SchemeCo directors, but instead the repayment of the amount that they have agreed to defer in order to make the proposal in the Scheme available to Customers.

Morses Club Directors' Interests

63. The directors of Morses Club are Terence Alexander Baxter, Graeme James Campbell, Stephen Curtis, Sheryl Arlene Lawrence, Gary Peter Marshall and Peter Martin Ward.
64. The directors are paid their salaries and expenses by Morses Club in the ordinary course of business.
65. In addition to Gary Marshall and Graeme Campbell contributing to the Deferred Management Remuneration (as described above), Terence Alexander Baxter, Stephen Curtis and Sheryl Arlene Lawrence will also contribute to the Deferred Management Remuneration in varying amounts.

Shareholder Interests

66. Certain directors of SchemeCo and Morses Club are also shareholders of Morses Club. However, as shareholders of Morses Club, the Scheme will affect them in the same way as it affects all other shareholders of Morses Club.
67. If the Scheme succeeds, Morses Club will continue lending and may make profits in the future for its shareholders despite Scheme Creditors receiving less cash than the amount they are owed. However, the shareholders that will largely benefit (if future profits are made) are those (if any) that provide the additional minimum £15,000,000 of Shareholder Funding that is necessary for SchemeCo to make cash payments to Scheme Creditors under the Scheme. This is because Morses Club will issue new shares to ensure that the Investors providing the minimum £15,000,000 will receive 95% of Morses Club's shares. The value of the existing shares held by current shareholders will, accordingly, be reduced to 5%. The Investors providing the minimum £15,000,000 may or may not be current shareholders of Morses Club.
68. The Investors providing the minimum £15,000,000 of Shareholder Funding that is needed to make cash payments to Scheme Creditors in the Scheme are unlikely to agree to provide that money without the possibility that they will earn dividends on any profits made in the future. That said, any profits made by Morses Club in the 2023-2024

financial year (ending in February 2024) will be used to make cash payments to Scheme Creditors through the Morses Club Funding. Accordingly, no dividends will be paid to shareholders in the 2023-2024 financial year and dividends will not be paid to shareholders until after all payments due to Scheme Creditors under the Scheme have been made and if it is appropriate to do so.

69. The existing shareholders of Morses Club will need to consent to the new shares being issued to the Investors in return for the Shareholder Funding. The issue of the new shares will mean the reduction in the holdings of the existing shareholders (from 100% to 5%), unless they participate in providing some of the Shareholder Funding. The existing shareholders are expected to grant such consent because, without the Shareholder Funding to be provided by the Investors, Morses Club is likely to enter into insolvent administration proceedings. In those circumstances, the existing shareholders will receive nothing. Existing shareholders will be allowed to retain a small percentage of their existing shares in Morses Club (in this case 5%) in return for consenting to the new shares being issued.
70. Other than as described above, none of the SchemeCo directors are owed money by Morses Club or SchemeCo or have a direct interest in SchemeCo or any material interest in the Scheme. Further detail about directors interests can be found in "**Part 9: Directors' Interests**" on page 66.

How can I contact you about the Scheme?

71. If you have any questions about this document or on how to vote, you can contact us by using the details set out in the table below. SchemeCo has also compiled a list of FAQs on www.morsesclubscheme.com which you might find helpful.
72. You can also raise any queries/general questions free of charge with Jon Yorke, the **Customer Advocate**, who has been appointed to represent Customers in respect of the Scheme. Mr Yorke is an experienced lawyer and has represented customers on similar schemes in the past. He does not work for, and has never worked for, Morses Club or SchemeCo. Accordingly, he is independent of Morses Club and SchemeCo. Mr Yorke's details are also set out in the table below and further information regarding his role can be found in "**Part 5: The Customers' Committee and Customer Advocate**" at paragraph 5.12 below.

Contact method	Contact details
Website	www.morsesclubscheme.com
Email	contact@morsesclub.com
Customer helpline	0333 011 0688 (local rates apply) Open from 9 a.m. to 5:30 p.m. Monday to Friday, excluding Bank holidays
Address	Scheme of Arrangement Team Morses Club Scheme Limited Building 1

Contact method	Contact details
	The Phoenix Centre 1 Colliers Way Nottingham NG8 6AT
Customer Advocate	Jon Yorke Email: jy@morsesclubca.co.uk

The Options

Scheme Creditors Vote on the Scheme

Scheme Creditors vote No

Scheme Creditors vote Yes

Court considers the Scheme

Court does not approve the Scheme

Court approves the Scheme

Morses Club enters into insolvent administration proceedings

Morses Club stops lending and enters into insolvent administration proceedings

**Estimated payment to Customers:
approximately 1% according to Morses Club
or approximately 3% according to Interpath**



Scheme is implemented

- Morses Club continues lending
- SchemeCo shall assess all Scheme Claims made by the Claims Deadline
- SchemeCo receives the Compensation Fund if available
- If the Compensation Fund is received, payments are expected to be made to Scheme Creditors before the end of September 2024
- **If the Early Termination Funding is not received within 30 days of the Effective Date, the Scheme will terminate early. If the Compensation Fund is not received, the Scheme will terminate early. If the Scheme ends early and a Customer has Unpaid Debt, that Customer may be worse-off if they continue to make repayments after the Effective Date.**

**Estimated payments to Scheme Creditors:
approximately 20%**

**SchemeCo recommends that
you vote for the Scheme**

Timeline of events up to the Effective Date of the Scheme

Time and date 	Event 
13 December 2022	<p>The 'Practice Statement Letter' was made available</p> <p>→ You should have received an email, text or letter telling you about the Scheme, how to access the full version of the practice statement letter and how to register your details.</p>
7 March 2023 and 29 March 2023	<p>The First Court Hearings</p> <p>→ At these hearings SchemeCo asked for the Court's permission to hold the Scheme Meeting so that Scheme Creditors can consider and vote on the Scheme.</p>
From 30 March 2023	<p>This document was made available to Scheme Creditors</p> <p>→ Please review and consider this document carefully. SchemeCo is happy to respond to any questions you may have. You can find our contact details on page 14.</p>
Until 5 p.m. on 12 May 2023	<p>Voting Period</p> <p>→ You can vote on the Scheme. See page 57 for information on how to vote. If you want to attend the virtual Scheme Meeting, you must pre-register to attend on the Website or by telephone on the Customer helpline by this time.</p>
18 May 2023	<p>Virtual Scheme Meeting</p> <p>→ You can attend the virtual Scheme Meeting to hear and join in discussions about the Scheme, raise any questions and vote on the Scheme.</p>
26 May 2023	<p>The Second Court Hearing</p> <p>→ If enough Scheme Creditors vote in favour of the Scheme, SchemeCo will ask the Court to approve the Scheme. You can attend this hearing. You can object to the Scheme at this hearing.</p>
May 2023 (exact date to be confirmed)	<p>Effective Date</p> <p>→ If the Court approves the Scheme, SchemeCo expects the Scheme to become effective shortly after the Second Court Hearing on 26 May 2023. SchemeCo will let you know the exact Effective Date if the Scheme is sanctioned by the Court.</p>

Next Steps

If you are a Customer who thinks that you are or may be affected by the Scheme, please take the following steps:

1. Register your details in the portal located at www.morsesclubscheme.com/claims-portal/ (the **Claims Portal**).
2. Read this document and consider whether or not you want the Scheme to go ahead.
3. **Once you have decided whether or not you would like the Scheme to go ahead, please register your vote on the Claims Portal. You can also vote by post using the claim form provided at <https://www.morsesclubscheme.com/documents/> (the Claim Form). The Claim Form must be posted to us at the address set out on page 14 above and must arrive by no later than 5 p.m. on 12 May 2023.**
4. **Alternatively, you can also attend and vote at the virtual Scheme Meeting to be held at 10.00 a.m. on 18 May 2023, provided that you pre-register your attendance by no later than 5 p.m. on 12 May 2023. Instructions on how to register to attend the Scheme Meeting can be found at Part 6 of this document.**
5. If you need more information or support, please contact us by using the details on page 14 of this document.
6. If you want to object to the proposed Scheme, please refer to "**Part 8: Your Rights to Object to the Scheme**" on page 63 to see what steps you can take.
7. You are also entitled to attend and speak at the Second Court Hearing where SchemeCo will ask the Court to approve the Scheme. SchemeCo currently expects that hearing to take place on 26 May 2023. SchemeCo will provide updated details on the Website nearer the time. If you want to attend the Second Court hearing, please inform the Customer Advocate at jy@morsesclubca.co.uk by no later than 19 May 2023.

Key Questions and Answers about the Scheme

1. What is the deadline for voting?

You can vote online or by post until 5 p.m. on 12 May 2023. Please note that if you vote by post, we must receive your vote by this time, so please make sure you post your vote as soon as you can. You can also vote at the Scheme Meeting starting at 10.00 a.m. on 18 May 2023 if you have pre-registered to attend it. Further detail about how to vote on this Scheme can be found under the heading "**How can I vote on the Scheme?**" on page 57.

2. What is the deadline for making a Scheme Claim?

If you want to make a claim in the Scheme, you must do so by the Claims Deadline. The Claims Deadline is 6 months after the Effective Date of the Scheme. It is not yet certain when the Claims Deadline will be, but our current expectations are that it will be in November 2023. SchemeCo will let you know the exact date of the Claims Deadline as soon as possible after it has been fixed.

3. 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; and
- (b) if you are a Customer who has an Unpaid Debt, you will not be entitled to:
 - (i) any reduction in the amount that you owe under that Unpaid Debt; nor
 - (ii) any refunds that might otherwise apply.

SchemeCo recommends that you make your Scheme Claim well in advance of the Claims Deadline so that you do not miss it.

A description of how to make your Scheme Claim can be found under the heading "**If I am a Customer, how do I make a claim in the Scheme?**" on page 40.

4. What should I do if I support the Scheme?

You should vote for the Scheme. Further detail about how to vote on this Scheme can be found under the heading "**How can I vote on the Scheme?**" on page 57.

5. What should I do if I do not support the Scheme?

You can: (i) vote against the Scheme and/or (ii) raise objections against the Scheme. Further detail about how to vote on this Scheme can be found under the heading "**How can I vote on the Scheme?**" on page 57. Further detail about how to object to this Scheme can be found under the heading "**Part 8: Your Rights to Object to the Scheme**" on page 63.

6. **Do I need to continue making payments on my outstanding loans?**

Yes. you should continue to make payments on your outstanding loans when these payments become due unless and until you receive a notice from Morses Club telling you to stop making payments because you are owed compensation by Morses Club. These notices will be sent by Morses Club:

- (a) within 30 days following the Effective Date (expected to be in late May 2023) if you submitted a Scheme Claim after the Record Date and up to the Effective Date;
- (b) after every 30 day period following receipt of a Scheme Claim until the Claims Deadline; and
- (c) again within 30 days following the Claims Deadline (expected to be in November 2023).

If you are later found to have an Ascertained Scheme Claim, you may be entitled to a refund of certain repayments you made. Further detail about these refunds can be found under the headings "**What are the VREQ Refund Payments?**" on page 45 and "**What are the Scheme Refund Payments?**" on page 45.

7. **Am I certain to receive a cash payment if I have a valid Scheme Claim and the Scheme goes ahead?**

No. If you have any Unpaid Debt, the amount of your valid Scheme Claim will first be reduced by the amount you need to repay on that Unpaid Debt (and the amount you owe in respect of that Unpaid Debt will be reduced accordingly). You can find more detail about this process at paragraph 3.57 below.

If you still have an outstanding Scheme Claim after the full amount of your Unpaid Debt has been applied against it or you no longer have any outstanding Unpaid Debt, you will be entitled to receive a cash payment from the Compensation Fund for your valid Scheme Claim (although this will not be for the full amount that you are owed).

8. **What are the key advantages of the Scheme?**

Please see page 60 below for a summary of the key advantages of the Scheme.

9. **What are the key disadvantages of the Scheme?**

Please see page 60 below for a summary of the key disadvantages of the Scheme.

Other Useful Documents

SchemeCo would like to point you to some other documents which provide further information and which you may find helpful. Where available on the Website these documents have been linked below:

Additional document	What you can learn from this
<p>Claims Methodology</p>	<p>This explains how SchemeCo will assess all Scheme Claims made before the Claims Deadline and is a schedule to the Scheme.</p>
<p>Customer Advocate's report</p> <p>https://www.morsesclubscheme.com/documents/</p>	<p>This is a report of the Customer Advocate addressed to the Court and Scheme Creditors. It summarises the comments and objections that the Customer Advocate has received regarding the Scheme from Scheme Creditors and/or any media/consumer protection groups (see page 55 for an executive summary).</p> <p>The report also contains the CV of the Customer Advocate.</p>
<p>Chair of the customers' committee's independent report</p> <p>https://www.morsesclubscheme.com/documents/</p>	<p>This is a summary of the work done by the customers' committee to consider the proposal which formed the basis of the Scheme and their conclusions about it (see page 55 for an executive summary).</p> <p>This report also contains the CV of the Chair of the customers' committee.</p>
<p>Deed Poll</p> <p>https://www.morsesclubscheme.com/documents/</p>	<p>This is the document under which SchemeCo took on Morses Club's obligations to pay all Ascertained Scheme Claims so that SchemeCo could propose the Scheme. You can find a summary of this document at Schedule 6 on page 79.</p>
<p>Implementation and Funding Agreement</p>	<p>This is the document under which Morses Club is required to make sure that (i) it will take the actions required of it in the Scheme including making the Compensation Fund available to SchemeCo to pay towards Ascertained Scheme Claims and (ii) it pays all costs associated with the Scheme.</p> <p>You can find a summary of this document at Schedule 6 on page 79.</p>
<p>Interpath Report</p>	<p>This is the independent review of the financial position of Morses Club and estimated outcomes in an insolvent administration of Morses Club (see page 51 for a summary).</p>

Part 1: Why is SchemeCo proposing this Scheme?

Additional document	What you can learn from this
Scheme https://www.morsesclubscheme.com/documents/	This sets out the formal legal terms of the Scheme.
VREQ Trust Agreement https://www.morsesclubscheme.com/documents/	This is the document under which Morses Club has agreed to pay repayments made by VREQ Customers (as defined at paragraph 3.60 below) into a separate trust account in order to pay any VREQ Refund Payments that may become payable.

MORSES CLUB SCHEME LIMITED EXPLANATORY STATEMENT

1. Part 1: Why is SchemeCo proposing this Scheme?

This Part explains the challenges faced by the Morses Club business which have resulted in it proposing this Scheme.

Morses Club's financial position

1.1 In the past two years, Morses Club's business has faced significant challenges which have had a negative impact on its financial position. The two main challenges faced by Morses Club have been:

- (a) the significant increase in the volume of redress claims submitted against it; and
- (b) the rise in fees payable to the FOS for its review of such redress claims.

Both challenges are discussed further below.

Increase in customer redress claims

1.2 Morses Club is required to make sure that the loans it gives to its Customers meet certain requirements to make sure that they are affordable and sustainable. This includes checking that Customers can afford to repay their loans when they are due and that any additional borrowing is also affordable, responsible and sustainable. In some cases, Morses Club's lending activities fell short of the FCA's expectations of affordability and relending and as a result of that Morses Club has been subject to a number of redress claims.

