

[Address 1  
Address 2  
Address 3  
Date]

## IMPORTANT INFORMATION FOR MORSES CLUB CUSTOMERS

Scheme ID [•]

Dear [•]

You are receiving this letter because you took out a loan between 1 April 2007 and 2 August 2022 with Morses Club Limited (**Morses Club**) (or a company listed in the "Purchased Loans" document at [www.morsesclubscheme.com/documents/](http://www.morsesclubscheme.com/documents/) from whom Morses Club bought loans) (**Loans**). You may have a claim for compensation if the Loan was unaffordable or unsustainable, i.e. it was lent to you in circumstances where it should not have been (**redress claim**).

Morses Club Scheme Limited (**SchemeCo**), owned by Morses Club, is proposing a scheme of arrangement (the **Scheme**) to allow it to pay reduced compensation to customers with redress claims (including those who have made complaints since 11 August 2022 that were paused), because it cannot afford to pay them in full.

We have summarised some of the key terms of the Scheme in this letter. We recommend that you read the full Scheme, and the statement explaining it (this is called the **Explanatory Statement**). These are available at [www.morsesclubscheme.com](http://www.morsesclubscheme.com), together with Frequently Asked Questions and videos to help you to make a redress claim.

### IMPORTANT FACTS

#### What is a scheme of arrangement?

A scheme of arrangement 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 must comply with the scheme if, amongst other things:

- it is approved by more than 50% in number, representing 75% or more in value, of the creditors who vote; and
- the Court approves the scheme at a Court hearing.

If these conditions are met, all creditors will be bound by the Scheme, even if they voted against the Scheme, did not vote at all, or are unhappy with the terms of the Scheme.

#### Why is the Scheme being proposed?

- Morses Club is required to make sure that the loans it gives are affordable and sustainable. In some cases, this was not the case and these customers are entitled to compensation. The compensation owed to these customers is equal to the interest and charges (including any legal costs, fees and/or fines relating to County Court Judgments) on the Loans, plus interest at 8% per year on the compensation due.
- In the last two years, an increasingly large number of redress claims have been made against Morses Club. As Morses Club cannot afford to pay all redress claims in full, in order to avoid insolvency, it has developed the Scheme to

process redress claims, pay as much compensation as possible and carry on trading.

**If the Scheme goes ahead:**

- Any redress claims submitted will be assessed to determine whether (or not) they are valid and as such, whether you are due to receive compensation.
- You will not be paid in full. Morses Club currently estimates that you might receive approximately 20% of the cash owed to you in around September 2024, but this is not guaranteed. You may receive more or less. The amount that you receive will depend on a number of factors, including the number of claims received.
- If you are a current customer, the balance of any of your unpaid loans on the date the Scheme becomes effective will be reduced by the amount Morses Club owes you for a valid redress claim. However, customers will need to keep making repayments until told otherwise.
- You **MUST** make your claim within six months of the Scheme becoming effective. If you do not, you will lose your right to make a redress claim or make a complaint in the future. You will also not receive any cash payment or be able to reduce the amount of your existing unpaid loan.

**If the Scheme does not go ahead:**

- Morses Club will stop trading and will enter an insolvency process called administration.
- If this happens, you will not be paid in full. Currently, Morses Club estimates that it may have enough money (the **minimum amount**) to pay you, as a minimum, 1% of the cash owed to you. An independent adviser estimates that Morses Club *may* have enough money to pay you 3% of the cash owed to you, although this represents the high end of the range of potential outcomes. Payments would be expected to be made in around October to December 2024. However, the amount and timing of payments is not guaranteed.
- If you are a current customer, the balance of any of your unpaid loans at the date the insolvency process starts may be reduced by the amount Morses Club owes you for a valid redress claim.

