

**This letter is important. Please read it carefully.**

**This letter is about matters that affect your legal rights in respect of certain loans made by Morses Club PLC or which Morses Club PLC is otherwise responsible for.**

## **1. Background to Morses Club and the Company**

1.1 Morses Club PLC (**Morses Club**) provides short-term loans of between £200 and £1000 to customers in the UK (**Customers**), historically in their homes. These Customers may otherwise find it difficult to obtain credit from mainstream credit providers. The Morses Club brand dates back 130 years, although the current Morses Club group was established in May 2016. The group has two divisions offering distinct forms of non-standard finance: home collected credit and digital lending.

1.2 We, Morses Club Scheme Limited (the **Company**), are in the same group as Morses Club. We are owned by Morses Club. We were set up to propose and, if it is approved, carry out the Scheme described in this letter. We are able to do this because we have signed an agreement (called a **Deed Poll**) where we agreed that we would be responsible for paying claims in the Scheme. We, rather than Morses Club, are proposing the Scheme so that Morses Club can continue to trade without undue disruption to certain important contracts.

## **2. Background to the Scheme**

2.1 Morses Club is required to make sure that, amongst other things, loans given to Customers meet certain requirements to ensure that these loans are affordable. This includes checking that Customers can afford to repay their loans when they are due and that repeat borrowing, if any, is sustainable.

2.2 Over time, an increasingly large number of unaffordable lending claims 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 Redress Claims with immediate effect (the **Claims Pause**). Redress Claims are described in section 6 below, under the heading "*What is a Redress Claim?*". This allowed Morses Club to further develop the detail regarding a potential plan called a scheme of arrangement (**Scheme**) to provide the opportunity for all Customers to apply for compensation on an equal basis.

2.3 The Financial Conduct Authority (the **FCA**) regulates Morses Club and its business. The FCA confirmed on 11 August 2022 that for a period of four months from the date Morses Club commenced the sending of complaints holding letters under DISP 1.6.2R(2), it would not seek to prevent Morses Club from relying on DISP 1.6.2R(2) to place a temporary hold on the processing of complaints (as defined in the FCA Handbook) made by customers. This meant that whilst customers could make complaints, any complaint which was a Redress Claim would not be processed by Morses Club during the Claims Pause and would instead be automatically included in the Scheme. The holding letter did not, however, prevent customers from pursuing their claims with the Financial Ombudsman Scheme (**FOS**). The Claims Pause had no effect on the processing of claims already made before 11 August 2022 or any claims referred to the FOS.

2.4 **A statement from the FCA regarding the proposed Scheme is at paragraph 10.2 below.**

2.5 For the reasons explained in paragraph 7.12 of this letter, Morses Club believes that the Scheme provides the best solution for Customers with valid claims for compensation.

### 3. **What is a Scheme of Arrangement?**

3.1 A scheme of arrangement is an agreement between a company and its creditors (or a group of creditors). A scheme of arrangement will bind the company and each of the creditors affected 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 on the scheme of arrangement;
- (b) the Court approves the scheme of arrangement at a Court hearing. The Court will consider the scheme and only approve it if the legal requirements for doing so have been met; and
- (c) a copy of the Court order approving the scheme of arrangement is filed with the Registrar of Companies.

3.2 A scheme of arrangement becomes effective on the date on which the last of these steps occurs. When the scheme of arrangement is effective, the company and its relevant creditors are bound by it.

### 4. **What does this Scheme do?**

4.1 This Scheme is an agreement between us and those people with Scheme Claims. **Scheme Claims** are:

- (a) Redress Claims made on or after 11 August 2022 in respect of any loan made by Morses Club (or which Morses Club is otherwise responsible for, having acquired the loan) between 1 April 2014 and 2 August 2022 (a **Loan**); and
- (b) claims made by the FOS for fees owed to it by Morses Club (**FOS Fees**) for its review of Redress Claims made in respect of Loans (where such Redress Claims were brought against Morses Club on or after 11 August 2022 and then referred to the FOS) (**FOS Fees Claims**).

4.2 The purpose of this Scheme is to put in place a fair and efficient plan for us to consider and pay Scheme Claims. Unfortunately, we estimate that we will not be able to pay Scheme Claims in full.

4.3 More details about the Scheme are set out in section 7 below under the heading "*What will happen under this Scheme?*".