1.3 Between 1 January 2016 and 11 August 2022, Morses Club received 22,258 redress claims in total, relating to 192,572 Loans issued by it. Morses Club does not hold data relating to the period before 1 January 2016 as this falls outside Morses Club's data retention policy. A table showing the breakdown in number of claims received per year is set out below:

Time period	Total redress claims received by Morses Club
1 January 2016 – 31 March 2016	20
1 April 2016 – 31 March 2017	50
1 April 2017 – 31 March 2018	269
1 April 2018 – 31 March 2019	917

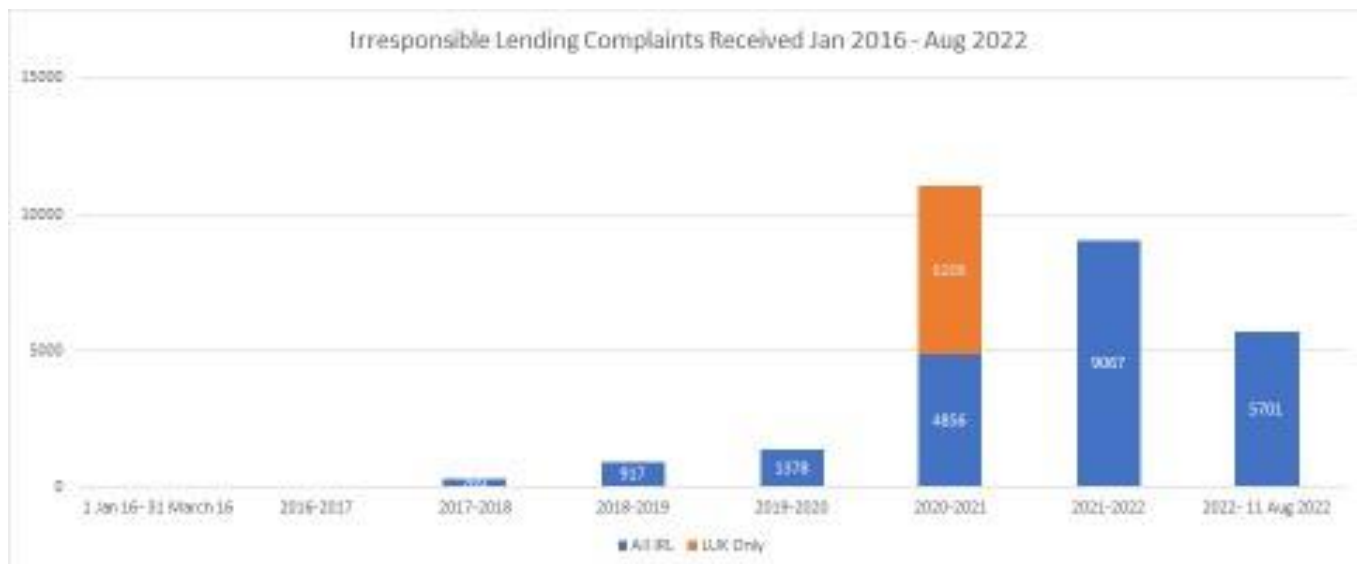
Part 1: Why is SchemeCo proposing this Scheme?

Time period	Total redress claims received by Morses Club
1 April 2019 – 31 March 2020	1,378
1 April 2020 – 31 March 2021	4,856 (or 11,062 taking into account the 6,206 templated and automated claims received from Legal UK)
1 April 2021 – 31 March 2022	9,067
1 April 2022 – 11 August 2022	5,701
TOTAL	22,258 (or 28,464 taking into account the 6,206 templated and automated claims received from Legal UK)

- 1.4 As can be seen from the table above, claims volumes against Morses Club were relatively low between 1 January 2016 and 31 March 2018, averaging around 113 claims per year. Since April 2018, however, the number of redress claims received by Morses Club increased dramatically, rising 240% in the year ended 31 March 2019 to 917 claims, rising a further 50% (as against the previous year) in the year ended 31 March 2020 to 1378, before increasing again by 405% (as against the previous year) in the period between 1 April 2020 and 31 March 2022 to an average of 6961 claims per year. In February 2022, Morses Club experienced such a marked increase in claims volumes that they exceeded its capacity to process such claims within budgetary constraints. A profits warning was issued on 21 February 2022.
- 1.5 The number of redress claims received between 1 April 2022 and 11 August 2022 is lower than the preceding year, however, this period only covers approximately 4 months and, without a Claims Pause, and based on the number of redress claims as at 11 August 2022, Morses Club expected in the region of 17,000 redress claims for the year ended 31 March 2023, far exceeding the amounts received in previous years.
- 1.6 Whilst Morses Club accepts that the root cause of the rise in redress claims relate to issues with its past lending practices (as explained at paragraph 1.2 above), a particular contributing factor to the significant increase in redress claim volumes (as described above) has been the focus of claims management companies ("CMCs") on Morses Club's business and the loans issued by Morses Club. In the period between 1 April 2019 and 31 March 2020, CMCs lodged a total of 686 redress claims with Morses Club on behalf of underlying Customers. This increased significantly in the year ended 2022 when CMCs lodged 7,420 redress claims with Morses Club on behalf of underlying

Customers. The increase in redress claims is also due to marketing campaigns by CMCs on social media and the publicity surrounding the Provident SPV Limited scheme of arrangement.

- 1.7 The graph below shows the significant increase in redress claims received by Morses Club over the last 6 years:



- 1.8 It is worth noting that the total cash compensation paid by Morses Club increased from £183,045 in the year ended 31 March 2021 to £6,143,178 in the year ended 31 March 2022. This represents a 3256% increase in total cash compensation paid by Morses Club for redress claims received by it and is a key reason for its financial difficulty.

The increase in fees paid to the FOS

- 1.9 If a customer makes a complaint to Morses Club and they are not satisfied with Morses Club's response to it, that customer is entitled to refer the complaint to the FOS to be further considered.
- 1.10 If the FOS considers a complaint, regardless of the outcome, Morses Club must pay the FOS a case fee of, currently, £750 per case reviewed (except for the first 3 cases reviewed by the FOS in each financial year for which no fee is charged). The big increase in complaints received by Morses Club has naturally resulted in an increase in the number of cases referred to the FOS. This has led to a significant increase in the fees that Morses Club has had to pay to the FOS and consequently, has had a negative impact on its financial position.
- 1.11 Between 1 January 2016 to 31 March 2020, 228 redress claims were referred to the FOS in respect of Morses Club and, as a result, Morses Club was required to pay standard case fees to the FOS, at that time £550 each, totalling £125,400. Whilst these standard case fees represented a substantial cost to Morses Club, they were considered to be sustainable and represented a cost of participating in the consumer credit industry.
- 1.12 However, this position shifted rapidly from 31 March 2020. Between 1 April 2020 and 11 August 2022, Morses Club was the subject of 4,523 complaints to the FOS in respect of redress claims. More specifically, the number of redress claims against Morses Club

Part 1: Why is SchemeCo proposing this Scheme?

received by the FOS increased 1498% (as against the previous year) in the period between 1 April 2020 and 31 March 2021 and increased again by 45% (as against the previous year) in the period between 1 April 2021 and 31 March 2022. Whilst the number of redress claims against Morses Club received by the FOS between 1 April 2022 and 11 August 2022 is lower than the preceding year, this period only covers approximately 4 months and, based on the number of redress claims against Morses Club received by the FOS as at 11 August 2022, Morses Club expected in the region of 2,720 redress claims against Morses Club to be received by the FOS for the year ended 31 March 2023, far exceeding the amounts received in previous years.

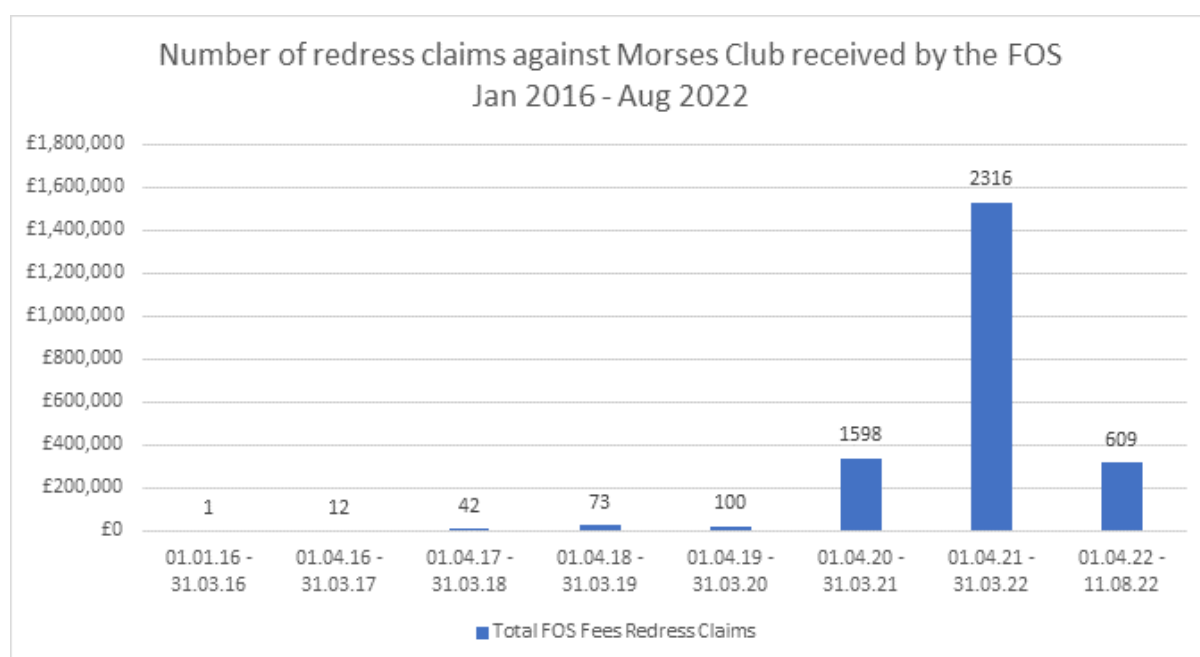
- 1.13 This increase is reflective of the substantial increase in the number of redress claims made against Morses Club during this period (as described at paragraphs 1.2 to 1.8 above). The resulting increase in costs to Morses Club has been substantial, with Morses Club paying the FOS £2,181,300 in fees for its review of redress claims made against Morses Club and referred to it.
- 1.14 The increase in costs incurred by Morses Club as a result of redress claims being referred to the FOS can be seen from the table below, which shows the total number of redress claims against Morses Club reviewed by the FOS and the rising cost of fees paid to the FOS. The table also compares this amount to the cost of the FOS' review of claims other than redress claims against Morses Club. The total cost of claims for FOS Fees Liabilities during the financial year will not exactly correlate to the FOS standard case fee for that financial year multiplied by the number of redress claims against Morses Club received by the FOS during that financial year because (i) previously no fee was charged for the first 25 cases reviewed by the FOS in each financial year; and (ii) a case received by the FOS during a financial year may not have been resolved by the FOS in that same financial year, in which case, the case fee in the financial year in which it was resolved would apply.

Financial year	FOS' standard case fee for the financial year	Number of redress claims against Morses Club received by the FOS during the financial year	Total cost of claims for case fees for reviewing redress claims against Morses Club during the financial year	Total cost of standard FOS case fees for reviewing claims other than redress claims against Morses Club during financial year
1st Jan 2016 - 31 March 2016	£550	1	£0 (below chargeable threshold)	£0 (below chargeable threshold)
1 April 2016 – 31 March 2017	£550	12	£0 (below chargeable threshold)	£0 (below chargeable threshold)
1 April 2017 – 31 March 2018	£550	42	£7,700	£6,600

Part 1: Why is SchemeCo proposing this Scheme?

Financial year	FOS' standard case fee for the financial year	Number of redress claims against Morses Club received by the FOS during the financial year	Total cost of claims for case fees for reviewing redress claims against Morses Club during the financial year	Total cost of standard FOS case fees for reviewing claims other than redress claims against Morses Club during financial year
1 April 2018 – 31 March 2019	£550	73	£26,950	£7,700
1 April 2019 – 31 March 2020	£550	100	£20,900	£2,750
1 April 2020 – 31 March 2021	£650	1598	£339,300	£9,750
1 April 2021 – 31 March 2022	£750	2316	£1,526,250	£18,000
1 April 2022 to 11 August 2022	£750	609	£315,750	£7,500
TOTAL	N/A	4751	£2,236,850	£52,300

1.15 The graph below shows the significant increase in redress claims against Morses Club received by the FOS over the last 4 years:



Part 1: Why is SchemeCo proposing this Scheme?

- 1.16 Taking all of the redress claims that Morses Club had upheld as part of its internal claims management process and which were not subject to a subsequent review by the FOS, together with the redress claims which were the subject of a review by the FOS, 15,654 redress claims were upheld during the period between 1 January 2016 to 11 August 2022, resulting in Morses Club paying cash compensation of £19,159,349 to customers in such period.
- 1.17 Morses Club has a highly constrained cash position. The table below provides a summary of the forecast month-end cash position of Morses Club (excluding the cost of redress claims against Morses Club) in the event that the Scheme does not become effective in late May 2023 and Morses Club seeks to continue to trade on a business as usual (BAU) basis, excluding the cost of compensation claims. It should be noted that Morses Club needs approximately £3,000,000 per month (the **Liquidity Buffer**) to maintain its BAU operations and this figure is subtracted from the month-end cash position in each month. The table covers the period from May 2023 to March 2024.

Going Concern Scenario	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	FY24	FY24	FY24	FY24	FY24	FY24	FY24	FY24	FY24	FY24	FY24	FY24
	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	
Month opening cash on balance sheet	5,655,448	3,446,360	6,482,413	4,503,941	4,952,031	5,628,075	4,366,450	3,771,287	3,255,671	5,920,486	7,153,063	7,153,063
Month closing cash on balance sheet	3,446,360	6,482,413	4,503,941	4,952,031	5,628,075	4,366,450	3,771,287	3,255,671	5,920,486	7,153,063	8,129,518	8,129,518
Less Operational Liquidity buffer	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Closing cash in excess of Liquidity buffer	446,360	3,482,413	1,503,941	1,952,031	2,628,075	1,366,450	771,287	255,671	2,920,486	4,153,063	5,129,518	5,129,518
Claims received - estimate of amount unpaid as at 31 Dec 2022 - note 1	7,252,146											
Estimate of future claims to 31 March 2023 if no pause - note 2	14,374,140											

- 1.18 As set out in the table, in May 2023, Morses Club has forecast a month-end cash position of £446,360, in June 2023 a forecast month-end cash position of £3,482,413, in August 2023 a forecast month-end cash position of £1,503,941 and so on.
- 1.19 From the Record Date to 31 December 2022, Morses Club received a total of 3,789 redress claims. These claims are currently the subject of the Claims Pause and accordingly have not been processed nor paid. Morses Club estimates that the total value of these claims will be £7,252,146 (**Estimated Unpaid Claims Received**).
- 1.20 From 1 January 2023 to 31 March 2023, Morses Club estimates that it will receive 7,510 redress claims with a total value of approximately £14,374,140 (**Estimated Future Claims** and, together with the Estimated Unpaid Claims Received, the **Estimated Current Redress Liability**). Accordingly, Morses Club estimates that it may have a total Estimated Current Redress Liability of £21,626,286.
- 1.21 It will be noted that the £21,626,286 Estimated Current Redress Liability is far in excess of the £446,360 cash available in May 2023. Furthermore, whilst Morses Club could continue to generate cash through trading BAU, the estimated cash flow forecast indicates that Morses Club would not have enough cash to pay the Estimated Current

Part 1: Why is SchemeCo proposing this Scheme?

Redress Liability at any time during the period covered and further redress claims will likely be made after 31 March 2023.

1.22 Furthermore, the BAU scenario does not take into account:

- (a) that a failure of the Scheme will give rise to an "event of default" under the terms of Morses Club's primary source of funding, namely the £25,000,000 committed facilities agreement originally dated 10 March 2014 (the **Secured Funding Facility**). For example, an event of default will occur under the Secured Funding Facility where:
 - (i) the Court has not, on or before 1 April 2023 (or such later date specified in writing by the Agent to the Borrower (as defined in the Secured Funding Facility)), made an order for the convening of the Scheme Meeting; and
 - (ii) the Scheme is not approved at the relevant Scheme meeting by the requisite majorities of the creditors on or before 1 May 2023 (or such later date specified in writing by the Agent to the Borrower (as defined in the Secured Funding Facility)).
- (b) If an event of default were to occur under the Secured Funding Facility, there can be no guarantee that the lenders under it would waive that default and continue to make the Secured Funding Facility available. Furthermore, Morses Club also considers that there would be no other funder willing to facilitate the ongoing trading of the business in the absence of the Scheme; and
- (c) the position of the FCA and whether or not it would continue to permit Morses Club's continued lending following an unsuccessful Scheme (although the FCA has given no confirmations in this regard).

1.23 Where Morses Club does not seek to continue to trade on a BAU basis, but instead continues on a wind down basis (such that the Liquidity Buffer is not required), as set out in the table below Morses Club would have insufficient closing cash to pay the Estimated Current Redress Liability as at May 2023 and would have no opportunity to generate further revenues to pay the Estimated Current Redress Liability.

Project Bird			
Wind-down Scenario		Forecast	Forecast
		FY24	FY24
		May-23	Jun-23
Month opening cash on balance sheet		4,907,109	2,920,031
Month closing cash on balance sheet		2,920,031	1,807,406
Claims received - estimate of amount unpaid as at 31 Dec 2022 - note 1		7,252,146	
Estimate of future claims to 31 March 2023 if no pause - note 2		14,374,140	

1.24 It is clear from the information provided above that absent a Scheme to deal with the significant costs associated with the large increase in (i) redress claims being made against Morses Club and (ii) claims being referred to the FOS for their review of the same, Morses Club would have no alternative but to stop trading and enter into insolvent administration proceedings.