**Key risks and uncertainties to be aware of if the Scheme goes ahead:**

- Although Morses Club recommends that you vote for the Scheme, there is a real risk that Morses Club will not raise enough funding for payments to be made in the Scheme.
- The funding required includes monies to be paid into a **Compensation Fund** by Morses Club (£5m by March 2024) and by shareholders (at least £15m by June 2024).
- There may not be certainty regarding the funding for some time.
- If the Scheme is not funded, it will end early (and Morses Club will go into administration). If this happens:
  - Morses Club considers that at least the minimum amount will be paid to customers which means that, on current estimates, customers will receive at least 1% of the cash owed to them. This is because Morses Club has agreed to put a certain amount of money in a safe, ring-fenced account, within 30 days of the date that the Scheme becomes effective,

- to cover these payments. However, customers may receive less than the 3% that the independent adviser has estimated; and
- if you have an outstanding Loan you may be worse-off if you continue to make repayments after the Scheme has become effective.

**It is important for you to think about the above risks and uncertainties in deciding whether or not to vote to support the Scheme. You are asked to consider these matters carefully.**

**If you have any questions or want to request copies of the documents (free of charge), please email us at [contact@morsesclub.com](mailto:contact@morsesclub.com), visit us at [www.morsesclubscheme.com](http://www.morsesclubscheme.com) or call us on 0333 011 0688 (Mon-Fri, 09:00-17:30). You can also contact Jon Yorke, the independent Customer Advocate, at [jy@morsesclubca.co.uk](mailto:jy@morsesclubca.co.uk).**

We've also published a range of videos and an animation to assist you with voting, claiming and registering on the Scheme website - visit [www.morsesclubscheme.com/videos](http://www.morsesclubscheme.com/videos) to view them.

### **1. Morses Club's recommendation to vote for the Scheme**

Morses Club recommends that customers vote for the Scheme. It believes that the Scheme provides the best outcome for customers as it is likely to provide them with the highest cash payment for their redress claims.

### **2. What are the views of the independent Customer Committee?**

In creating the Scheme, Morses Club presented a number of options to an independent committee formed of eight current and past Morses Club customers. These options were whether redress claims should be paid from (i) the proceeds of Morses Club winding down its operations, (ii) shares in Morses Club to be received by customers, or (iii) the Compensation Fund. The committee has expressed a clear preference for the proposed Scheme, where redress claims are paid from the Compensation Fund, over the other options presented by Morses Club. A summary of the activities and recommendations of the committee are provided in a video from the Chair of the committee that can be viewed at the Scheme website [www.morsesclubscheme.com/videos](http://www.morsesclubscheme.com/videos).

### **3. How does Morses Club's regulator view the Scheme?**

Morses Club is authorised and regulated by the Financial Conduct Authority (the **FCA**).

The FCA wrote to Morses Club on 3 March setting out in detail its 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 the Scheme, in particular the uncertainty in relation to funding and the detriment customers may suffer if the Scheme, once it became effective, subsequently failed. Since the FCA's letter, Morses Club has put in place mechanisms that it 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.

The FCA acknowledges the actions taken by the firm and the improvements these would make to the proposed scheme, if these mechanisms work as described. The FCA recognises that the next step is for customers to decide whether or not to vote for the

Scheme. The FCA reserves the right to take any action it may consider appropriate, including to oppose the Scheme in Court after the vote has taken place.

#### 4. What should you do next?

A virtual meeting will be held for all Morses Club's creditors who are affected by the Scheme to allow them to consider and vote on the Scheme (the **Scheme Meeting**).

If you think you've got a redress claim because your Loan was unaffordable or unsustainable:

- we encourage you to vote on the Scheme. You can do so in advance of the Scheme Meeting and by no later than **5.00 p.m. on 12 May 2023** (the **Registration Deadline**):
  - a. **online**: by registering your vote via the online Claims Portal at [www.morsesclubscheme.com/claims-portal](http://www.morsesclubscheme.com/claims-portal);
  - b. **by email**: by using the 'quick vote button' emailed to those customers for whom we have an e-mail address;
  - c. **by post\***: by completing and returning a Claim Form by post so that we receive it by the Registration Deadline (please post it early to ensure it gets to us on time).