### 5. **Who will be affected by our Scheme?**

5.1 This Scheme will affect those people with Scheme Claims. That means:

- (a) all Customers who took out a Loan between 1 April 2014 and 2 August 2022 from Morses Club (or which Morses Club is otherwise responsible for, having acquired the loan) and who made or make a Redress Claim in respect of that Loan on or after 11 August 2022; and
- (b) the FOS in respect of their FOS Fees Claims.

Together, these Customers and the FOS are called **Scheme Creditors**.

5.2 The Scheme will not affect:

- (a) any Customer who made a Redress Claim in respect of a Loan before 11 August 2022;
- (b) any Customer who has a complaint about Morses Club that is not a Redress Claim;
- (c) any Customer who took out a loan with any company other than Morses Club (unless Morses Club is responsible for that loan, having acquired it). For example, customers of Shelby Finance Ltd are not affected by the Scheme;
- (d) any Customer who took out a loan before 1 April 2014 or after 2 August 2022;
- (e) any other Customers or creditors of Morses Club or any other company in the Morses Club group; nor
- (f) fees owed to the FOS by Morses Club for its review of:
  - (i) Redress Claims in respect of Loans, where such Redress Claims were brought against Morses Club before 11 August 2022 (even if such Redress Claims were referred to the FOS on or after 11 August 2022);
  - (ii) any Redress Claim in respect of any loan made before 1 April 2014 or after 2 August 2022; nor
  - (iii) any claims which are not Redress Claims.

## 6. What is a Redress Claim?

- 6.1 A **Redress Claim** is a claim made against Morses Club by a Customer in connection with the sustainability, suitability, and/or affordability of a loan or otherwise in respect of irresponsible lending.
- 6.2 The Scheme will apply to Redress Claims brought by Customers in respect of Loans, that is loans made between 1 April 2014 and 2 August 2022 by Morses Club or which Morses Club is otherwise responsible for, having acquired the loan.
- 6.3 If you have made a Redress Claim before 11 August 2022 in respect of a Loan, Morses Club will consider that claim as normal outside of the Scheme. Only Redress Claims made on or after 11 August 2022 in respect of Loans will be entered into the Scheme (if it goes ahead) and become Scheme Claims. See paragraphs 7.15 to 7.18 below under the heading "*Claims Methodology*" which set out more information about the methodology for determining claims.

## 7. What will happen under the Scheme?

### *The Compensation Fund*

- 7.1 In the Scheme, a compensation fund of at least £20 million (the **Compensation Fund**) will be made available (subject to certain conditions set out in paragraph 7.4 below). That Compensation Fund will be divided proportionally between Scheme Creditors with valid Scheme Claims (after any Debt-Reduction and any VREQ Refund Payments described in paragraphs 7.22 to 7.24 below).

- 7.2 The Compensation Fund will be made up of:
- (a) Shareholder Funding (as described in paragraph 7.3 below); plus
  - (b) Morses Club Funding (as described in paragraph 7.5 below).

#### *The Shareholder Funding*

- 7.3 Potential investors (**Investors**) have been asked to fund the Compensation Fund by the greater of:

- (a) £15 million; and
- (b) the fair value of Morses Club based on an independent market valuation provided prior to the First Court Hearing described in section 13 below under the heading "*What is the process for implementing the Scheme?*",

in exchange for receiving 95% of Morses Club's shares (the **Shareholder Funding**). If Investors do not agree to provide the Shareholder Funding by the date of the First Court Hearing, we will let you know and the Scheme will not go ahead. In that case, Morses Club will enter into insolvent administration proceedings.

- 7.4 Even if Investors agree to provide the Shareholder Funding by the date of the First Court Hearing, it will be conditional on:

- (a) the current shareholders of Morses Club agreeing that new shares are issued to those Investors, resulting in the current shareholders being diluted by 95%;
- (b) the Scheme becoming effective; and
- (c) the Morses Club Funding being paid into the Compensation Fund by 29 March 2024.

#### *The Morses Club Funding*

- 7.5 Morses Club has agreed to pay the greater of:

- (a) £5 million; and
- (b) the realisable value of Morses Club's assets on the date that the Scheme becomes effective (the **Effective Date**), less the costs associated with winding down the business and an appropriate operating provision,

(the **Morses Club Funding**) to the Compensation Fund by no later than 29 March 2024.

- 7.6 If there isn't enough money to pay the Morses Club Funding into the Compensation Fund by 29 March 2024, then:

- (a) Morses Club will not pay any money into the Compensation Fund;
- (b) the Investors will not provide the Shareholder Funding; and
- (c) the Scheme will end early and Morses Club will close down and enter into an insolvent administration proceeding.