2. Part 2: The Morses Club Group

The Group

2.1 Morses Club:

- (a) Morses Club is the company that originally issued (or purchased) the Loans which are the subject of the Scheme. Although Morses Club was incorporated on 16 January 2009, the Morses Club brand dates back 130 years.
- (b) Morses Club provides short-term loans of between £200 and £1000 to customers in the UK, historically in their homes. These Customers may otherwise find it difficult to obtain credit from mainstream credit providers. Morses Club is the UK's largest home collected credit provider with 143,000 customers throughout the UK.
- (c) Morses Club has been regulated by the FCA from its inception in 2014. Morses Club is also authorised by the FCA (confirmation of full authorisation having been received on 3 May 2017). Its firm reference number is 707379.
- (d) Whilst Morses Club was admitted to trading on the Alternative Investment Market (**AIM**) in 2016, on 12 January 2023, it announced its intentions to de-list its shares from trading on AIM and to re-register as a private limited company (in order to, amongst other reasons, save the administrative costs involved in operating as a publicly listed company). This process was approved by shareholders at a general meeting held on 3 February 2023 and Morses Club's shares were subsequently de-listed from AIM on 13 February 2023. Morses Club was subsequently re-registered as a private limited company on 15 February 2023.

2.2 Morses Club Scheme Limited (SchemeCo):

SchemeCo is the company proposing the Scheme. It is in the same group as Morses Club as all of its shares are owned by Morses Club. SchemeCo is a special purpose company which was incorporated on 25 April 2022 for the sole purpose of promoting and implementing the Scheme. The reasons for this are explained in Schedule 6, paragraph A. SchemeCo is not a trading company and has no assets of its own.

Whilst Morses Club is not proposing the Scheme itself, Morses Club will give an undertaking to the Court to be bound by the terms of the Scheme as they apply to it.

2.3 Shelby Finance LTD:

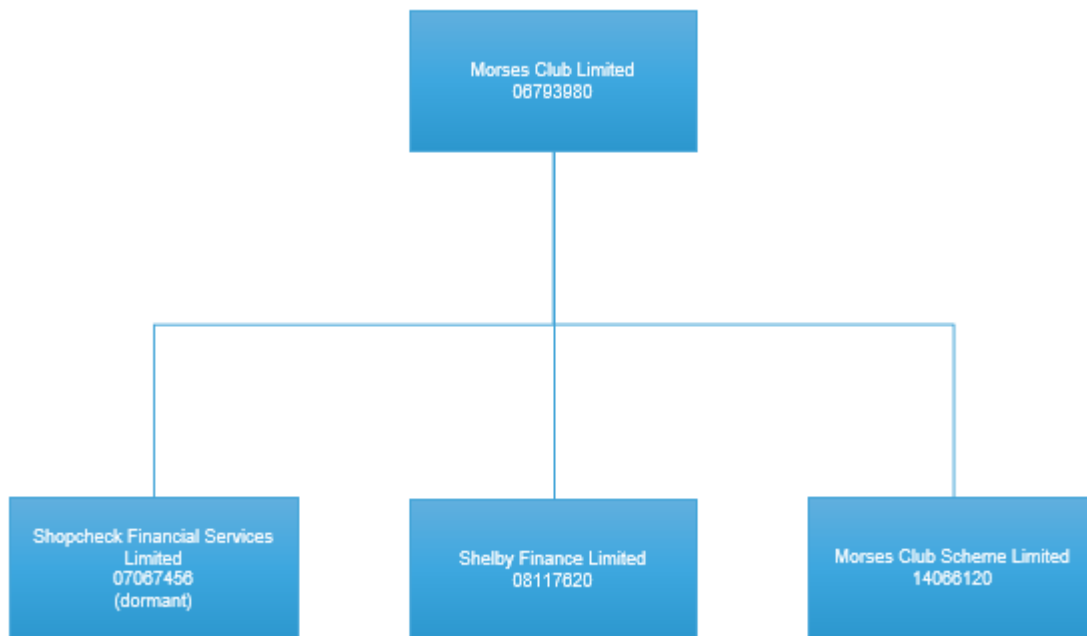
Shelby Finance LTD (**Shelby**) is a subsidiary of Morses Club and provides on-line instalment loans under the trading name DotDot Loans. Shelby is authorised and regulated by the FCA and has been since 30 March 2016. Its firm reference number is 713984. Loans provided by Shelby are excluded from the Scheme and cannot be the subject of a Scheme Claim.

2.4 **Shopacheck Financial Services Ltd:**

Shopacheck Financial Services Ltd (**Shopacheck**) was established in 1933 when Cattles plc extended its business into the UK home-collected credit sector. At the time of its acquisition by Hay Wain Group in 2014, Shopacheck was the second largest provider of UK home collected credit. The Hay Wain Group merged Shopacheck under the Morses Club brand in 2015. Shopacheck, although part of the Morses Club group, is a non-trading dormant company. Any loans provided by Shopacheck from 1 April 2007 to 28 February 2015 (being the last date on which loans were issued by Shopacheck or under the Shopacheck brand) are Loans which are included in the Scheme and can be the subject of a Scheme Claim.

2.5 **Other companies:** Morses Club and SchemeCo are the only companies from the Morses Club group that will be affected by or involved in the Scheme (i.e., Shopacheck, other than as described in paragraph 2.4, and Shelby will not be involved in the Scheme).

The group structure chart



3. **Part 3: How does the Scheme work?**

- 3.1 In this part we set out a detailed explanation of how the Scheme will work if it goes ahead.

IMPORTANT

Once effective, the Scheme imposes a Claims Deadline. If you want to receive cash for a Scheme Claim or reduce the amount you owe under an Unpaid Debt, you MUST make your Scheme Claim by the Claims Deadline. Once the Claims Deadline is set, it cannot be changed.

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; and**
- (b) **if you are a Customer who has any Unpaid Debt, you will not be entitled to:**
 - (i) **any reduction in the amount that you owe under that Unpaid Debt; nor**
 - (ii) **any refunds that might otherwise apply.**

More about these reductions and refunds can be found under the headings "What is 'Set-Off' and how might it affect me?" on page 44; "What are the VREQ Refund Payments?" on page 45 and "What are the Scheme Refund Payments?" on page 45.

SchemeCo recommends that you make your Scheme Claim well in advance of the Claims Deadline so that you do not miss it. A description of how to make your Scheme Claim can be found under the heading "If I am a Customer, how do I make a claim in the Scheme?" on page 40.

Who does the Scheme apply to?

- 3.2 The Scheme will apply to all Customers who took out a **Loan** (that is a loan taken out between 1 April 2007 and 2 August 2022 (inclusive)) from:

- (a) Morses Club; or
- (b) one of the companies listed at Schedule 1, where the loan was then purchased by Morses Club (a **Purchased Loan**),

and to whom a Redress Liability in respect of that Loan is owed. In summary, a Redress Liability is a liability owed by Morses Club in relation to the assessment of the sustainability and/or affordability of a Loan and in respect of which any Customer has made or may make a claim on or after 11 August 2022.

- 3.3 The Scheme will also apply to the FOS in respect of the FOS Fees Liabilities. The FOS Fee Liabilities are fees owed to the FOS by Morses Club for the FOS's review of claims relating to Redress Liabilities made against Morses Club on or after the Record Date which were then referred to the FOS and where the FOS has made a claim for these FOS Fees owed to it on or after the Record Date.
- 3.4 The Customers and the FOS are together referred to as **Scheme Creditors** in the Scheme. Any claim in respect of a Redress Liability or a FOS Fees Liability is referred to as a **Scheme Claim** in the Scheme.

Who does the Scheme not apply to?

- 3.5 The Scheme will not affect the following Customers or claims. Morses Club will continue to review (and if valid, pay) such claims in the usual way outside of the Scheme:
- (a) any redress claim made by a Customer in respect of a Loan before 11 August 2022 where such claim has not been resolved. Where Morses Club has resolved (whether upheld or rejected) such a claim, but the Customer is unhappy with Morses Club's decision, the Customer is entitled to make a new Scheme Claim, in the Scheme. However, the amount of any compensation the Customer is entitled to will be reduced by the amount of any compensation they have previously received for such claim. See Schedule 2 for more information about how claims made before 11 August 2022 will be treated;
 - (b) any claim against Morses Club which is not in respect of a Redress Liability. For example, complaints in relation to (i) the "Customer Experience", including the conduct of a Morses Club employee; (ii) Morses Club's communications with Customers; or (iii) difficulties navigating Morses Club's Customer portal will not be subject to the Scheme;
 - (c) any redress claim in relation to a loan from a company other than Morses Club (except a Purchased Loan);
 - (d) any redress claim in relation to a loan issued before 1 April 2007 or after 2 August 2022;
 - (e) any other customers of any other company in the Morses Club group;
 - (f) any other creditors of Morses Club or SchemeCo; or
 - (g) fees owed to the FOS by Morses Club for its review of:
 - (i) redress claims made against Morses Club before 11 August 2022 even if such redress claims were reviewed by the FOS after 11 August 2022;
 - (ii) any redress claim in respect of a loan made before 1 April 2007 or after 2 August 2022; or
 - (iii) any claims which are not in respect of a Redress Liability.

When will the Scheme come into force?

- 3.6 The Scheme will only come into force if it receives enough support from Scheme Creditors at the Scheme Meeting and the Court approves it. The Court will consider whether or not to approve the Scheme and will only approve it if it believes the legal requirements for doing so are met. More information about these legal requirements is provided at paragraph 8.14 below. If the Court sanctions the Scheme, it will come into force shortly afterwards. SchemeCo currently expects this to be at the end of May 2023.

What will happen if the Scheme becomes effective?

- 3.7 Three important things happen when the Scheme becomes effective:
- (a) First, Scheme Creditors will not be able to make Scheme Claims against Morses Club and will instead have to submit their Scheme Claims against SchemeCo;
 - (b) Second, Scheme Creditors will have to submit their Scheme Claims in the Scheme by the Claims Deadline; and
 - (c) Third, payments due to Scheme Creditors will be limited to the money held in the Compensation Fund. This money will be shared proportionately between Scheme Creditors based on the value of their Ascertained Scheme Claim.

Each of these points is explained in further detail below.

You will not be able make Scheme Claims against Morses Club

- 3.8 After the Scheme becomes effective, you will be required to submit your Scheme Claims against SchemeCo using the process described in the Scheme and not against Morses Club.
- 3.9 Once the full amount of the Compensation Fund has been paid to SchemeCo by Morses Club, you will be permanently stopped from making a Scheme Claim against Morses Club. Instead SchemeCo will make payments to you, if you have an Ascertained Scheme Claim.

You will have to make your Scheme Claim by the Claims Deadline

- 3.10 The Claims Deadline will be six months after the Effective Date. SchemeCo will let you know the date of the Claims Deadline as soon as possible after the exact date is fixed. SchemeCo will let you know the Claims Deadline by:
- (a) sending you an SMS if SchemeCo has your mobile number;
 - (b) sending you an email if SchemeCo has your email address;
 - (c) sending you a letter if SchemeCo does not have your mobile number or email address but does have your postal address;
 - (d) placing a notice and video on the Website;
 - (e) placing a notice on the Claims Portal;

- (f) placing a notice on the Morses Club Facebook page; and
- (g) placing advertisements in the Daily Mirror and the Daily Mail.

SchemeCo will also send reminders about the Claims Deadline three months after the Effective Date and again one month before the Claims Deadline.

3.11 If you want to receive cash for a Scheme Claim or reduce the amount you owe under an Unpaid Debt, you **MUST** make your Scheme Claim by the Claims Deadline. Once the Claims Deadline is set, it cannot be changed. 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; and
- (b) if you are a Customer who has Unpaid Debt, you will not be entitled to:
 - (i) any reduction in the amount that you owe under that Unpaid Debt; nor
 - (ii) any refunds that might otherwise apply.

3.12 Further detail about these reductions and refunds can be found under the headings "**What is 'Set-Off' and how might it affect me?**" on page 44; "**What are the VREQ Refund Payments?**" on page 45 and "**What are the Scheme Refund Payments?**" on page 45.

3.13 After the Claims Deadline:

- (a) you will not be able to make a new Scheme Claim, even if you were not aware that you had a Scheme Claim before the Claims Deadline;
- (b) you will not be able to change a Scheme Claim that you have already made, even to provide new information that you were not aware of before the Claims Deadline; and
- (c) you will not be able to provide additional information about a Scheme Claim that you have already made, unless you are asked to in accordance with the Scheme.

3.14 **Please note:**

- (a) you will not have to make a new Scheme Claim if you made or make a claim in respect of a Redress Liability against Morses Club on or after 11 August 2022 but before the Effective Date and you received a holding letter in respect of that claim. In that case, your claim will automatically be included in the Scheme as a Scheme Claim;
- (b) you will not have to make a new Scheme Claim if you voted on the Scheme as your claim will be automatically included as a Scheme Claim in the Scheme on the Effective Date if the Scheme goes ahead (if you wish to vote on the Scheme only and not make a claim in the Scheme please contact us using the contact details on page 11 above); and

- (c) you do not have to make a separate Scheme Claim for each Loan you may have had. Once SchemeCo receives your Scheme Claim, it will automatically assess whether you have a valid Scheme Claim in respect of all of your Loans.

Your right to compensation will be limited to the Compensation Fund

3.15 The Compensation Fund is money which will be held by SchemeCo in a bank account on trust (once received) for the benefit of Scheme Creditors with Ascertained Scheme Claims only. This money will only be used to pay the cash payments due to those Scheme Creditors.

3.16 The Compensation Fund will be made up of:

- (a) the Shareholder Funding, being at least £15,000,000 to be provided by Investors (which may include current shareholders) in exchange for 95% of Morses Club's shares; *plus*
- (b) £5,000,000 to be provided by Morses Club (the **Morses Club Funding**); *plus*
- (c) the Turnover Amount, being is the amount by which the realisable value of Morses Club's and its subsidiary Shelby's net assets as at the Effective Date (after certain deductions) exceeds £5,000,000.

3.17 Morses Club shall pay:

- (a) the Morses Club Funding into the Compensation Fund by 29 March 2024;
- (b) the Shareholder Funding into the Compensation Fund by 28 June 2024; and
- (c) the Turnover Amount into the Compensation Fund by 29 July 2024, if any Turnover Amount is available.

The Shareholder Funding

3.18 The Shareholder Funding of £15,000,000 is the maximum amount Morses Club considered Investors would be willing to pay for 95% of its shares. This amount was determined following discussions with the Committee who rejected Morses Club's initial proposal of £10,000,000 of Shareholder Funding. The Committee's counterproposal required a guaranteed Morses Club contribution into the Compensation Fund of £25,000,000 with Morses Club and the Committee eventually agreeing on a figure of at least £15,000,000 by way of Shareholder Funding. To ensure that Scheme Creditors would be receiving the maximum value from Investors by way of Shareholder Funding, Morses Club engaged Interpath Advisory to produce an independent valuation report (the **Interpath Valuation Report**) which provides an independent valuation of Morses Club and its subsidiaries as at 18 January 2023 on the assumption that the Scheme is implemented. The Interpath Valuation Report concluded that a fair value estimate for the Group was:

- (a) £10,000,000 to £12,000,000, if the Morses Club Funding was excluded; and
- (b) £5,700,000 to £7,700,000, including the Morses Club Funding (discounted to £4,300,000).

- 3.19 The Interpath Valuation Report supports the position that the valuation of Morses Club and its subsidiaries is considerably less than the proposed Shareholder Funding of £15,000,000 that Morses Club has committed to fund into the Compensation Fund for the benefit of Scheme Creditors.
- 3.20 To further ensure that Scheme Creditors will receive the maximum value from Investors by way of Shareholder Funding, Morses Club has agreed to commission a second independent valuation of its business after the Claims Deadline and shortly before the equity raise process is initiated and, if that report returns a valuation higher than £15,000,000, Morses Club has committed to attempt to raise equity up to the amount of that valuation. However, if the valuation is equal to or lower than £15,000,000, (or Morses Club is not able to raise additional Shareholder Funding), Morses Club still commits to raise £15,000,000 by way of Shareholder Funding.
- 3.21 On 13 February 2023 Morses Club received a conditional commitment letter from its existing shareholder Hay Wain Group Limited (**Hay Wain**) in which Hay Wain agreed to participate in an offering to raise £15,000,000 to support the Scheme. It should be noted that, at present, there is no binding commitment on the part of any Investor to provide the Shareholder Funding. Morses Club does not anticipate any such binding commitment to be received before the Effective Date.