\* Please note, if you wish to vote on the Scheme by post, you can download the form at [www.morsesclubscheme.com/documents/](http://www.morsesclubscheme.com/documents/), or request the form in writing or by calling our helpline on 0333 011 0688. For customers who have already registered for postal communications, we enclose a Claim Form with this letter.

- you have the right to attend the virtual Scheme Meeting by telephone and live webcast at 10am on Thursday, 18 May 2023. You don't need to attend in order to vote on the Scheme. If you wish to attend, you must pre-register your attendance on the Claims Portal by the Registration Deadline or complete and return a Claim Form by post so that we receive it by the Registration Deadline. If you wish to join the Scheme Meeting but do not want to vote on the Scheme, or if you are sending a Claim Form to us by post and would like to join the Scheme Meeting, please call our helpline on 0333 011 0688.

You can submit questions via email to [contact@morsesclub.com](mailto:contact@morsesclub.com) in advance of the Scheme Meeting as part of the pre-registration process. You can also ask questions during the Scheme Meeting and details of how to do so will be made available to you following pre-registration.

Any registration or vote received after the Registration Deadline will not be counted for voting on the Scheme and will not enable you or any person/company authorised by you to attend and vote at the Scheme Meeting.

If the Scheme is approved, you will be able to submit details of your claim online by following the instructions and guidance provided on the Claims Portal and/or by post.

If you vote for or against the Scheme by any of the methods described above, your claim will automatically be included in the Scheme for consideration, assuming that the Scheme becomes effective.

If you made or make a redress claim against Morses Club on or after 11 August 2022 but before the date that the Scheme becomes effective and you received a holding letter in respect of that claim, your claim will automatically be included in the Scheme for consideration, assuming that the Scheme becomes effective. SchemeCo may ask you for additional information, however, this will not prevent your claim from being automatically included.

If you take no action at this point and the Scheme becomes effective, you will have six months from when the Scheme becomes effective (expected to be in late May 2023) to make a claim. If you don't make a claim within six months, you will lose your right to make a claim at any time in the future (even if you did not know or think you had a claim before the deadline). In that case you will not be able to reduce the amount of an unpaid Loan that you continue to have.

It is important to note that there is nothing to prevent you from making a complaint to Morses Club **now** – you do not need to wait until the Scheme is approved.

**It is important to act quickly to protect your rights.**

If you are a relative (or an executor) of a customer who has passed away, and you would like to claim compensation for that customers' estate, please contact us.

The information above does not affect your responsibility to carry on making your normal payments in respect of outstanding loans unless and until Morses Club tells you to stop making repayments. If you are struggling to make repayments on your loan, please speak with your Customer Services Associate (**CSA**). They will understand your individual circumstances and may be able to lower your weekly repayments. Alternatively, you can contact our Morses Club Customer Services or find additional information at <https://www.morsesclub.com/money-worries>.

SchemeCo will process your personal data (which may include your name and Scheme Reference Number) for the purposes of organising the Scheme Meeting and administering the voting process for the Scheme. Further details of how we may process your personal data can be found in our privacy policy on the Claims Portal.

Whilst it may be necessary for SchemeCo to confirm your bank details, we will provide you with specific guidance about the process we will use to make sure that these details are obtained in a safe and secure manner. For customers with internet access, we expect to use a secure web portal with strict security arrangements. In the meantime, do not give anyone purporting to be from Morses Club or SchemeCo your bank details, and please refer to the following guidance to protect against scams or fraud <https://www.fca.org.uk/consumers/protect-yourself-scams>.

If you are concerned about the authenticity of any correspondence or you suspect that you may have received unauthorised or fraudulent correspondence which claims to be from us in relation to the Scheme, please do not hesitate to contact us at [contact@morsesclub.com](mailto:contact@morsesclub.com), visit us at [www.morsesclubscheme.com](http://www.morsesclubscheme.com) or call us on 0333 011 0688 (Mon-Fri, 09:00-17:30).

Yours faithfully

Gary Marshall  
Director of Morses Club Scheme Limited