- 7.7 If the Scheme ends early, Scheme Creditors can make a claim against Morses Club. However, Scheme Creditors are expected to receive nothing or very little of the cash that they are owed for a valid claim.
- 7.8 In addition to paying into the Compensation Fund, Morses Club will also pay all other costs of the Scheme. The costs of the Scheme will not be paid from the Compensation Fund.

#### *Payments from the Compensation Fund*

- 7.9 To receive a payment from the Compensation Fund, a Scheme Creditor must make a Scheme Claim to the Company within 6 months of the Effective Date (the **Deadline**). Any Redress Claim made in respect of a Loan on or after 11 August 2022 but before the Effective Date will automatically be treated as a Scheme Claim made in the Scheme on the Effective Date.
- 7.10 Once a Scheme Claim is made, it will be checked using the method described in paragraphs 7.15 to 7.18 below. If a Customer has a valid Scheme Claim but also owes money under any Loan, the amount that that Customer owes under that unpaid Loan will be reduced by the amount of that Customer's valid Scheme Claim. This process is known as "**Debt-Reduction**". We explain this more in paragraph 7.22 below. If after the application of any Debt-Reduction a Customer continues to have a valid Scheme Claim, the Company will determine if the Customer is entitled to a VREQ Refund Payment as described in paragraphs 7.23 to 7.24.
- 7.11 Once all Scheme Claims have been calculated, the money in the Compensation Fund will be divided amongst all Scheme Creditors who still have valid Scheme Claims after the application of any Debt-Reduction and the making of any VREQ Refund Payment. Payments from the Compensation Fund will be made to Scheme Creditors proportionally based on the value of those remaining valid Scheme Claims.
- 7.12 Based on our current estimates, we do not expect Scheme Creditors with valid Scheme Claims will receive the full cash amount owed to them. However, as explained at paragraph 9.2 below, Scheme Creditors with valid Scheme Claims are expected to receive a larger cash payment under the Scheme than they would receive if the Scheme does not go ahead. If the Scheme is approved, we estimate that customers will receive cash compensation in the range of 40% to 55% of the cash compensation they are owed (after any relevant Debt-Reduction and VREQ Refund Payment), but this is not guaranteed and may increase or decrease dependent upon a number of factors including the method for assessing claims and the number of valid claims made in the Scheme. If the Scheme does not go ahead Morses Club will go into an insolvent administration proceeding and it is expected that Scheme Creditors will receive nothing or very little of the cash that they are owed for a valid Scheme Claim. In the administration proceeding, Customers with unpaid Loans will still benefit from a Debt-Reduction and may be entitled to a VREQ Refund Payment for any valid claims accepted by an administrator.
- 7.13 We expect to make payments to Scheme Creditors with valid Scheme Claims as soon as possible after all Scheme Claims have been checked and calculated. This should be before the end of September 2024.

#### *The Deadline for making Scheme Claims*

- 7.14 **It is important to understand that all Scheme Claims must be made to the Company by the Deadline (that is within 6 months of the Effective Date). Scheme**

**Creditors who do not make a Scheme Claim by the Deadline will lose any right to receive a payment for a claim that should have been made in the Scheme. They will also lose the right to benefit from a Debt-Reduction or VREQ Refund Payment that they may have otherwise been entitled to.**

### *The Claims Methodology*

7.15 Any Scheme Claim made by a Customer by the Deadline will be checked by the Company using a specially designed model (the **Claims Methodology**). We will check your claim by carrying out tests on your loan history to see if your Loans were affordable or not. When checking a Scheme Claim, we will consider all the Loans which a Customer has. We 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. We will pay compensation 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.

If compensation is owed, the Customer will have the right to be paid back the interest that they paid on the relevant Loan, and interest on that amount.

7.16 We may also consider any other factors or circumstances that may be relevant to whether your Loans were affordable. These include your ability to understand if you could afford the Loans or not and the Loans' terms. This could be a result of, for example, Alzheimer's or Dementia. Medical evidence would be needed to support your claim.

7.17 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 FCA has reviewed and made comments on the Claims Methodology. Please see the FCA's statement at paragraph 10.2 below. The final Claims Methodology will be set out in the Scheme.