The Morses Club Funding

- 3.22 The Morses Club Funding of £5,000,000 is the maximum amount of available cash that Morses Club considers it can safely pay into the Compensation Fund above a liquidity reserve required to maintain the ongoing operations of the Morses Club business. It has reached this conclusion based on what it anticipates its estimated cash position will be by 29 March 2024 (approximately £8,100,000) less the amount of the liquidity reserve (£3,000,000).

The Turnover Amount

- 3.23 The Turnover Amount is designed to ensure that if the net amount that is realised from the net assets of Morses Club and Shelby exceeds the Morses Club Funding of £5,000,000, (after deducting an amount for operational liquidity, the costs associated with a wind down scheme and marketing costs), then this surplus will be contributed to the Compensation Fund. This ensures that the value of Morses Club which would have been realised and distributed in a scheme which wound down Morses Club's operations at the Effective Date is available to Scheme Creditors as a minimum. The Turnover Amount will be calculated by the Scheme Supervisors and independently certified by a firm of accountants to be appointed by Morses Club.
- 3.24 Shelby is included in this calculation due to the interconnectedness of the two businesses. The Secured Funding Facility places obligations on both Morses Club (as borrower) and Shelby (as guarantor) and therefore it is in Morses Club's interests for Shelby's assets to be realised quickly. There are also shared support functions between Morses Club and Shelby meaning that Morses Club provides funding for Shelby to be able to meet the costs which support Morses Club's operation, for example a shared IT platform and Shelby staff that perform IT, risk and finance roles for Morses Club. Based on current estimates, Morses Club does not expect there to be any Turnover Amount.

The Turnover Amount is calculated as described in Schedule 5. Morses Club shall use reasonable endeavours to ensure that any potential Turnover Amount is maximised.

What happens if the Compensation Fund is not paid?

- 3.25 If Shareholder Funding, Morses Club Funding and Turnover Amount (if any) are not paid into the Compensation Fund when due, the Scheme will terminate. An explanation of what will happen if the Scheme terminates early is set out in "**Part 4: What happens if the Scheme does not go ahead or terminates early?**" on page 50 below. In summary however:
- (a) Morses Club expects that it will have to stop trading and enter into insolvency proceedings. In such a scenario, Scheme Creditors will continue to have their existing rights against Morses Club, including potentially benefitting from set-off (if they continue to have Unpaid Debt at the relevant time) or any applicable VREQ Refund Payments; and
 - (b) any amounts SchemeCo receives into the Compensation Fund shall be returned to Morses Club.
- 3.26 Morses Club will also pay all other costs of the Scheme. For the avoidance of doubt, these costs will not be paid from the monies in the Compensation Fund.

Payments from the Compensation Fund

- 3.27 Once a Scheme Claim is made, it will be checked using the factors described under the heading "**If I am a Customer, how will my Scheme Claim be assessed in the Scheme?**" on page 40 below. If a Customer has a valid Scheme Claim, SchemeCo will determine the amount of cash that the Customer is entitled to receive. This amount is equal to the Customer's Ascertained Scheme Claim. Further detail about how Ascertained Scheme Claims are calculated can be found under the heading "**How is an Ascertained Scheme Claim calculated?**" on page 46.
- 3.28 Once all Scheme Claims have been determined, the money in the Compensation Fund will be divided proportionately between Scheme Creditors based on the amount of their Ascertained Scheme Claims. SchemeCo expects to pay Scheme Creditors before the end of September 2024.
- 3.29 Based on our current estimates, SchemeCo does not expect Scheme Creditors with Ascertained Scheme Claims to receive 100% of the cash owed to them. However, they are expected to receive a larger cash payment under the Scheme than they would if the Scheme does not go ahead. Under the Scheme, Scheme Creditors with Ascertained Scheme Claims are currently estimated to receive approximately 20% of the cash owed to them.
- 3.30 For the purposes of calculating this estimate we have calculated a total complaints provision of £101.4 million which is informed by the following assumptions:
- (a) a total gross estimated Redress Liability of £607.4 million based on Customer volumes, total Loan sales and total interest on such Loans from 1 April 2007 to

2 August 2022, with estimations being used to account for the period which falls outside Morses Club's data retention policy;

- (b) deductions of £108.8 million to reflect set-off for compensation already paid in respect of redress claims resolved by Morses Club and for previous balances written off by Morses Club, resulting in a net estimated Redress Liability of £498.6 million;
- (c) 20% of those Scheme Creditors who are anticipated to have Ascertained Scheme Claims in respect of Loans from 1 April 2014 to 2 August 2022 only will submit Scheme Claims in the Scheme;
- (d) 25% of those Scheme Creditors who are anticipated to have Ascertained Scheme Claims in respect of Loans from both 1 April 2014 to 2 August 2022 and 1 April 2007 to 31 March 2014 will submit Scheme Claims in the Scheme; and
- (e) 10% of those Scheme Creditors who are anticipated to have Ascertained Scheme Claims in respect of Loans from 1 April 2007 to 31 March 2014 only will submit Scheme Claims in the Scheme.

3.31 Whilst the estimate set out in paragraph 3.29 has been carefully reviewed and prepared, it remains an estimate and the outcome described may vary depending on a number of factors, including:

- (a) the total value of Scheme Claims: if the total value of Scheme Claims submitted is lower than anticipated, each customer with an Ascertained Scheme Claim will receive more compensation than anticipated (and the opposite is also true);
- (b) the number of Scheme Claims which are upheld: if a lower number of Scheme Claims than anticipated are accepted, the Compensation Fund will likely need to be divided between a smaller number of Scheme Creditors with Ascertained Scheme Claims. Higher payments than anticipated can then likely be paid in respect of each Ascertained Scheme Claim. It is important to note that the opposite is also true, i.e., if a larger number of Scheme Claims than anticipated are accepted, the Compensation Fund will likely need to be divided between a larger number of Scheme Creditors with Ascertained Scheme Claims. Lower payments than anticipated are then likely to be paid in respect of each Ascertained Scheme Claim; and
- (c) the number of Scheme Claims received from current and past customers (including the extent of Set-Off applied): Scheme Claims submitted by current Customers are more likely to be satisfied through Set-Off rather than payments of cash being due, whereas Scheme Claims submitted by past Customers are more likely to result in payments of cash compensation being due (as they are less likely to have an outstanding loan in respect of which Set-Off can be applied). If a greater proportion of Customers than anticipated are eligible for cash compensation payments this will reduce estimated returns per Scheme Creditor (and the opposite is also true).

- 3.32 In the Practice Statement Letter dated 13 December 2022, Scheme Creditors with Ascertained Scheme Claims were estimated to receive in the range of 40% to 55% of the cash owed to them. This estimate has reduced to approximately 20% following discussions regarding the method for calculating claims (the **Claims Methodology**), and the expansion of the definition of Loans to include loans provided as early as 1 April 2007. These changes have both increased the estimated total complaints provision and in turn decreased the estimated return to Scheme Creditors under the Scheme.
- 3.33 Morses Club believes that if the Scheme does not go ahead, it will have no choice but to stop trading and enter into insolvent administration proceedings. In that case, whilst Scheme Creditors will keep all of the rights that they currently have against Morses Club, based on its current estimates, Morses Club expects that Scheme Creditors will receive approximately 1% of the cash they are owed (but Interpath estimates that the return may be higher at approximately 3% for the reasons explained at paragraph 36 above).

If I am a Customer, how do I make a claim in the Scheme?

- 3.34 To make a Scheme Claim, you, or someone with authority to act on your behalf must submit details of your Scheme Claim:
- (a) in the Claims Portal; or
 - (b) on a Claim Form by post,
- in each case on or before the Claims Deadline. If any documentation or further information is required from you in support of your Scheme Claim, you will be separately asked for any required additional information.
- 3.35 The Claims Portal will guide you through the simple process of making the Scheme Claim and you should not need a claims management company to do this for you. A claims management company is likely to charge you for the services they provide and you will therefore not receive the full amount of any cash payment made by SchemeCo if you use a claims management company. You can also contact SchemeCo using the details provided on page 14 for help in making a Scheme Claim. You may also ask a friend or a relative for help.
- 3.36 For the avoidance of doubt and as explained at paragraph 3.14 above, you do not need to make a new Scheme Claim if your claim is automatically included in the Scheme.

Will the FOS be required to make a claim in the Scheme?

- 3.37 The FOS shall submit its Scheme Claim including details of its claim and supporting evidence by email to SchemeCo on or before the Claims Deadline.

If I am a Customer, how will my Scheme Claim be assessed in the Scheme?

- 3.38 If you make your Scheme Claim by the Claims Deadline, SchemeCo will check it using an automated process called the **Claims Methodology**.

- 3.39 SchemeCo will check your Scheme Claim by carrying out tests on your loan history to see if your Loan(s) were affordable and/or sustainable or not. SchemeCo will use internal information held by us, external information and information given by you when you make your Scheme Claim when carrying out these checks. SchemeCo will owe you compensation for your Scheme Claim where any one or more of the following factors is met:
- (a) high or unusual levels of Morses Club borrowing;
 - (b) signs of potential financial distress on file;
 - (c) recent County Court judgments or defaults on file;
 - (d) high levels of arrears;
 - (e) high levels of overall indebtedness;
 - (f) increases in overall levels of indebtedness; or
 - (g) low levels of overall disposable income.
- 3.40 The Claims Methodology will also include a provision for compensation to be added for any legal costs, fees and/or fines which a Customer has paid in relation to a County Court judgment in respect of a Loan that is the subject of a valid Scheme Claim and Morses Club will use its standard "business as usual" processes to instruct credit rating agencies to make corrections to credit files where claims are upheld.
- 3.41 SchemeCo may also consider any other factors or circumstances that may be relevant to whether or not your Loan was affordable and/or sustainable. These include your ability to understand if you could afford the Loan or not and the Loan terms.
- 3.42 Morses Club engaged an independent firm, Avyse Partners Limited, to formally review and make comments and recommendations on the Claims Methodology to ensure that it is fair and reasonable. The final Claims Methodology can be found scheduled to the Scheme on the Website at <https://www.morsesclubscheme.com/documents/>.
- 3.43 SchemeCo will carry out an initial assessment of your Scheme Claims:
- (a) within 30 days following the Effective Date in relation to Customers 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 Customers who have submitted a Scheme Claim in the Scheme.

If that initial assessment shows that you are expected to have an Ascertained Scheme Claim, and you have any Unpaid Debt, we will let you know that you can stop making repayments on that Unpaid Debt. If that initial assessment shows that your Unpaid Debt should be reduced following the application of Set-Off, as described in paragraphs 3.57

to 3.59 below, we will let you know the amount that your Unpaid Debt has been reduced to.

- 3.44 In order to help SchemeCo to assess the validity of your Scheme Claim (and how much compensation you may be owed), SchemeCo may ask you for more information or evidence. This is most likely to be certain medical information. You must provide the information or evidence that SchemeCo asks for within 30 days of receiving the request. If you do not provide the information or evidence, SchemeCo will assess your Scheme Claim without the benefit of that additional information or evidence.
- 3.45 Once SchemeCo has fully assessed your Scheme Claim using the Claims Methodology, SchemeCo will let you know if your Scheme Claim has been accepted as valid or not. If your Scheme Claim is accepted as valid, SchemeCo will send you a notice, called a **Determination Notice**, letting you know:
- (a) the total amount of your valid Scheme Claim;
 - (b) the amount of any compensation that you have previously received for redress claims on your Loans (and your valid Scheme Claim will be reduced by such amount);
 - (c) the amount of any Scheme Interest (and this amount will be added to your valid Scheme Claim);
 - (d) the amount of any Unpaid Debt written off (and your valid Scheme Claim will be reduced by this amount) and the amount of any Unpaid Debt that you still owe;
 - (e) whether you are entitled to a VREQ Refund Payment (as described in paragraphs 3.60 to 3.62 below) (and your valid Scheme Claim will also be reduced by this amount); and
 - (f) the remainder of your valid Scheme Claim (if any). This amount is called your **Ascertained Scheme Claim**.

The Determination Notice will also specify the amount of any Scheme Refund Payment or other refund due from a Debt Purchaser (as described in paragraph 3.67 below). All calculations set out in the Determination Notice will be calculated as at the Effective Date.

What should I do if I agree with SchemeCo's decision on my Scheme Claim?

- 3.46 If you accept SchemeCo's decision on your Scheme Claim, you do not need to do anything.

What should I do if I disagree with SchemeCo's decision on my Scheme Claim?

- 3.47 If you disagree with SchemeCo's decision on your Scheme Claim because you think the Claims Methodology has been incorrectly applied to your claim or you do not feel that due account has been taken of any supporting information that you have provided,

you must let us know within 30 days of receiving the Determination Notice, providing a reason for your challenge. For the avoidance of doubt, if the Scheme becomes binding, you will not be entitled to challenge the Claims Methodology itself.

- 3.48 If you challenge SchemeCo's decision within 30 days of receiving the Determination Notice, your Scheme Claim will become a **Disputed Scheme Claim**. SchemeCo will reconsider your Scheme Claim in light of your challenge and may ask you to provide further information. Once reviewed, SchemeCo will send you another notice, called an **Updated Determination Notice**, with its final decision on your Scheme Claim within 30 days of you notifying SchemeCo of your challenge and the reasons for it. If you accept SchemeCo's final decision on your Scheme Claim, you do not need to do anything. If you disagree with SchemeCo's final decision on your Scheme Claim you must let us know within 30 days of the Updated Determination Notice and provide a reason for your disagreement. If you challenge SchemeCo's final decision within 30 days of receiving the Updated Determination Notice, your Scheme Claim will be determined by the independent Scheme Adjudicator using the process described below.

Who is the Scheme Adjudicator and what happens when Disputed Scheme Claims are referred to him?

- 3.49 Morses Club has appointed Jonathan Herbst as Scheme Adjudicator. Jonathan Herbst is an experienced financial services regulatory lawyer and partner at international law firm Norton Rose Fulbright LLP. The Scheme Adjudicator is an independent professional and does not have any connections with SchemeCo or Morses Club. He will be supported in his role by a team of relevant experts, particularly those with experience relating to affordability issues regarding credit providers. A copy of the Scheme Adjudicator's CV can be found at Schedule 7 of this document at page 81.
- 3.50 If you disagree with SchemeCo's final decision regarding your Scheme Claim, you must provide a reason for your challenge. Your Disputed Scheme Claim will then be determined by the Scheme Adjudicator. This will occur automatically once you notify us that you do not agree with our final decision regarding your Disputed Scheme Claim.
- 3.51 The Scheme Adjudicator will consider the Disputed Scheme Claims referred to him and will aim to make a decision within 60 days (although this will depend on whether further information is required, as explained below). The Scheme Adjudicator will consider the reasons why the Customer disputed the Updated Determination Notice, verify that the Claims Methodology has been correctly applied and, if any additional information has been provided by the Scheme Creditor, assess this additional information.
- 3.52 The Scheme Adjudicator may request further information or documents from you or SchemeCo. The Scheme Adjudicator may also have certain questions for you or SchemeCo.
- 3.53 If either party does not respond to a request by the Scheme Adjudicator to provide further information (or answer questions) within 30 days of such request, the Scheme Adjudicator will make a decision on the Disputed Scheme Claim without this additional information.

- 3.54 The Scheme Adjudicator will aim to make a decision on the Disputed Scheme Claim within 60 days of the further information being provided or if no further information was requested, within 60 days of the Disputed Scheme Claim being referred to him. However, he is entitled to extend that deadline.
- 3.55 Decisions made by the Scheme Adjudicator in respect of a Disputed Scheme Claim are binding on SchemeCo and SchemeCo shall have no ability to dispute or appeal a decision of the Scheme Adjudicator. FOS has also announced that it would no longer be accepting new complaints made by Customers against Morses Club where such complaints are covered by the Scheme.
- 3.56 With respect to any costs incurred as a result of the adjudication process, these are likely to be paid in full by Morses Club. However, in exceptional circumstances, the Scheme Adjudicator may believe that a Scheme Creditor's challenge is unreasonable. In those circumstances, the Scheme Adjudicator may require that Scheme Creditor to pay the Scheme Adjudicator's costs for dealing with their Disputed Scheme Claim. Whilst the decision on whether a Scheme Creditor should be required to pay the costs associated with dealing with its Disputed Scheme Claim will be made independently by the Scheme Adjudicator, SchemeCo will inform a Scheme Creditor in advance if it believes that their reason for challenging the determination of their Scheme Claim is unreasonable and therefore, whether the Scheme Creditor risks being required to pay the costs of the adjudication.

