

Video 1 - the Scheme of Arrangement

Background

When providing a loan Morses Club are required to make sure that a loan given to a customer meets certain requirements and is affordable and sustainable. Morses Club acknowledges that some loans it has provided, in the past, may not have met those requirements and, in those cases, customers are entitled to compensation. Morses Club takes full responsibility for these errors and is sorry for any harm that customers may have incurred as a result.

Due to the number of customers who could be eligible for compensation we cannot pay these claims in full and, if no action is taken, Morses Club will have no choice but to close its business and enter into insolvency proceedings. We are therefore proposing a scheme of arrangement as an alternative to Morses Club entering insolvency as it should enable customers to receive a greater amount of the compensation they are owed. Alternatively, if the scheme did not proceed, and the company failed, then there would be very little compensation available.

Under the Scheme it is currently estimated that customers with valid claims could receive approximately 20% of the cash compensation they are owed in or around September 2024. Whereas if Morses Club was to enter into insolvency proceedings it is estimated that customers with valid claims would receive between approximately 1% and 3%.

What is a Scheme of Arrangement and why is Morses Club proposing a Scheme?

A Scheme is a Court-approved agreement between a company and its creditors, the people it owes money to.

The Scheme needs to be voted on by customers and, if approved, it will allow us to pay compensation to our customers, both past and present, who have a valid claim for loans taken out between 1 April 2007 and 2 August 2022. In some cases, your loan might have been provided by a different company and then later bought by Morses Club. A full list of these original loan providers is available on the scheme website for you to check.

If the Scheme is not approved, Morses Club will go into insolvency.

How will compensation be paid and what will the Scheme do?

If the Scheme is approved, it provides that at least £20m is to be made available for valid redress claims. £15m will come from shareholders and £5m from Morses as it continues to trade.

Customers who want to share in the £20m must make a claim no later than six months after the Scheme is approved. We will notify all customers of this date. If you don't make a claim before that final date, you will lose your right to make an affordability or sustainability claim, for any loans taken out between 1 April 2007 and 2 August 2022.

If you make a claim before the deadline, it will be checked using a process comparing your claim against an agreed methodology. Once the methodology has been applied, we will

advise customers if their claim has been successful and how the amount of compensation due to them will be paid. Customers will be able to provide additional information in support of a claim and will have the right to appeal any decisions by referring their case to an independent adjudicator.

How does the Scheme affect my current loan?

Regardless of the outcome of the Scheme vote, if you have an outstanding loan, unless we tell you otherwise, you will still need to continue making your loan repayments in line with your loan agreement otherwise this could adversely affect your credit record. Once you have informed us of a potential claim, in due course we will contact you to advise if you should stop paying or are due any refund or compensation.

Both the Scheme document and Explanatory Statement, which explain the Scheme in more detail, are available on the Scheme website at www.morsesclubscheme.com where you may also find other useful information and answers to frequently asked questions. If you haven't already done so, you should also consider registering on the Claims Portal as that is the easiest way to be involved in the Scheme and be kept up to date.