7.18 After checking a Customer's Scheme Claim using the Claims Methodology, the Company will let the Customer know if it has been accepted or not. If the Scheme Claim is accepted, the Company will also let the Customer know the total amount of the valid Scheme Claim. If there is a Debt-Reduction to be applied, or a VREQ Refund Payment to be made, the Company will let the Customer know. If the Scheme Claim is not accepted and/or the Scheme Creditor challenges the Company's calculation of the Scheme Claim, there will be a time limited process for the Company and the Scheme Creditor to try to agree the Scheme Claim. If by the end of this process the Company and the Scheme Creditor have not agreed the Scheme Claim, the Scheme

Creditor will be entitled to have their Scheme Claim reviewed by an independent expert (either individually or as part of a batch), as described in paragraphs 7.19 to 7.21 below.

#### *The independent Scheme Adjudicator*

- 7.19 If a Scheme Creditor's Scheme Claim is rejected and the Scheme Creditor challenges this rejection or the Scheme Creditor challenges the value placed on their Scheme Claim by the Company, that Scheme Creditor's claim will be referred (individually or as part of a batch) to an independent expert appointed in the Scheme. The independent expert who shall review any appealed claims is called the **Scheme Adjudicator**. The Scheme Adjudicator will be appointed before the First Court Hearing and named in the Scheme.
- 7.20 The Scheme Adjudicator will consider the Scheme Claims sent to them (individually or as a batch) and will independently determine whether those Scheme Claims should be accepted or not using the Claims Methodology and any other information provided to the Scheme Adjudicator.
- 7.21 Decisions by the Scheme Adjudicator are binding on the Company. Customers who are unhappy with the Scheme Adjudicator's decision will have 6 months from the date they receive notice of the Scheme Adjudicator's decision to make a claim to the FOS for a final decision.

#### *Debt-Reduction – Unpaid Loans*

- 7.22 In calculating the amount to pay to a Customer who has a valid Scheme Claim, the Company (and if relevant, the Scheme Adjudicator) will consider whether the Customer has repaid their Loan(s) in full. Where the Customer has unpaid Loan(s) as at the Effective Date, and some or all of those Loan(s) are repayable to Morses Club, the Company will automatically reduce the amount of the unpaid Loan(s), by up to the value of the Customer's valid Scheme Claim. This will leave the Customer with either:
- (a) a claim against the Company (if their valid Scheme Claim is more than their unpaid Loan(s)). In this case, the Company will consider if the Customer is entitled to receive any VREQ Refund Payments, as described in paragraphs 7.23 to 7.24 below. If, after the application of the Debt-Reduction and any VREQ Refund Payments, the Customer still has a claim against the Company, the Customer will receive a proportionate payment from the Compensation Fund based on the remaining amount of its valid Scheme Claim; or
  - (b) an amount that it still owes to Morses Club (if their unpaid Loan(s) are more than their valid Scheme Claim), in which case the Customer will need to pay the remainder of the reduced unpaid Loan(s) as normal.

#### *VREQ Refund Payments*

- 7.23 As part of the Claims Pause, Morses Club agreed in a Trust Agreement dated 16 September 2022 that where a Customer (an **Affected Customer**):
- (a) made or makes a Redress Claim to Morses Club on or after 11 August 2022 but before the Effective Date; and
  - (b) made or makes any repayments on their unpaid Loans to Morses Club after making that Redress Claim up to the Effective Date,

those repayments will be paid into a separate trust account (the **Refund Payment Trust Account**).

- 7.24 If an Affected Customer has a valid Scheme Claim after any Debt-Reduction, the Affected Customer is entitled to a refund equal to the lesser of that Affected Customer's valid Scheme Claim and the amount paid to the Refund Payment Trust Account for that Affected Customer (the **VREQ Refund Payment**). The Affected Customer's valid Scheme Claim will be reduced by the amount of the VREQ Refund Payment made to the Customer.

#### *Scheme Refund Payments*

- 7.25 If any Customer still has a valid Scheme Claim after the Debt Reduction and after the deduction of a VREQ Refund Payment (if any) and that Customer makes payments on an unpaid Loan after the Effective Date, that Customer will be entitled to a refund of all those payments made after the Effective Date (**Scheme Refund Payment**).

#### *Sold Loans and Debt Purchasers*

- 7.26 In certain cases, a Customer's Loan may have been sold by Morses Club to a third party (a **Debt Purchaser**). The Company will try to make sure that Customers whose Loans have been sold to a Debt Purchaser will also benefit from a Debt-Reduction and refund payments so that they are treated in the same way as Customers whose Loans remain with Morses Club. The provisions for this will be described in the Scheme.