What is 'Set-Off' and how might it affect me?

- 3.57 In calculating the amount payable to a Customer with a valid Scheme Claim, SchemeCo (and if relevant, the Scheme Adjudicator) will consider whether the Customer has any Unpaid Debt. Where the Customer has any Unpaid Debt, SchemeCo will automatically reduce the total amount of the Customer's Scheme Claim by the amount of that Unpaid Debt. These amounts will be written-off and will not have to be repaid by the Customer. This is called **Set-Off** in this document.
- 3.58 Once Set-Off is applied, this will leave the Customer with either:
- (a) a claim against SchemeCo (if their valid Scheme Claim is more than their Unpaid Debt). In this case, SchemeCo will consider if the Customer is entitled to receive any of the refunds, as described in paragraphs 3.60 to 3.62 below; or
 - (b) an amount that the Customer still owes to Morses Club (if their Unpaid Debt is more than their valid Scheme Claim), in which case the Customer will need to pay the remainder of the reduced Unpaid Debt as normal.
- 3.59 We have included some worked examples as to how Set-Off would work at Schedule 4 on page 68.

What are the VREQ Refund Payments?

- 3.60 As part of the Claims Pause, Morses Club entered into a Trust Agreement dated 16 September 2022. The Trust Agreement says that where a Customer:
- (a) has made or makes a Scheme Claim to Morses Club on or after 11 August 2022 but before the Effective Date; and
 - (b) made or makes any repayments to Morses Club on their unpaid Loans after making that Scheme Claim but before the Effective Date
- ((a) and (b) together, a **VREQ Customer**), those repayments will be paid into a separate trust account (the **VREQ Trust Account**).
- 3.61 If a VREQ Customer still has a valid Scheme Claim after the application of Set-Off, the VREQ Customer will be entitled to a refund equal to the lesser of their valid Scheme Claim (after the application of Set-Off) and the amount paid into the VREQ Trust Account by that VREQ Customer, if any (the **VREQ Refund Payment**). The VREQ Customer's valid Scheme Claim will be reduced by the amount of any VREQ Refund Payment made to the Customer with the net balance becoming its Ascertained Scheme Claim.
- 3.62 SchemeCo will pay all VREQ Refund Payments owing to VREQ Customers as soon as practicable and, by no later than 30 days after a VREQ Customer receives a notice to stop making payments, as described in paragraph 3.43 above.
- 3.63 We have included some worked examples as to how a VREQ Refund Payment would work at Schedule 4 on page 68.

What are the Scheme Refund Payments?

- 3.64 Morses Club will let you know if you can stop making payments on outstanding Loans as described in paragraph 3.43 above. However, if a Customer has a valid Scheme Claim and that Customer has made payments on an outstanding Loan after the Effective Date, that Customer will be entitled to a refund of all payments made after the Effective Date (**Scheme Refund Payment**).
- 3.65 Morses Club will pay all Scheme Refund Payments owing to relevant Customers as soon as practicable and, by no later than 30 days after a Customer receives a notice to stop making payments, as described in paragraph 3.43 above.

Sold Loans, Debt Purchasers & Debt Reduction Agreements

- 3.66 In certain cases, a Customer's Loan has been sold by Morses Club to a third party.
- 3.67 Between 1 April 2007 and 31 January 2023, Morses Club assigned 384,123 Loans to:
- (a) Lowell Portfolio I Limited; and
 - (b) Lantern Debt Recovery Services Limited

(each a **Debt Purchaser**). The Debt Purchasers are not part of the Morses Club Group. These sales relate to 267,288 Customers.

- 3.68 In order to ensure that Customers whose Loans have been sold are treated in the same way as all other Customers under the Scheme, Morses Club will seek to enter into an agreement with each Debt Purchaser (a **Debt Reduction Agreement**) to:
- (a) allow Customers to Set-Off their valid Scheme Claims against their outstanding Loans on the same terms as would apply under the Scheme if the Loan had not been sold; and
 - (b) refund to Customers with Ascertained Scheme Claims any repayments they make on an unpaid Loan on or after the Effective Date.
- 3.69 In the event that a Debt Purchaser does not enter into a Debt Reduction Agreement, a Customer will nevertheless still have any legal right of equitable set-off they currently have. The legal right of equitable set-off can be used by a Customer as a defence if a third party demands full payment of a sold Loan in future.
- 3.70 Any payments required to be made to Debt Purchasers as consideration for them agreeing to enter into a Debt Reduction Agreement shall be paid by Morses Club as a Scheme cost and shall not be paid from the Compensation Fund.

How is an Ascertained Scheme Claim calculated?

- 3.71 A Scheme Creditor's Ascertained Scheme Claim will be:
- (a) the total amount (if any) of a valid Scheme Claim; *less*
 - (b) the amount of any compensation they have previously received for redress claims on their Loans; *plus*
 - (c) the amount of Scheme Interest accrued on the balance; *less*
 - (d) the amount of any Unpaid Debt (including where that Unpaid Debt may have otherwise been written off); and *less*
 - (e) the amount of any VREQ Refund Payment (in respect of which VREQ Customers will receive a refund in the manner described at paragraphs 3.60 and 3.62 above).

All calculations are made as at the Effective Date. We have included some worked examples as to how Ascertained Scheme Claims will be calculated at Schedule 4 on page 68.

Who will be responsible for making sure that the Scheme is implemented properly?

- 3.72 Our directors, Gary Marshall and Graeme Campbell, will be primarily responsible for making sure that the Scheme is implemented properly. However, Morses Club has also appointed third parties, called the **Scheme Supervisors**, who will be bound by the terms of the Scheme to help ensure that the Scheme is implemented properly.

- 3.73 The Scheme Supervisors will be Dan Schwarzmann and Nigel Rackham. Dan is a Partner at PwC and Nigel is a Director at PwC. They have extensive experience of acting as scheme supervisors having previously acted as scheme supervisors on the ALL Scheme Limited (**Amigo**) scheme of arrangement. They have also acted as administrators and liquidators for numerous insurance and financial services companies.
- 3.74 The Scheme Supervisors will monitor SchemeCo's compliance with the terms of the Scheme and confirm the completion of the Scheme when they are satisfied that:
- (a) the Scheme has been substantially implemented in accordance with its terms;
 - (b) all Scheme Claims have been determined or adjudicated; and
 - (c) all Ascertained Scheme Claims have been paid in accordance with the Scheme.
- 3.75 SchemeCo expects to make payments owing to Scheme Creditors for their Ascertained Scheme Claims in September 2024.

Scheme Termination

- 3.76 If the Scheme is approved by enough Scheme Creditors and approved by the Court it will become effective. However, it will terminate early in certain circumstances. More information about what happens if the Scheme terminates early is described in "Part 4: What happens if the Scheme does not go ahead or terminates early?" on page 50 below. However, if the Scheme terminates early, Customers with valid redress claims, and the FOS in respect of valid claims for FOS Fees Liabilities, will be entitled, at a minimum, to payment from the Early Termination Funding. The Early Termination Funding ensures that the cash which Morses Club considers would be available to Customers if Morses Club went into administration proceedings today, will also be available in the event that the Scheme goes forward, but ends early. However, if the Scheme ends early and a Customer has Unpaid Debt, that Customer may be worse-off if they continue to make repayments on that Unpaid Debt after the Effective Date.



Documents which support the Scheme

- 3.77 The Scheme requires SchemeCo to enter into certain additional agreements to ensure that it works as contemplated. These contracts are:
- (a) the **Deed Poll**: This is the document under which SchemeCo took on Morses Club's obligations to pay all Ascertained Scheme Claims so that SchemeCo could propose the Scheme;
 - (b) the **Implementation and Funding Agreement**: This is the document under which Morses Club is required to pay (i) the Compensation Fund to SchemeCo (so that SchemeCo can make payments towards Ascertained Scheme Claims) and (ii) all costs associated with the Scheme;
 - (c) the **Trust Agreement**: This is the document under which Morses Club is required to pay certain Customer repayments into a separate trust account. These specific repayments are those payments made by a Customer who made

or makes a Scheme Claim to Morses Club on or after 11 August 2022 but before the Effective Date; and made or makes any repayments on their unpaid Loans to Morses Club after making that Scheme Claim up to the Effective Date; and

- (d) the **Debt Reduction Agreements**: These are the agreements to be entered into between SchemeCo and Morses Club with Debt Purchasers, to ensure that Customers whose Loans have been sold to a Debt Purchaser are treated in the same way as all other Customers under the Scheme.

These contracts are explained further in Schedule 6.

Time and date 	Event 
May 2023 (exact date to be confirmed)	Effective Date If the Court approves the Scheme, the Scheme is expected to become effective on 26 May 2023. SchemeCo will let you know the exact date.
Within 30 days of the Effective Date	Early Termination Funding provided The Early Termination Funding ensures that the minimum cash estimated to be available to Customers if Morses Club went into administration proceedings immediately will also be available if the Scheme goes forward but ends early.
November 2023 (exact date to be confirmed)	Claims Deadline You MUST make your Scheme Claim by the Claims Deadline. If you do not you will not receive any cash for it or be able to reduce the amount that you owe under any Unpaid Debt.
29 March 2024	Morses Club to pay the Morses Club Funding Morses Club must pay the Morses Club Funding by this date. If it does not do so, the Scheme will end.
3 May 2024	Morses Club shareholders to consent to new shares Morses Club shareholders must consent to new shares being issued in return for the Shareholder Funding by this date. If they do not do so, the Scheme will end.
28 June 2024	Morses Club to pay the Shareholder Funding Morses Club must pay the Shareholder Funding by this date. If it does not do so, the Scheme will end.
29 July 2024	Morses Club to pay the Turnover Amount, if any Morses Club must pay the Turnover Amount, if any, by this date. If it does not do so, the Scheme will end.
By September 2024	Payments to Scheme Creditors for their Ascertained Scheme Claims are expected to be made by this date
By September 2024	Completion Date The date by which (i) the Scheme has been substantially implemented; (ii) all Scheme Claims have been determined and/or adjudicated; and (iii) all Ascertained Scheme Claims have been paid in accordance with the terms of the Scheme.

4. **Part 4: What happens if the Scheme does not go ahead or terminates early?**

Will the Scheme definitely go ahead?

- 4.1 The Scheme will not go ahead unless:
- (a) it is approved by a majority in number (that is more than 50%), representing 75% or more in value, of the Scheme Creditors who vote on it; and
 - (b) the Court approves the Scheme. The Court will only approve the Scheme if it believes the legal requirements for doing so are met.
- 4.2 If the Scheme is approved by enough Scheme Creditors and approved by the Court it will become effective. However, it will terminate early 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) the current shareholders of Morses Club do not agree by 3 May 2024 that new shares can be issued to the Investors;
 - (c) Morses Club enters into insolvency proceedings (i.e., administration or liquidation) before the Morses Club Funding, Shareholder Funding or Turnover Amount (if any) is paid in full into the Compensation Fund;
 - (d) the Morses Club Funding is not paid into the Compensation Fund by 29 March 2024;
 - (e) the Shareholder Funding is not paid into the Compensation Fund by 28 June 2024; or
 - (f) the Turnover Amount, if any, is not paid into the Compensation Fund by 29 July 2024.
- 4.3 If the Scheme goes ahead but ends early, Morses Club will be insolvent and have to stop trading.

Insolvency of Morses Club

- 4.4 If the Scheme does not go ahead or terminates early, Morses Club believes that it will have no option but to stop trading and enter into insolvency proceedings for the reasons explained in paragraphs 1.17 to 1.24 above.
- 4.5 If the Scheme is not approved, and therefore does not go ahead, based on its current estimates, Morses Club believes that Customers will receive approximately 1% of the cash that they are owed. Interpath considers that the return may be higher at approximately 3% for the reasons explained at paragraph 36 above.

Part 4: What happens if the Scheme does not go ahead or terminates early?

- 4.6 If the Scheme is approved and goes ahead, but terminates early, Customers with valid redress claims, and the FOS in respect of valid claims for FOS Fees Liabilities, will be entitled, at a minimum, to payment from the Early Termination Funding which Morses Club will put into a safe, ring-fenced account. The Early Termination Funding ensures that the cash which Morses Club considers would be available to Customers if Morses Club went into administration proceedings today, will also be available in the event that the Scheme goes forward, but ends early. If the Scheme goes ahead but terminates early, Morses Club estimates that Customers will receive at least approximately 1% of the cash owed to them. However, it should be noted that Customers may receive less than the approximately 3% that Interpath has estimated that Customers will receive.
- 4.7 If the Scheme goes ahead but terminates early, Customers with Unpaid Debts should also note that they may be worse-off if they continue to make repayments on their Unpaid Debt after the Effective Date. However, to limit this risk, within 30 days of:
- (a) the Effective Date or
 - (b) a Customer making a claim (whichever is later),

Morses Club will tell Customers to stop making payments on their Unpaid Debt if they are expected to have a valid redress claim.

The independent Interpath Report

- 4.8 Morses Club engaged Interpath to produce an independent report which considers:
- (a) Morses Club's current financial situation; and
 - (b) Morses Club's estimates of outcomes from the Scheme and in an insolvent administration, including whether Morses Club's assumptions are reasonable.

In producing the report, Interpath was engaged by Morses Club only and has no duty of care or liability to the Customers or any other party.

- 4.9 The Interpath Report concludes that:
- (a) returns of approximately 20 pence per pound under the Scheme appear reasonable;
 - (b) the Scheme will provide Scheme Creditors with a better outcome than they would otherwise receive if the Scheme does not go ahead;
 - (c) it is a reasonable assumption that Morses Club would need to file for insolvency if a Scheme cannot be implemented;
 - (d) the estimated return to Scheme Creditors in an administration of Morses Club would be approximately 3 pence per pound. Interpath note that Morses Club believes that if it were to enter into insolvent administration proceedings the estimated return to Scheme Creditors would be 1 pence per pound and state that their estimation is at the high end of the range and Morses Club's estimate provides a low end to the range. Interpath also say that a number of the key

Part 4: What happens if the Scheme does not go ahead or terminates early?

assumptions used to calculate these amounts are uncertain meaning that the actual outcome may be different to these estimates;

- (e) the total complaints provision of £101.4 million (and the assumptions underpinning them) as set out at paragraph 3.30 above appear reasonable. However, it was not within the scope of the Interpath Report to consider all of the calculations required to get to the estimated £101.4 million total complaints provision; and
- (f) it is reasonable to assume that Morses Club will be able to make the Morses Club Funding contribution of £5 million to the Compensation Fund by no later than 29 March 2024.

4.10 However, as explained at paragraph 3.31 above, the figures provided at paragraph 4.5 remain as estimates and the actual figures may vary.

What are the main differences between the Scheme and an insolvency of Morses Club?

Scheme	Insolvency of Morses Club
Under the Scheme, Scheme Creditors with Ascertained Scheme Claims are currently estimated to receive approximately 20% of the cash owed to them (although this is dependent on Morses Club funding the Compensation Fund with the Morses Club Funding, the Shareholder Funding and if any, the Turnover Amount. The Morses Club Funding, the Shareholder Funding and the Turnover Amount are not guaranteed to be available).	<p>Morses Club believes that if the Scheme does not go ahead, it will have no choice but to cease trading and enter into insolvent administration proceedings. In that case, Morses Club currently estimates that Scheme Creditors will receive approximately 1% of the cash owed to them (and Interpath estimates that this figure would be approximately 3% for the reasons explained at paragraph 36 above).</p> <p>Scheme Creditors are expected to receive less in an insolvent administration proceeding because, amongst other reasons, Morses Club:</p> <ul style="list-style-type: none"> (i) will not receive the Shareholder Funding from the Investors; (ii) will stop trading and therefore will not be able to generate the Morses Club Funding or the Turnover Amount; (iii) will breach its lending facility covenants and lose the confidence of its lenders, meaning that it will not have access to ongoing funding; and (iv) will be likely to collect far lower repayments (owed to it from customers) than

Part 4: What happens if the Scheme does not go ahead or terminates early?

Scheme	Insolvency of Morses Club
	<p>it would otherwise under the Scheme (in Morses Club's view).</p> <p>Each of the above matters means that there will be less available funds to make compensation payments.</p>
<p>Under the Scheme, Scheme Creditors will have the right to apply Set-Off to reduce the amount they owe on any Unpaid Debt as at the Effective Date.</p>	<p>In an insolvent administration proceeding, Scheme Creditors will have the right to apply set-off to reduce the amount they owe on any Unpaid Debt as at the date of the insolvent administration proceeding.</p>
<p>Scheme Creditors are expected to receive payments for their Ascertained Scheme Claims before the end of September 2024.</p>	<p>If payments are available to be made to Scheme Creditors, these are likely to be paid between October and December 2024.</p>
<p>Morses Club will continue lending to customers.</p>	<p>Morses Club will stop trading. This means that it will stop lending to customers and its business will be closed.</p>

5. **Part 5: The Customers' Committee & the Customer Advocate**

Customers' Committee

- 5.1 To ensure Customers had an opportunity to input on the Scheme at an early stage and to ensure that their views and interests on the Scheme were considered when the Scheme was being designed, a **Committee** (representing Customer interests) was established.
- 5.2 Jamie Drummond-Smith was appointed as independent chairperson of the Committee (the **Chair**) on 19 July 2022 and is an experienced financial services sector professional with a background in insolvency and restructuring. The Chair is independent of Morses Club and SchemeCo and does not work for and has never worked for Morses Club or SchemeCo. The Chair also has the benefit of independent legal advice (paid for by Morses Club) to assist him with discharging his duties as Chair. A copy of his CV can be found in his report at <https://www.morsesclubscheme.com/documents/>.
- 5.3 In order to form the Committee, Morses Club contacted 6,918 Customers at random between 27 July 2022 and 12 August 2022 to ask for self-nominations to form the Committee. A total of 26 Customers expressed an interest and the Chair chose 8 of these Customers to form the Committee.
- 5.4 In order to ensure that the Committee was representative of Morses Club's different Customers, both Customers who have unpaid Loans (and therefore who would benefit from Set-Off if they had a valid Scheme Claim) and those who do not have unpaid Loans (and therefore would not benefit from Set-Off), form part of the Committee.
- 5.5 Prior to forming the Committee, members of the Committee were required to confirm that they were not shareholders of Morses Club and that they did not have any other interest in Morses Club other than as Customers.
- 5.6 The Committee had the opportunity to consider a range of issues that have shaped the proposed Scheme. The input of the Committee has involved:
- (a) considering in detail and providing feedback on the various options presented to them for how Scheme Claims should be paid (i.e., whether Scheme Claims should be paid from future profits of Morses Club, whether Scheme Creditors should receive shares in Morses Club as payment for their Scheme Claims or whether Scheme Claims should be paid in the manner described at 3.16 and 3.17 above); and
 - (b) negotiating the terms of the Scheme, including the level of funding in the Compensation Fund, to ensure that it provides an acceptable return to Customers.
- 5.7 After detailed consideration of the options put forward by Morses Club as set out at paragraph 5.6(a) above, the Committee expressed a clear preference for the proposed Scheme over the other options presented.

- 5.8 This is because the Committee:
- (a) decided that Customers would prefer not to hold shares in Morses Club; and
 - (b) felt that the amount and timing of payments to be made to Customers under the proposed Scheme were more certain and likely to be made sooner than if Customers were to wait to be paid from future profits of Morses Club.
- 5.9 Please note, you do not have to agree with the Committee's views on the Scheme, and you have the right to have your own say on the Scheme by voting on it.
- 5.10 The Chair has produced a report summarising his and the Committee's work on the Scheme and their conclusions. You can find a copy of the Chair's report on the Website at <https://www.morsesclubscheme.com/documents/>. In particular, the report highlights that it was not possible to say that the Committee had negotiated the best possible outcome for Customers as it was not possible to determine whether more could have been raised from the Morses Club shareholders. The report notes that Morses Club does not believe that more could be raised from the shareholders and the Interpath Report would also seem to support that conclusion. The report notes that it is possible to say that the Committee had negotiated a better outcome than the original proposal received from Morses Club and, if the Shareholder Funding could be raised, a much better outcome than would be obtained on insolvency.
- 5.11 It should be noted that, that since the Chair issued his report on 10 February 2023:
- (a) to further ensure that Scheme Creditors will receive the maximum value from Investors by way of Shareholder Funding, Morses Club has agreed to commission a second independent valuation of its business after the Claims Deadline and shortly before the equity raise process is initiated and, if that report returns a valuation higher than £15,000,000, Morses Club has committed to attempt to raise equity up to the amount of that valuation; and
 - (b) the estimated return to Scheme Creditors has reduced from 40-55 p/£ as described in the Practice Statement Letter to a revised estimate of approximately 20p/£. In this regard, the Chair noted in an email to Morses Club that he had previously informed the Committee that Morses Club did not know what the dividend percentage would be and stated "*I note the reduced percentage but also the increased population who may benefit from the scheme, and given:*
 - (i) *I received no questions in respect of my last email to the Committee [sent on 27 February 2023 to inform the Committee that the estimate had been reduced from 40-55% to approximately 32% and which asked the Committee to contact the Chair if they had any questions];*
 - (ii) *the Committee believes that the Company is paying the maximum it can afford; and*
 - (iii) *the outcome is significantly better than the counter-factual,*

I do not think the position has changed and my view that the reduction does not affect the Committee's original decision."

The Customer Advocate

- 5.12 An independent person, Jon Yorke, has been appointed to represent Customers in respect of the Scheme (the **Customer Advocate**). Mr Yorke is an experienced lawyer. He is independent of Morses Club and SchemeCo and does not work for, and has never worked for, Morses Club or SchemeCo. Mr Yorke has his own legal advisor.
- 5.13 The Customer Advocate produced a report addressed to the Court and Scheme Creditors for the First Court Hearings. It summarises the comments and objections that the Customer Advocate had received regarding the Scheme from Scheme Creditors and/or any media/consumer protection groups in the lead up to the First Court Hearings. In particular this report explains that:
- (a) many steps and reasonable efforts have been made to draw the existence of the Scheme to the attention of the Scheme Creditors and that the degree of engagement by Morses Club with Scheme Creditors was, whilst being difficult to quantify, in the Customer Advocate's experience, equal to or greater than he might expect to see;
 - (b) no comments had been received from either the Scheme Creditors or any media/consumer protection groups objecting to a single class meeting of Scheme Creditors;
 - (c) the majority (if not all) of the negative comments or objections received by the Customer Advocate from Scheme Creditors relating to the Scheme did not, in fact, relate to the terms of the Scheme or issues of fairness but rather the conduct of Morses Club in advancing the Loans; and
 - (d) this Explanatory Statement complies with the requirements of paragraph 14 of the Practice Statement and explains in a reasonably concise and simple way the commercial impact of the proposed Scheme and provides the Scheme Creditors with the information they need to decide whether or not the Scheme is in their interests and how to vote on it.
- 5.14 A copy of that report can be found here <https://www.morsesclubscheme.com/documents/>. The report also contains the CV of the Customer Advocate.
- 5.15 The Customer Advocate can continue to answer any general questions that you may have about the Scheme, take your feedback on the Scheme and discuss it with SchemeCo. There will be no charge to Customers for this. The Customer Advocate will produce an updated report addressed to the Court and Scheme Creditors before the Second Court Hearing (to approve the Scheme) summarising any further comments and objections that he has received.
- 5.16 If you have any questions or comments about the Scheme, you can contact the Customer Advocate by email at: jy@morsesclubca.co.uk. You also have the right to take your own legal advice at your own expense.

6. **Part 6: Arrangements for Voting**

6.1 SchemeCo is asking Scheme Creditors to vote on the Scheme.

What votes does SchemeCo need for the Scheme to be able to go ahead?

6.2 The Scheme can only go ahead if:

- (a) of the Scheme Creditors who vote, a majority (that is, more than 50%) vote for the Scheme to go ahead; **and**
- (b) the Scheme Creditors who vote in favour of the Scheme have claims with a value of at least 75% of the total value of the claims of all the Scheme Creditors who vote.

6.3 If the Scheme receives enough votes to pass both of these tests, SchemeCo will ask the Court to approve the Scheme. If the Scheme does not receive enough votes to pass these tests, then SchemeCo cannot ask the Court to approve the Scheme.

How can I vote on the Scheme?

6.4 There are three options for voting on the Scheme without attending the Scheme Meeting:

- (a) the first option is to register your vote on the Claims Portal at www.morsesclubscheme.com/claims-portal/ by 5.00 p.m. on 12 May 2023. If choosing this option, you will find instructions for how to vote on the Claims Portal; or
- (b) the second option is to download a Claim Form from the Website (or requesting a copy to be e-mailed or posted to you) and returning this by post to SchemeCo at Scheme of Arrangement Team, Morses Club Scheme Limited, Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham, NG8 6AT. In this case, the form must be received by us by no later than 5.00 p.m. on 12 May 2023. You will find instructions for how to vote in this way on the Claim Form.
- (c) the third option for voting is by email. An email will be issued to those Scheme Creditors for whom SchemeCo holds a valid email address. Scheme Creditors will be given the option to vote for or against the Scheme (and therefore automatically make a Scheme Claim in the Scheme) by clicking a link in that email. You will find instructions for how to vote in this way in the email.

6.5 Technically, if voting using options in 6.4(a) to 6.4(c) above, you will be appointing the chair of the Scheme Meeting to vote on your behalf at the Scheme Meeting. The chair will only vote in accordance with your instructions. However, you can ask another person to attend the Scheme Meeting and vote in your place and at their discretion.

6.6 If you wish to attend and vote at the Scheme Meeting in person (or ask someone else to attend and vote in your place), you must pre-register your attendance at www.morsesclubscheme.com or by telephone on 0333 011 0688 (local rates apply) by

no later than 5.00 p.m. on 12 May 2023. If voting at the Scheme Meeting, you will be given instructions for how to vote during that meeting.

- 6.7 Scheme Creditors who have registered on the Claims Portal, or where Morses Club already holds the Scheme Creditor's email address, will receive an email allowing them to vote for or against the Scheme (**Quick Vote Email**). This will include an additional banner which will give Scheme Creditors a "one-click" option to vote on the Scheme in a simple way by either clicking on the "Vote For" option or the "Vote Against" option (which cannot be replicated for the postal meeting advertisements). Subsequent paragraphs in the Quick Vote Email will explain to Scheme Creditors that by voting in this way, they would be appointing the Chair of the Scheme Meeting as their proxy to submit their vote at the Scheme Meeting.
- 6.8 The Court hearing to approve the Scheme is expected to be heard on 26 May 2023. Scheme Creditors are entitled to attend that hearing and speak if they wish. You can find more information about this in Part 8 below.
- 6.9 If you require additional assistance when voting, you can email us at contact@morsesclub.com or call us on 0333 011 0688 (local rates apply).

The Scheme Meeting

- 6.10 The Scheme Meeting will be held virtually. If you want to attend the Scheme Meeting you will need to pre-register by no later than 5.00 p.m. on 12 May 2023 at www.morsesclubscheme.com or by telephone on 0333 011 0688 (local rates apply).
- 6.11 SchemeCo intends to appoint Jamie Drummond-Smith (who is also acting as the Chair of the Committee) to act as the chair of the Scheme Meeting (the "**Chair of the Scheme Meeting**"). Mr. Drummond-Smith's experience is explained at paragraph 5.2 above. The Chair of the Scheme Meeting will have the benefit of independent legal advice (paid for by Morses Club) to assist him in discharging his duties as Chair of the Scheme Meeting. If, for whatever reason, Mr Drummond-Smith is unable to act as the Chair of the Scheme Meeting, SchemeCo will appoint another person with similar experience and who is independent of the Group to act as the Chair of the Scheme Meeting.
- 6.12 At the Scheme Meeting, the Chair of the Scheme Meeting will address the attendees with important information about the Scheme. In addition, SchemeCo's directors, who are both also directors of Morses Club, will be available to answer questions. You can submit your questions in advance or ask them during the Scheme Meeting.
- 6.13 It may be possible for the Chair of the Scheme Meeting to announce at the end of it whether or not the Scheme has received the required votes in favour. If it is not possible to do that then SchemeCo will announce the outcome of the votes as soon as possible after the Scheme Meeting by placing a notice on the Website.

How will votes be valued?

- 6.14 You do not need to work out the value of your vote. SchemeCo will do this using information that Morses Club has about your Loans.

- 6.15 For the purposes of valuing Customers' claims for voting purposes, the vote of each Customer will be matched against the Loans they have received and will then be passed through the Claims Methodology using an automated system (given the number of possible Scheme Creditors, a manual assessment would not be feasible or cost effective). A Customer's vote will then be weighted using a model derived from the Claims Methodology which will assess the likelihood of the Customer having a valid redress claim, and the expected quantum of such redress claim.
- 6.16 The model will work as follows:
- (a) a Customer with a redress claim which is indicatively upheld based on the Loans issued to them will have their vote assessed at 90% of the estimated compensation due to them; and
 - (b) a Customer with a redress claim which is indicatively not upheld based on the Loans issued to them, and/or where further investigation is needed because of missing information, and/or where the Customer has indicated a medical vulnerability, will have their vote assessed at 50% of the estimated compensation due to them.
- 6.17 If, however, the total amount of repayments you have made does not exceed the amount that you borrowed then your vote will have a value of £1.
- 6.18 **Important note: Whatever value is ultimately applied to your vote for voting at the Scheme Meeting, you should note that this:**
- (a) **does not necessarily mean that you have a valid Scheme Claim; and**
 - (b) **will not affect the amount of compensation that you may end up receiving under the Scheme.**

One class of Scheme Creditor

- 6.19 As explained in detail in our Practice Statement Letter dated 13 December 2022, Scheme Creditors must be allocated into classes for the purpose of voting on the Scheme. When determining whether Scheme Creditors should be separated into different classes, the Court will look at each Scheme Creditor's legal rights going into the Scheme, and their legal rights coming out of the Scheme. Scheme Creditors with the same, or substantially the same, legal rights going into and coming out of the Scheme will be placed into the same class for voting on the Scheme.
- 6.20 For the reasons given in our Practice Statement Letter dated 13 December 2022 (available here <https://www.morsesclubscheme.com/practice-statement-letter-long-form-10247841136-2.pdf>), SchemeCo is of the view that all Scheme Creditors should be placed into one class for the purpose of voting at the Scheme Meeting. The Court agreed with our assessment on class when considering this matter at the First Court Hearings.

7. Part 7: Things to consider when deciding whether to vote for the Scheme

7.1 This section explains the advantages and possible disadvantages of the Scheme that SchemeCo has identified and explains why SchemeCo recommends that you vote in favour of the Scheme.

Possible advantages and disadvantages of the Scheme

Possible Advantages	Possible disadvantages
<ul style="list-style-type: none"> ✓ Scheme Creditors with Ascertained Scheme Claims are expected to receive a larger cash payment under the Scheme (currently estimated to be approximately 20% of the cash owed to them) than they would receive if the Scheme does not go ahead. This is an estimate and the actual amount received may change for the reasons given at paragraphs 3.30 to 3.31 above. ✓ The Scheme provides a convenient and streamlined process for making Scheme Claims. Morses Club personnel will also be available to assist Scheme Creditors with submitting their Scheme Claims. The same support may not be available in an administration proceeding. ✓ If you disagree with the assessment of your Scheme Claim, a streamlined independent adjudication process is set out in the Scheme. The independent adjudication process is more accessible and quicker than if you disagreed with the assessment of a claim in, for example, an administration. ✓ You will receive the same percentage cash payment for your Ascertained Scheme Claim as other Scheme Creditors receive. This means that your claim will be treated fairly as compared to all other Scheme Claims. 	<ul style="list-style-type: none"> • If Scheme becomes effective but terminates early, Morses Club will be insolvent and have to stop trading. In that case Morses Club will put the Early Termination Funding into a safe, ring-fenced account. Whilst the Early Termination Funding ensures that the cash which Morses Club considers would be available to Customers if Morses Club went into administration proceedings today, will also be available in the event that the Scheme goes forward but ends early, it may be less than the amount that Interpath has estimated will be available (as described in paragraph 36 above). • If the Scheme ends early and a Customer has Unpaid Debt, that Customer may be worse-off if they continue to make repayments after the Effective Date. • If you do not make a Scheme Claim by the Claims Deadline you will not receive any cash for it and will not be able to reduce the amount that you owe under any Unpaid Debt or be entitled to any refunds. • SchemeCo does not expect Scheme Creditors with Ascertained Scheme Claims to receive all of the cash that they are owed. However, Morses Club believes that the amount paid in the Scheme will be more than the amount paid in the alternative to the Scheme.

Possible Advantages	Possible disadvantages
	<ul style="list-style-type: none"> • You might not be happy with Morses Club continuing in business and its shareholders benefiting from future profits of Morses Club where Customers are not being paid in full. However, the shareholders that will primarily benefit are the Investors who are providing the Shareholder Funding to the Compensation Fund. That money will be used to pay as much as possible of Scheme Creditors' Ascertained Scheme Claims. • You will no longer be able to bring a claim to FOS, nor any court action against Morses Club or SchemeCo for a Scheme Claim.