### **8. Will the Scheme definitely go ahead?**

- 8.1 The Scheme will only be put to a vote by Scheme Creditors if Investors agree to provide the Shareholder Funding as described in paragraphs 7.3 and 7.4 above.
- 8.2 If the Scheme is put to a vote by Scheme Creditors, but it is not approved by a majority in number (that is more than 50%), representing 75% or more in value, of the Scheme Creditors who vote, it will not go ahead.
- 8.3 The Court will also decide whether or not to approve the Scheme. The Court will consider the Scheme and only approve it if the legal requirements for doing so are met. If the Court does not approve the Scheme, it will not go ahead.
- 8.4 If the Scheme is approved by enough Scheme Creditors and the Court it will become effective. However, it will end early if the Morses Club Funding is not paid into the Compensation Fund by 29 March 2024. The Scheme will also end early if the Shareholder Funding is not paid into the Compensation Fund by 28 June 2024.

### **9. What will happen if the Scheme does not go ahead or ends early?**

- 9.1 It is important to stress that in proactively promoting the Scheme now, we believe that Scheme Creditors will be better off than if the Scheme does not go ahead.
- 9.2 If the Scheme does not go ahead (or if it ends early), Morses Club will enter into an insolvent administration proceeding. If that happens Scheme Creditors will keep all of the rights that they currently have against Morses Club. However, we estimate that they will receive nothing or very little of the cash that they are owed for a valid claim. This is much less than the estimated cash payment in the range of 40 pence to 55 pence for every £1 owed that Scheme Creditors are expected to receive in the Scheme.

9.3 The board of directors of Morses Club and the Company therefore believe that it is in your best interests to vote in favour of the Scheme and this is why we are proposing the Scheme.

## 10. The Financial Conduct Authority

10.1 The FCA is the regulator for Morses Club.

10.2 The FCA has asked the Company to include the following statement from it in this letter:

*"Morses Club Plc has issued this PSL without the support of the FCA. The FCA has not yet been given opportunity to complete its assessment of the Scheme, in particular its underlying methodology for assessing claims.*

*The FCA has only recently received all the information from Morses Club plc to the standard required. The FCA needs to assess the information before being in a position to know whether it intends to formally object to the Scheme.*

*The underlying methodology for determining claims is a critical component of the Scheme. As the FCA has not completed its review of the methodology, the FCA is concerned that the expected outcomes may not be credible, and that the proposed scheme may not be the best deal that Morses Club plc can offer to redress customers.*

*The FCA has informed Morses Club plc that it reserves the right to take such action as it may consider appropriate once the terms of the Scheme and its methodology have been finalised and the FCA has completed its review.*

*Morses Club Plc has provided an undertaking that it will reissue the PSL if the FCA advises it is necessary to do so at any time prior to the convening hearing. The FCA reserves its right to object to the Scheme at any stage."*

## 11. Customers' Committee

11.1 A committee of Customers (the **Committee**) has been set up to represent the interests and views of Customers in respect of the proposed Scheme.

11.2 An independent chairperson for the Committee (the **Chair**), Jamie Drummond-Smith, was appointed on 19 July 2022. Mr Drummond-Smith is an experienced financial services sector professional. He is independent of Morses Club and does not work for, and has never worked for, Morses Club. Mr Drummond-Smith has his own legal advisor.

11.3 To set up the Committee, Morses Club contacted 6,918 Customers at random between 27 July 2022 and 12 August 2022 to ask them if they would be interested in joining the Committee. A total of 26 Customers expressed an interest and the Chair chose 8 of those Customers to join the Committee. Some Committee members would benefit from a Debt-Reduction if they have a valid Scheme Claim, and some of them would not. This means that a cross section of the Customer population is represented on the Committee.

11.4 The Committee has also had the benefit of independent legal advice paid for by Morses Club.

11.5 The Committee has had the opportunity to consider a wide range of issues that have shaped the proposed Scheme. The input of the Committee has included: (a)

considering in detail the various options presented to them for paying Scheme Claims and providing feedback (which the Company has taken on board where possible); (b) deciding on the Committee's preferred option; and (c) negotiating the Scheme, including the funding provided by the Compensation Fund, to ensure that it provides an acceptable return to Customers.

11.6 After detailed consideration of the options put forward by Morses Club and the Committee, the Committee has expressed a clear preference for the proposed Scheme over the other options presented by Morses Club. This is because the Scheme:

(a) is expected to provide Customers with more compensation than they would otherwise receive if Morses Club went into an insolvent administration proceeding; and

(b) the payments to be made to Customers are more certain and expected to be made at an earlier date than the other options considered.

11.7 You do not have to agree with the Committee, and you have the right to have your own say on the Scheme by voting on it.

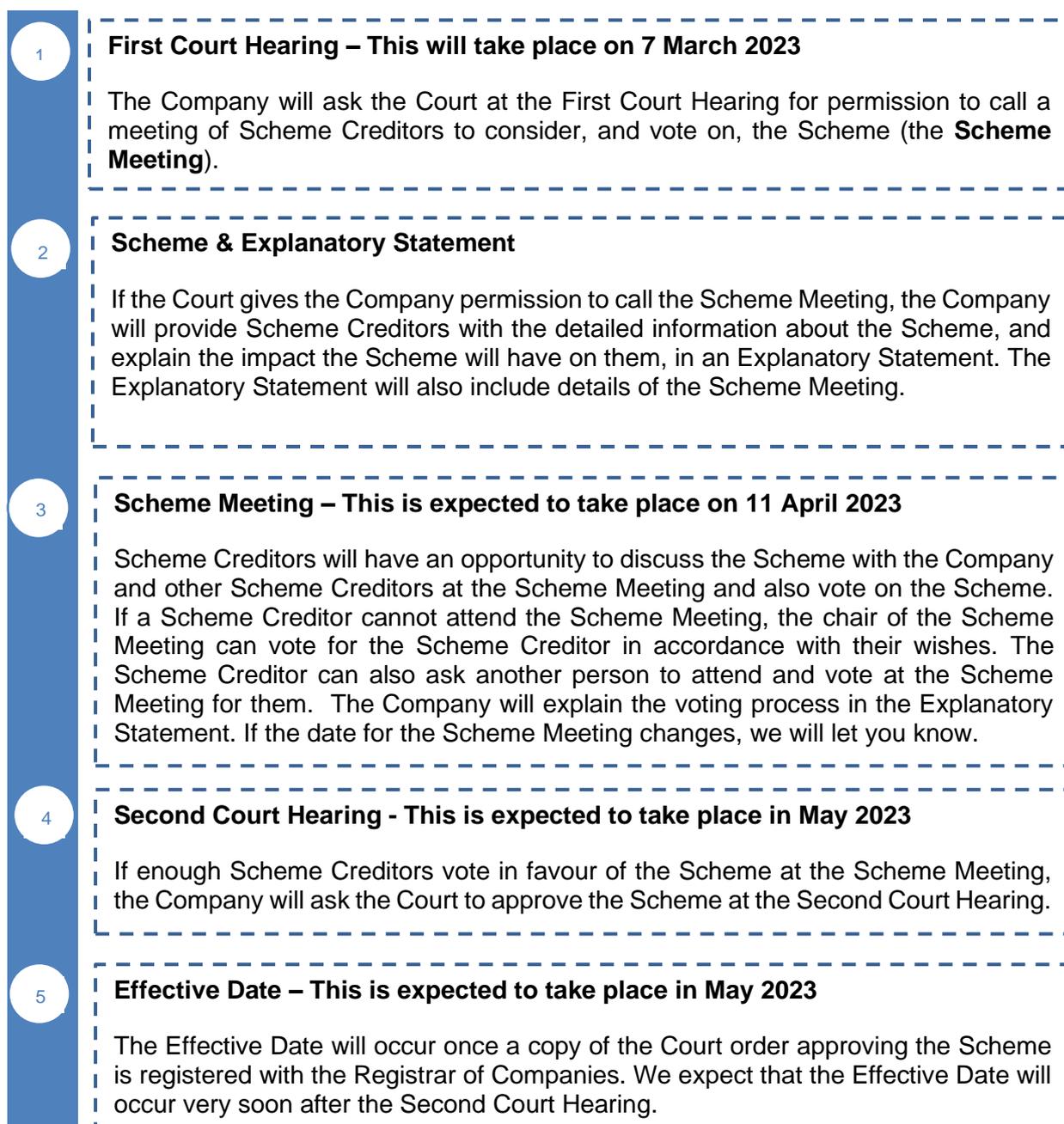
## 12. **The Customer Advocate**

12.1 An independent person, Jon Yorke, has been appointed to advocate for Customers in respect of the Scheme (the **Customer Advocate**). Mr Yorke is an experienced lawyer. He is independent of Morses Club and does not work for, and has never worked for, Morses Club. Mr Yorke has his own legal advisor.