How does Morses Club's regulator view the Scheme?

<p>7.2 The FCA's position is as follows:</p> <p>(i) The FCA wrote to Morses Club on 3 March setting out in detail the FCA's views on the Scheme (FCA Letter to Morses Club Limited - 3 March 2023). At the time, the FCA stated it opposed the Scheme in its then current form and had serious concerns about it. These concerns included the considerable uncertainty as to whether the funding sought by Morses Club to enable an enhanced distribution to be made to the Scheme Creditors will, in fact, be received. For example, the funding which is required from the Shareholders has not been received and may not be received. The position may well remain uncertain until mid-2024. This means that there is a real risk that customers will not receive any form of redress payment whatsoever under the Scheme and instead, that the Scheme will terminate with Morses Club going into administration. The FCA was concerned that customers could be in a worse position than if Morses Club went into administration now.</p> <p>(ii) The uncertainty over Scheme funding remains. However, since the FCA's letter, Morses Club has put in place mechanisms that Morses Club considers prevent customers from being worse off if the Scheme fails and Morses Club subsequently goes into administration, than they would be if the firm went into administration now.</p> <p>(iii) The FCA acknowledges the action taken by Morses Club and the improvements these would make to the proposed scheme, if these mechanisms work as described. However, whilst the FCA is not currently proposing to take any immediate regulatory action in relation to the Morses Club Group that might impact upon</p>
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the Scheme; it reserves the right to take any action it might consider appropriate in the future or if circumstances change, including to oppose the Scheme in Court.

Why is SchemeCo recommending that you vote in favour of the Scheme?

SchemeCo recommends that you vote for the Scheme. SchemeCo believes that the Scheme is the best option for Scheme Creditors as it is likely to provide them with the highest cash payment for their Ascertained Scheme Claim. Whilst SchemeCo expects you to receive less than the cash owed to you in the Scheme (currently estimated at approximately 20%) this is significantly more than the amount that you are expected to receive if the Scheme does not go ahead and Morses Club enters into insolvent administration proceedings. In this event, Morses Club currently estimates that Scheme Creditors will receive approximately 1% of the cash that they are owed (but Interpath considers that the return may be higher at approximately 3% for the reasons explained at paragraph 36 above).

8. Part 8: Your Rights to Object to the Scheme

- 8.1 You have the right to object to the Scheme and make your objections known to the Court.

What can I object to?

- 8.2 You can object to our determination that all Scheme Creditors can vote together in a "single class" at the Scheme Meeting. Further detail on what this means is set out in the Practice Statement Letter that was made available to you on 13 December 2022. A copy of the Practice Statement Letter is available here: <https://www.morsesclubscheme.com/practice-statement-letter-long-form-10247841136-2.pdf>. The question about "class" is essentially whether the Scheme Creditors' rights are sufficiently similar that they can consider and vote on the Scheme together. If any Scheme Creditor wishes to argue at the Second Court Hearing that all Scheme Creditors could not vote together in one class (for reasons other than the amendment of the definition of the word "Loan"), they would need to satisfy the Court that they had a good reason for not raising the issue at the First Court Hearings on 7 March 2022 and 29 March 2023 when this matter was considered.
- 8.3 You can object to the Scheme if you believe it is not fair. In this respect the Court will consider whether Scheme Creditors could reasonably have approved the Scheme.
- 8.4 You can object if you believe that the Scheme Creditors who voted on the Scheme are not a fair representation of the interests of the group of people who were entitled to vote.
- 8.5 You can object if you consider that the requirements of Part 26 of the Companies Act 2006 for implementing the Scheme have not been met.
- 8.6 You can object if you do not think that the Scheme has been properly explained to Scheme Creditors.
- 8.7 You can object to the valuation of your Scheme Claim for voting purposes.
- 8.8 For the avoidance of doubt, the list of possible objections given above is not exhaustive.

How can I object to the Scheme?

- 8.9 You can do this in three ways:
- (a) You can vote against the Scheme.
 - (b) You can also send your objections to the Customer Advocate and he will bring them to the Court's attention. You can do this by emailing jy@morsesclubca.co.uk by 5.00 p.m on 16 May 2023, being 7 clear business days before the Second Court Hearing. The Customer Advocate will produce a report addressed to the Court and Scheme Creditors for the Second Court Hearing. This report will summarise any objections or challenges to the Scheme received from Scheme Creditors and/or any challenges made by media/consumer protection groups.

- (c) You can attend the Second Court Hearing where SchemeCo asks the Court to approve the Scheme and explain your objection(s) to the Court yourself. The Court will give any Scheme Creditor the chance to speak during the hearing if they wish to do so. If you do wish to attend the Second Court Hearing to explain your objection to the Court directly, please let the Customer Advocate know in advance by emailing jy@morsesclubca.co.uk so that SchemeCo is aware of your objection before the hearing.

8.10 Please note that you are entitled to attend the Second Court Hearing even if you do not wish to object to the Scheme. There is no requirement to speak: you can attend the hearing to just listen. If you wish to come to the Second Court Hearing, please email the Customer Advocate stating that you would like to attend.

What if I have questions, but not necessarily an objection?

8.11 You can contact:

- (a) SchemeCo using the details provided at page 14; or
- (b) the Customer Advocate at jy@morsesclubca.co.uk

with any questions you have or a request for assistance if you need help to understand any part of the Scheme.

The Second Court Hearing

8.12 If the Scheme receives enough votes at the Scheme Meeting, SchemeCo will ask the Court to approve or "sanction" the Scheme at the Second Court Hearing.

8.13 When deciding whether to approve the Scheme, the Court will consider:

- (a) all the evidence and arguments presented to it, including:
 - (i) any objections from Scheme Creditors or any other person who claims that they would be adversely affected by the Scheme; and
 - (ii) any views expressed by the FCA;
- (b) whether the legal requirements have been met, these are explained below; and
- (c) whether there are any other reasons not to sanction the Scheme.

8.14 The legal issues that the Court will consider include:

- (a) whether the Scheme is fair, more specifically the Court will consider whether Scheme Creditors could reasonably have approved the Scheme;
- (b) whether the Scheme Creditors who voted on the Scheme are a fair representation of the interests of the group of people who were entitled to vote on it;

- (c) whether all of the requirements under Part 26 of the Companies Act have been met; and
- (d) whether the Court is satisfied that the Scheme has been properly explained to Scheme Creditors.

8.15 The Court must then decide whether or not to approve the Scheme. If the Court does approve the Scheme, then a Court order will be made. SchemeCo will file that Court order with the Registrar of Companies and, at that point, the Scheme will become effective.

9. **Part 9: Directors' Interests**

- 9.1 Under the Companies Act 2006, SchemeCo is required to include information here which states:

any material interests of the directors of SchemeCo (whether as directors or as members or as creditors of SchemeCo or otherwise), and

the effect on those interests of the scheme of arrangement, in so far as it is different from the effect on the like interests of other persons.

(Section 897(2)(b) of the Companies Act 2006.)

SchemeCo Directors' Interests

- 9.2 SchemeCo's directors are Gary Peter Marshall and Graeme James Campbell.
- 9.3 The directors are paid their salaries and expenses by Morses Club in the ordinary course of business.
- 9.4 The Early Termination Funding described in paragraph 38 is available because Morses Club's financial advisers, PwC, have agreed to defer a payment of £1 million plus VAT (£1.2 million) (the **PwC Deferred Fee**). This amount would otherwise have become due on the Effective Date. In return for this commitment, the Morses Club management team have agreed to defer taking approximately £40,000 of their collective remuneration per month (the **Deferred Management Remuneration**) whilst the Early Termination Trust Account is in existence. This arrangement allows Morses Club to pay the £40,000 per month saved on the Deferred Management Remuneration towards the PwC Deferred Fee. Gary Marshall and Graeme Campbell are members of the senior management team and as such have agreed to contribute to the Deferred Management Remuneration by deferring 20% of their respective salaries.
- 9.5 Once the Compensation Fund has been fully funded by Morses Club, any outstanding balance of the PwC Deferred Fee which has not been paid from the Deferred Management Remuneration will be repaid using the Early Termination Funding remaining in the Early Termination Trust Account. Morses Club management will also be entitled to receive the Deferred Management Remuneration that has been deferred during the course of the Scheme. It is important to understand that this will not be an additional amount payable to the SchemeCo directors, but instead the repayment of the amount that they have agreed to defer in order to make the proposal in the Scheme available to Customers.

Morses Club Directors' Interests

- 9.6 The directors of Morses Club are Terence Alexander Baxter, Graeme James Campbell, Stephen Curtis, Sheryl Arlene Lawrence, Gary Peter Marshall and Peter Martin Ward. The directors are paid their salaries and expenses by Morses Club in the ordinary course of business.
- 9.7 In addition to Gary Marshall and Graeme Campbell contributing to the Deferred Management Remuneration (as described above), Terence Alexander Baxter, Stephen

Curtis and Sheryl Arlene Lawrence will also contribute to the Deferred Management Remuneration in varying amounts.

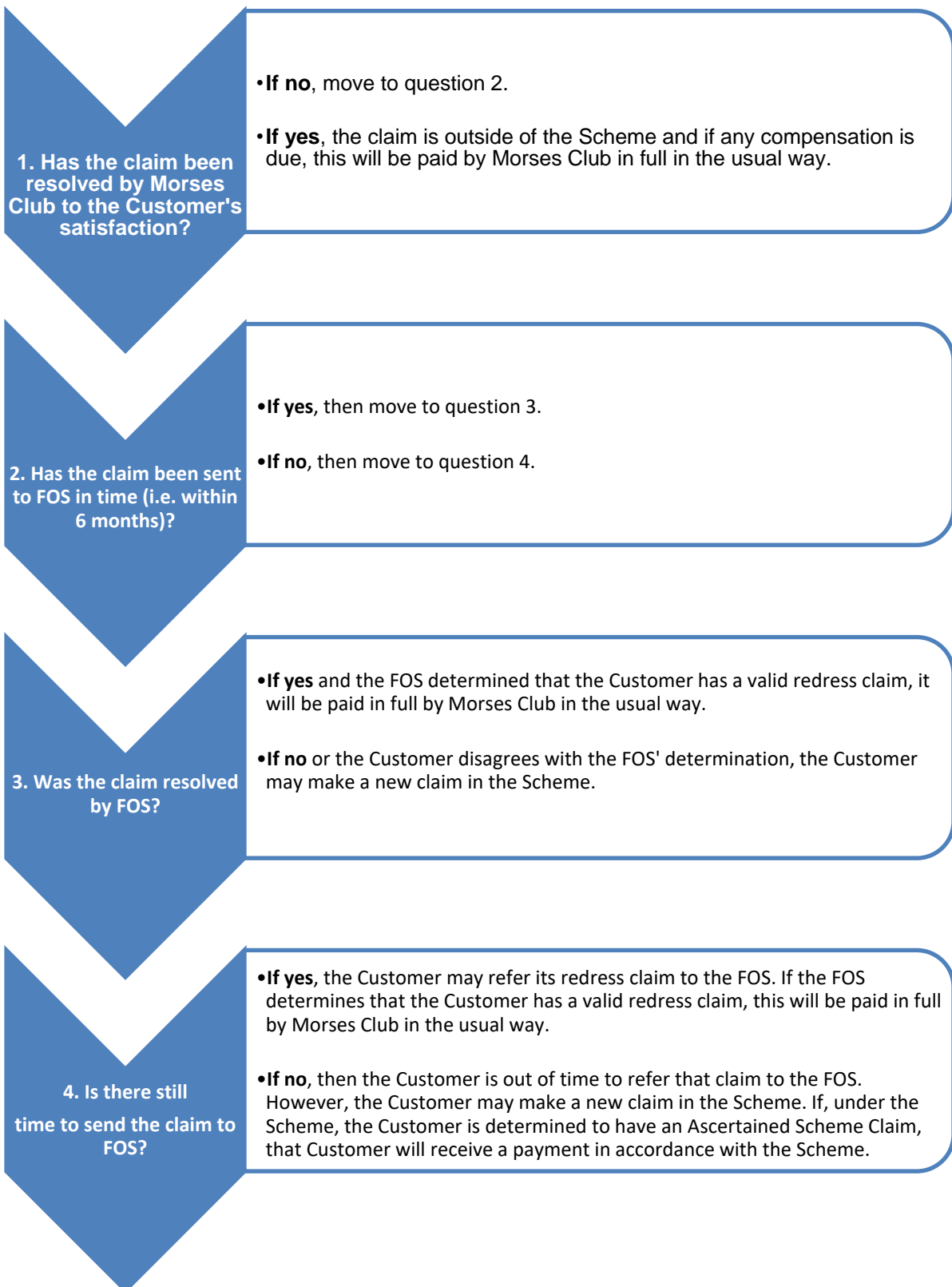
Shareholder Interests

- 9.8 Certain directors of SchemeCo and Morses Club are also shareholders of Morses Club. However, as shareholders of Morses Club, the Scheme will affect them in the same way as it affects all other shareholders of Morses Club.
- 9.9 If the Scheme succeeds, Morses Club will continue lending and may make profits in the future for its shareholders despite Scheme Creditors receiving less cash than the amount they are owed. However, the shareholders that will largely benefit (if future profits are made) are those (if any) that provide the additional minimum £15,000,000 of Shareholder Funding that is necessary for SchemeCo to make cash payments to Scheme Creditors under the Scheme. This is because Morses Club will issue new shares to ensure that the Investors providing the minimum £15,000,000 will receive 95% of Morses Club's shares. The value of the existing shares held by current shareholders will, accordingly, be reduced to 5%. The Investors providing the minimum £15,000,000 may or may not be current shareholders of Morses Club.
- 9.10 The Investors providing the minimum £15,000,000 of Shareholder Funding that is needed to make cash payments to Scheme Creditors in the Scheme are unlikely to agree to provide that money without the possibility that they will earn dividends on any profits made in the future. That said, any profits made by Morses Club in the 2023-2024 financial year (ending in February 2024) will be used to make cash payments to Scheme Creditors through the Morses Club Funding. Accordingly, no dividends will be paid to shareholders in the 2023-2024 financial year and dividends will not be paid to shareholders until after all payments due to Scheme Creditors under the Scheme have been made and if it is appropriate to do so.
- 9.11 The existing shareholders of Morses Club will need to consent to the new shares being issued to the Investors in return for the Shareholder Funding. The issue of the new shares will mean the reduction in the holdings of the existing shareholders (from 100% to 5%), unless they participate in providing some of the Shareholder Funding. The existing shareholders are expected to grant such consent because, without the Shareholder Funding to be provided by the Investors, Morses Club is likely to enter into insolvent administration proceedings. In those circumstances, the existing shareholders will receive nothing. Existing shareholders will be allowed to retain a small percentage of their existing shares in Morses Club (in this case 5%) in return for consenting to the new shares being issued.
- 9.12 Other than as described above, none of the SchemeCo directors are owed money by Morses Club or SchemeCo or have a direct interest in SchemeCo or any material interest in the Scheme.