12.2 The Customer Advocate can answer any general questions that you may have about the Scheme and also take your feedback on the Scheme and discuss it with us. There will be no charge to customers for this. If you have any questions or comments about the Scheme, you can contact the Customer Advocate using the details at the end of this letter. You also have the right to take your own legal advice at your own expense.

### 13. What is the process for implementing the Scheme?

The process for implementing the Scheme is as follows:



### 14. Scheme Classes

- 14.1 One of the things the Court will consider at the First Court Hearing is whether the Company's proposal for how Scheme Creditors should vote on the Scheme is acceptable. In making this decision, the Court will consider if all Scheme Creditors should vote together in one meeting, or if Scheme Creditors should vote in different meetings (also known as classes).
- 14.2 In summary, where Scheme Creditors have similar rights to each other, they must vote together in one meeting. Where Scheme Creditors do not have similar rights to each other, they must vote in different meetings.

14.3 The Company considers that all Scheme Creditors should vote together in one meeting as it considers that all Scheme Creditors have similar rights against the Company and Morses Club. There is more information about why the Company has reached this decision in the Appendix attached to this letter.

14.4 **IMPORTANT: If any Scheme Creditor has comments or concerns about the Company's proposal for all Scheme Creditors to vote together in one meeting, or any other legal issues which they consider should be raised with the Court, they are asked to raise these concerns with the Customer Advocate or us using the details given in section 18 under the heading "Contact" below and we will bring such matters to the Court's attention.**

## 15. **Next steps**

15.1 If Investors agree to provide the Shareholder Funding as described in paragraphs 7.3 and 7.4 above, we will proceed to the First Court Hearing. At the First Court Hearing, the Court will consider whether it agrees that all Scheme Creditors can vote on the Scheme in the one meeting as described in section 14 above under the heading "*Scheme Classes*". If the Court does agree, it will ask us to hold the Scheme Meeting for Scheme Creditors to vote on the Scheme. Scheme Creditors will then be told about the Scheme Meeting, and also receive instructions about how they can vote.

15.2 If you do not agree that Scheme Creditors should consider, and vote on, the Scheme in one meeting or have any other legal objections, you can send details of your objection to the Customer Advocate or us using the details given in section 18 under the heading "*Contact*" below and we will bring these objection(s) to the Court's attention.

15.3 You may also attend the First Court Hearing to simply observe or make any objections to the Court in person.

## 16. **What should you do now?**

16.1 Please:

(a) register your interest in the Scheme by creating an account on the Company's secure online portal at [www.morsesclubscheme.com](http://www.morsesclubscheme.com). You will need your unique Scheme Reference Number (**SRN**) to do this which you should have separately received. By registering your interest in the portal, you will be able to confirm your contact details. If you do not have access to the internet or you do not have your SRN, you can still register your interest in the Scheme by contacting us using the details at the end of this letter;

(b) follow the updates about the Scheme that will be posted at [www.morsesclubscheme.com](http://www.morsesclubscheme.com). If you do not have internet access, you can call us on the number in section 18 under the heading "*Contact*" below for updates; and

(c) continue to make payments as normal on any unpaid Loans that you have.

## 17. **How do I get further help about the Scheme?**

In the first instance please take a look at the Frequently Asked Questions (FAQs) that are available at [www.morsesclubscheme.com](http://www.morsesclubscheme.com). Otherwise, you can contact the Company or the Customer Advocate using the details below.

## 18. Contact

Telephone Number	0333 011 0688 (local rates apply)
Email:	<a href="mailto:contact@morsesclub.com">contact@morsesclub.com</a>
Address:	Scheme of Arrangement Team Morses Club Scheme Limited Building 1 The Phoenix Centre 1 Colliers Way Nottingham NG8 6AT
Website	<a href="http://www.morsesclubscheme.com">www.morsesclubscheme.com</a>
Customer Advocate	Jon Yorke Email: <a href="mailto:jy@morsesclubca.co.uk">jy@morsesclubca.co.uk</a> Office Address: 137-139 High Street Beckenham BR3 1AG

### Be aware

- **Customers will not be approached by us or anyone acting for us to assist you in making a claim in the Scheme. Do not give details of your claim or any personal information or bank account details to anyone who approaches you claiming that they work for us or on our behalf.**
- **If you are concerned about the authenticity of any correspondence or you suspect that you have received unauthorised or fraudulent correspondence which claims to be from us, please do not hesitate to contact us using the details in section 18 under the heading "*Contact*" above.**

Yours faithfully

**Gary Marshall**  
**Director of Morses Club Scheme Limited**

## **Appendix 1**

### **Class Analysis**

1. The legal test to decide whether creditors can vote in the same meeting (also known as a class) can be described in different ways, for example:
  - (a) there must be more that unites than divides the creditors in the class; or
  - (b) the class should be made up of creditors whose rights against the company proposing the scheme are similar enough that they can properly consider and identify their rights and interests together as a group.
2. In this case, the company proposing the Scheme is Morses Club Scheme Limited. The Scheme Creditors who will vote together are:
  - (a) Customers with a Redress Claim made on or after 11 August 2022 in respect of any Loan; and
  - (b) the FOS.
3. The Company has considered the differences between:
  - (a) Customers whose Loans have been fully repaid compared with those whose Loans remain outstanding in whole or in part;
  - (b) Customers whose Loans are still owed to Morses Club compared with Customers whose Loans have been sold to Debt Purchasers; and
  - (c) Customers compared with the FOS.
4. The Company has also considered:
  - (a) the fact that it will enter into a Deed Poll under which the Company will declare that it assumes responsibility to Scheme Creditors for the Scheme Claims for the purpose of helping it to propose the Scheme; and
  - (b) the alternative to the Scheme.
5. Taking into account the matters in paragraphs 3 and 4, the Company considers that all Scheme Creditors should vote in one meeting as it considers that all Scheme Creditors have sufficiently similar rights against the Company and Morses Club. Those rights are:
  - (a) the Customers and the FOS are unsecured creditors with substantially the same rights against the Company and Morses Club: (i) in the case of the Customers, the unsecured right to be paid compensation by the Company and Morses Club for their valid Redress Claims, and (ii) in the case of the FOS, the unsecured right to be paid by the Company and Morses Club for their valid FOS Fee Claims; and
  - (b) if the Scheme goes ahead:
    - (i) the right of all Scheme Creditors to receive the same proportionate payment from the Compensation Fund for their valid Scheme Claims

(after any Debt-Reduction and the making of any VREQ Refund Payment); and

- (ii) their claims will rank equally (as they did before the Scheme).
6. If the Scheme does not go ahead, each Customer and the FOS would have an unsecured claim against Morses Club in any insolvent administration proceeding.
7. The Company does not consider that any issues arise relating to the proposed single class from any of the following matters:
- (a) the fact that FOS Fee Claims are claims for a fixed amount of money, but Redress Claims could be disputed and, even if accepted, the amount of these claims needs to be calculated. This does not require the FOS Fee Claims and the Redress Claims to be put into separate classes because both are still unsecured claims against Morses Club and the Company and both would have the same ranking in an insolvent administration of Morses Club;
  - (b) the exclusion of all other claims against Morses Club which are not Scheme Claims from the Scheme. This does not require separate classes because through the Deed Poll the Company has agreed to take on responsibility for Redress Claims in respect of Loans and the FOS Fee Claims *only*. In any case, a company is free to choose the creditors it proposes a scheme of arrangement to. The Company has chosen to include only Redress Claims in respect of Loans and the FOS Fee Claims in the Scheme because: (i) these are the claims which it cannot pay in full, if it is to continue its business, and (ii) these are the claims which the Company wishes to treat equally and fairly by paying from the Compensation Fund an amount proportionate to each claim. The Company has not taken on responsibility for the other debts owed by Morses Club, for example ordinary trade creditors, because those creditors will need to be paid as usual if Morses Club is to continue in business and successfully carry out the Scheme;
  - (c) the fact that certain Loans have been sold to Debt Purchasers. This does not require separate classes because the Company is aiming to reach an agreement with the Debt Purchasers to make sure that Customers whose Loans have been sold to a Debt Purchaser will also benefit from a Debt-Reduction and a refund payment so that they are otherwise treated in the same way as all other Customers whose Loans remain with Morses Club. If an agreement cannot be made with the Debt Purchasers, the Company considers that these Customers will still be able to benefit from a Debt-Reduction through a legal right called "equitable set-off" which these Customers could bring as a defence if a Debt Purchaser demands full payment of a sold Loan in future; and
  - (d) the fact that some Customers may receive a VREQ or a Scheme Refund Payment whereas other Customers will not benefit from a VREQ or a Scheme Refund Payment. This is because treatment between Customers who may receive a VREQ or a Scheme Refund Payment and other Scheme Creditors is not a result of any additional rights being given to those Customers in the Scheme.