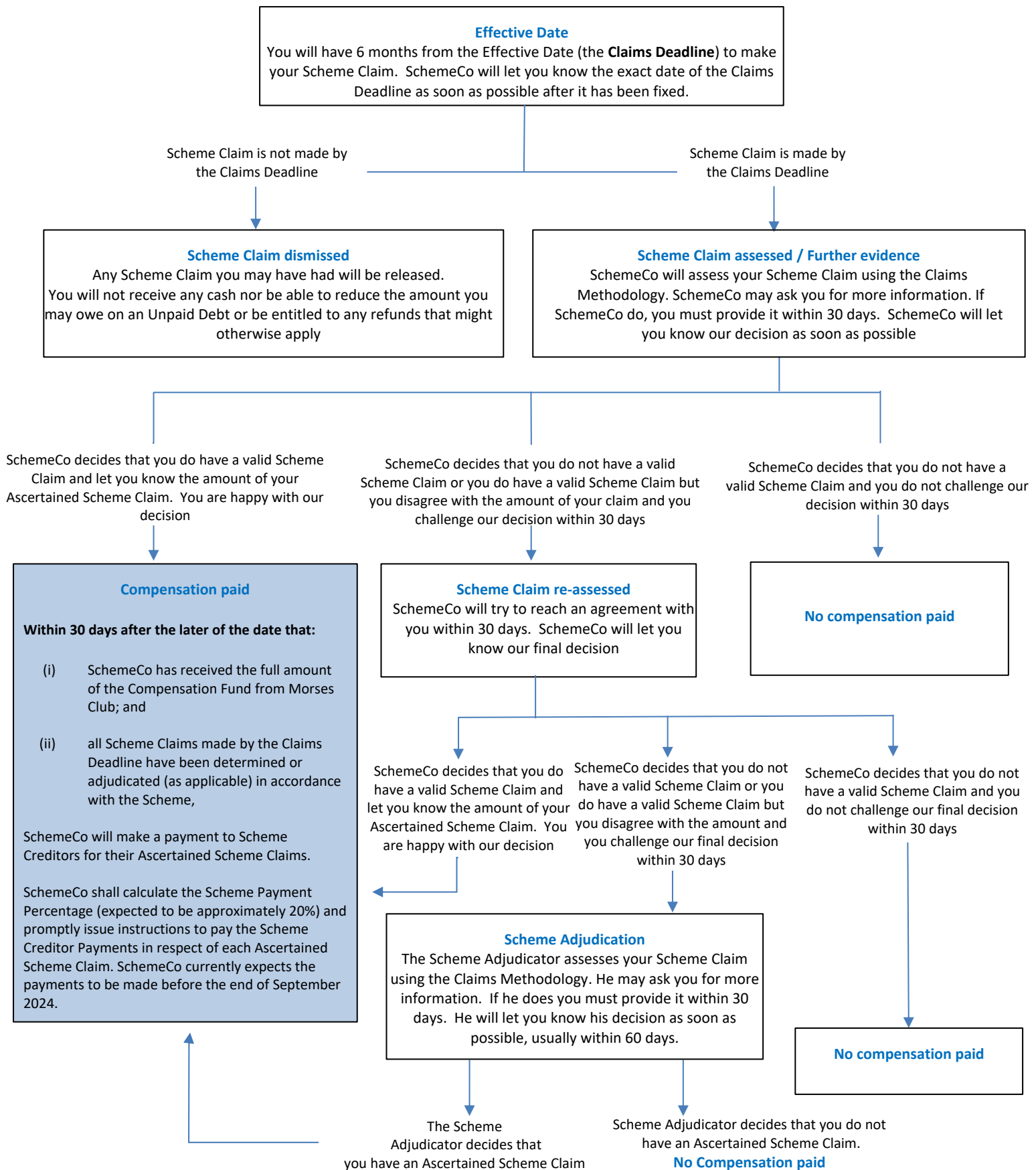
Schedule 1: Loans purchased by Morses Club and in respect of which it has assumed liability for any claims for Redress Liabilities

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: Redress claims made against Morses Club before 11 August 2022



Schedule 3: Determination of Scheme Claims – Simple Overview



Schedule 4: Calculation Examples

Scenario 1

- the Customer's original Loan amounted to £1,000 with Loan Interest and Charges as at the Effective Date of £300
- total payments on their Loan (£1,100) as at the Effective Date exceed the original amount of the Loan (£1,000) by £100
- the Customer continues to owe £200 on the Loan as at the Effective Date and has a redress claim of £300 in respect of Loan Interest and Charges
- the Customer made the payment of £100 (which exceeded the original amount of the Loan) twelve months prior to the Effective Date and this was the last payment in respect of the Loan
- Scheme Interest at 8% is calculated from the date the payment was made which exceeded the original value of the Loan
- Scheme Creditors will receive 50% of their Ascertained Scheme Claim (the "**Payment Percentage**"). **Note that this Payment Percentage is for illustrative purposes only.** Details of the estimated Payment Percentage for Scheme Creditors can be found under the heading "**Payments from the Compensation Fund**" on page 38.

Example	Outstanding Loan Balance (after the application of Set-Off)	Ascertained Scheme Claim (after the application of Set-Off or any VREQ Refund Payments or Scheme Refund Payment)	Payment based on a Payment Percentage of 50%	VREQ Refund Payment	Scheme Refund Payments	Notes
Example 1: The Customer makes no further repayments on his Loan	£0	£108	£54	£0	£0	<p>The Customer's outstanding balance of £200 will be set-off against the redress claim and he/she will not have to make any more repayments on the outstanding Loan.</p> <p>The Customer will have a Scheme Claim of £100 plus 8% interest.</p> <p>Scheme Interest of 8% will be calculated on the £100 for the 12-month period up to the Effective Date which = £8 interest.</p> <p>The customer will receive a cash payment of £54, that is 50% of the Ascertained Scheme Claim of £108.</p>

Example	Outstanding Loan Balance (after the application of Set-Off)	Ascertained Scheme Claim (after the application of Set-Off or any VREQ Refund Payments or Scheme Refund Payment)	Payment based on a Payment Percentage of 50%	VREQ Refund Payment	Scheme Refund Payments	Notes
<p>Example 2: In this example, the Customer makes further repayments on his/her Loan of £50 after the Effective Date</p>	£0	£108	£54	£0	£50	<p>The Customer's outstanding balance of £200 will be set-off against the redress claim and he / she will not have to make any more repayments on the outstanding Loan.</p> <p>The payment of £50 made after the Effective Date will be refunded in full to the Customer as a Scheme Refund Payment. This amount will not be included within the Ascertained Scheme Claim and no 8% interest will be payable on the amount refunded.</p> <p>The Customer will have a Scheme Claim in the amount of £100 plus 8% Scheme Interest.</p> <p>Scheme Interest of 8% will be calculated on the £100 for the 12-month period to the Effective Date which is c.£8.</p> <p>As well as the refund payment, the customer will receive a cash payment of £54, that is 50% of the Ascertained Scheme Claim of £108.</p>

Scenario 2:

- the Customer's Loan amounted to £1,000 with Loan Interest and Charges as at the Effective Date of £250. The Customer therefore has a redress claim of £250
- total payments on their Loan = £500 and all payments on the Loan were made before 11 August 2022
- the Customer continues to owe £750 as at the Effective Date.
- Scheme Creditors will receive 50% of their Ascertained Scheme Claim (the "**Payment Percentage**"). **Note that this Payment Percentage is for illustrative purposes only.** Details of the estimated Payment Percentage for Scheme Creditors can be found under the heading "**Payments from the Compensation Fund**" on page 38.

Example	Outstanding Loan Balance (after the application of Set-Off)	Ascertained Scheme Claim (after the application of Set-Off and any applicable VREQ Refund Payment or Scheme Refund Payment)	Payment based on a Payment Percentage of 50%	VREQ Refund Payment	Scheme Refund Payments	Notes
Example 3: In this example, the Customer makes no payments on his/her Loan after the Effective Date	£500	£0	£0	£0	£0	<p>The Customer's redress claim will be set-off against the outstanding balance of £750 and he/she will have an outstanding balance due to Morses of £500</p> <p>As the Customer has not made any payments above the original Loan amount borrowed, the Customer does not have a Scheme Claim which is due cash compensation</p> <p>The Customer must continue making repayments on his/her Loan until the £500 is repaid.</p>
Example 4: In this example, the Customer makes repayments on his/her Loan of £100 after the Effective Date	£400	£0	£0	£0	£0	<p>The Customer's redress claim will be set-off against the outstanding balance of £750 at the Effective Date and he/she will have an outstanding balance due to Morses of £500</p> <p>The amount that the Customer owes on his Loan is reduced by the £100 payment made after the Effective Date from £500 to £400</p> <p>There is no refund of any repayments made after the Effective Date because the Customer's total payments do not exceed the original value of the Loan</p> <p>The Customer has no Ascertained Scheme Claim (as he/she continues to owe £400)</p> <p>The Customer must continue making repayments on his/her Loan until the remaining £400 is repaid.</p>

Scenario 3:

- the Customer's original Loan amounted to £1,000 with Loan Interest and Charges as at the Effective Date of £250.
- total payments on their Loan = £1,100. The final payment made by the customer of £100 was made on 23 January 2023 (i.e. after 11 August 2022 but prior to the Effective Date) which means that total payments on the Loan exceed the original amount of the Loan by £100
- the Customer continues to owe £150 on the Loan as at the Effective Date and has a redress claim of £250 in respect of Loan Interest and Charges
- Scheme Creditors will receive 50% of their Ascertained Scheme Claim (the "**Payment Percentage**"). **Note that this Payment Percentage is for illustrative purposes only.** Details of the estimated Payment Percentage for Scheme Creditors can be found under the heading "**Payments from the Compensation Fund**" on page 38.

Example	Outstanding Loan Balance (after the application of Set-Off)	Ascertained Scheme Claim (after the application of Set-Off and any applicable VREQ Refund Payment or Scheme Refund Payment)	Payment based on a Payment Percentage of 50%	VREQ Refund Payment	Scheme Refund Payments	Notes
Example 5: In this example, the Customer makes no payments on his / her Loan after the Effective Date	£0	£0	£0	£100	£0	<p>The Customer's outstanding balance of £150 will be set-off against the redress claim leaving an amount of £100 being due to the Customer.</p> <p>The £100 repayment made by the Customer on 23 January 2023 will be held in the VREQ Trust Account and it will be repaid in full as a VREQ Refund Payment</p> <p>Following the VREQ Refund Payment the Customer will be left with no Scheme Claim which is due a cash payment and no amounts will be due to Morses Club.</p>
Example 6: In this example, the Customer makes a further repayment on his / her Loan of £10 after the Effective Date	£0	£0	£0	£100	£10	<p>The Customer's outstanding balance of £150 will be set-off against the redress claim leaving an amount of £100 being due to the Customer at the Effective Date.</p> <p>The £100 repayment made by the Customer on 23 January 2023 will be held in the VREQ Trust Account and it will be repaid as a VREQ Refund Payment</p> <p>The additional payment of £10 made after the Effective Date will be refunded in full to the Customer. This amount will not be included within the Ascertained Scheme Claim and no interest will be payable on the amount refunded.</p>

Scenario 4:

- a Customer has two outstanding loans:
- the original amount of Loan A is £1,000. The Loan Interest and Charges as at the Effective Date amount to £250. Total payments made by the Customer on Loan A = £1,100 and all payments on the Loan were made before 11 August 2022. The last payment in respect of Loan A was made 12 months prior to the Effective Date.
- the Customer continues to owe £150 for Loan A and Loan A is subject to a valid redress claim of £250.
- Loan B is not subject to a Scheme Claim. There is an outstanding balance of £150 on Loan B as at the Effective Date.
- in this example, the Customer makes no further repayments towards either Loan A or Loan B
- Scheme Creditors will receive 50% of their Ascertained Scheme Claim (the "**Payment Percentage**"). **Note that this Payment Percentage is for illustrative purposes only.** Details of the estimated Payment Percentage for Scheme Creditors can be found under the heading "**Payments from the Compensation Fund**" on page 38.

Example	Outstanding Loan Balance (after the application of Set-Off)	Ascertained Scheme Claim (after the application of Set-Off and any applicable VREQ Refund Payment or Scheme Refund Payment)	Payment based on a Payment Percentage of 50%	VREQ Refund Payments	Scheme Refund Payments	Notes
Loan A	£0	£108	£0	£0	£0	<p>The Customers' outstanding balance of £150 will be set-off against the redress claim leaving an amount of £100 being due to the Customer with respect to Loan A.</p> <p>The total payments on Loan A therefore exceed the original loan value by £100 and the Customer will have a Scheme Claim in the amount of £100 for Loan A</p> <p>Scheme Interest of 8% will be calculated on the £100 for the 12-month period up to the Effective Date which = £8 interest. The total Scheme Claim for Loan A will amount to £108.</p> <p>The dividend at the payment percentage would have been £54 but for Loan B - see below</p>
Loan B	£150	£0	£0	£0	£0	The outstanding balance in respect for Loan B is £150
Customer's combined Loans A and B position	£50	£0	£0	£0	£0	The Scheme Claim on Loan A of £108 will be Set-Off against the outstanding amount of £150 owing under Loan B. Following Set-Off, the Customer will still owe £42 and must continue making repayments in respect of Loan B until the remaining balance is repaid.

Schedule 5: 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 lenders under the Secured Funding Facility (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 paragraphs 3.60 to 3.63 above) 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 paragraphs 3.60 to 3.63 above (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 5 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; and
- 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 6: Contracts which support the Scheme

A. The Deed Poll

Morses Club is not proposing the Scheme directly because during the period in which the Scheme was being developed, Morses Club hoped to, so far as possible, avoid certain defaults or other termination events arising under certain key contracts. This included, notably, Morses Club's primary source of funding the Secured Funding Facility. Under the Secured Funding Facility, any corporate action, legal proceeding or other procedure or step in relation to reorganisation by way of a scheme of arrangement or any compromise or arrangement with any Morses Club constituted an event of default. However, ultimately, certain waivers and consents were obtained by Morses Club from the lenders under the Secured Funding Facility in relation to those events of default. At present, there is currently a consent in place with respect to a Scheme being proposed by SchemeCo.

Morses Club can still make use of a Scheme by having SchemeCo take on Morses Club's relevant liabilities, and then propose the Scheme in its place: this is quite a common approach in this situation. Accordingly, if there are sufficient votes in favour of the Scheme and the Court subsequently approves it, SchemeCo, rather than Morses Club, will enter into the Scheme with the Scheme Creditors.

Under the Deed Poll, SchemeCo agreed to take on Morses Club's obligations to pay Scheme Creditors' Ascertained Scheme Claims. The Deed Poll makes SchemeCo legally responsible, together with Morses Club, for paying compensation due to any Scheme Creditors. That allows SchemeCo to propose the Scheme and then make relevant payments to Scheme Creditors instead of Morses Club. A copy of the Deed Poll can be found on our Website at <https://www.morsesclubscheme.com/documents/>.

If the Scheme is approved, and the Compensation Fund is funded with the Shareholder Funding, the Morses Club Funding and the Turnover Amount (if any), Scheme Creditors will only have claims against SchemeCo and any claims against Morses Club will be extinguished. Under the Scheme, the only cash payments that Scheme Creditors will receive will come from the Compensation Fund. Scheme Creditors will no longer have any claims against Morses Club for any amount owed to them for claims covered by the Scheme. However, Morses Club will still be required to comply with its obligations.

B. The Implementation and Funding Agreement

There are a number of actions in the Scheme that need to be carried out by Morses Club, even though Morses Club is not a party to the Scheme. Also, as SchemeCo has no income or assets of its own, the money in the Compensation Fund that will be used to pay Ascertained Scheme Claims will come from Morses Club (via the Shareholder Funding, the Morses Club Funding and the Turnover Amount). Morses Club will also pay the costs of implementing the Scheme and after payment of the Shareholder Funding into the Compensation Fund, Morses Club will place funds on trust for the payment of ongoing Scheme Costs in the Scheme until the Scheme Creditors have been paid. The Implementation and Funding Agreement is an agreement between Morses Club and SchemeCo. In that agreement, Morses Club agrees that it will undertake the actions required of it in the Scheme including funding the Compensation Fund in the manner described at paragraph 3.16 on page 36 above.

The payments to be made into the Compensation Fund under the Implementation and Funding Agreement depend upon the Scheme becoming effective. A copy of the Implementation and Funding Agreement, once signed, will be provided on our Website at <https://www.morsesclubscheme.com/documents/>.

Schedule 7: Scheme Adjudicator CV



Jonathan Herbst, Partner – Global Head of Financial Services



Jonathan is the Global Head of Financial Services and joined Norton Rose Fulbright LLP as a partner in October 2002. Jonathan is a leading practitioner in the field of UK and EU financial services law and regulation.

Jonathan has worked across various engagements in the retail conduct arena, including specifically leading engagements in consumer credit that include customer fairness and complaint handling.

Norton Rose Fulbright LLP's Risk Advisory team also sits within Jonathan's practice, which has extensive experience of working with consumer credit businesses across the product lifecycle - product design, marketing and sales processes, lending, forbearance and arrears handling, complaint handling frameworks, and remediation and redress schemes.

Jonathan also has specialist skills in regulatory advice relating to markets, commodity derivatives, bank structuring, custody and clearing and the regulatory aspects of acquisitions and disposals. Much of his work now involves strategic advice to senior management and legal teams on the implications of regulatory reform and relationships. Jonathan is a member of the Law Society Financial Services sub-committee and the FCA Lawyers Consultative Group.

Jonathan is ranked Band 1 and "held in very high esteem" by clients (Chambers) and described as 'superb' (Legal 500). In 2014 he won the Legal Week Client Partner of the Year (Global firm category) award. General Counsel who took part in the Legal Week survey described Jonathan variously as "brilliant", "flexible and interactive", having "excellent kudos" and being "incredibly bright and knowledgeable".