

PART A – SUMMARY OF IMPORTANT INFORMATION

Please refer to www.amigoscheme.co.uk/faqs if you have any questions about your responsibility to carry on making payments on any outstanding loans you have.

WHY HAVE I BEEN CONTACTED?

- Over the last two years, Amigo Loans Ltd (**Amigo**) has received lots of complaints from customers, mostly from those who've had loans they may not have been able to afford because we didn't carry out the right checks when the loan was given to them.
- Our records show that you are or were a customer of Amigo. That is because you had, or may currently have, an Amigo loan or you guaranteed a loan with Amigo.
- We are trying to contact all past and present customers. This is because we are applying to the High Court for permission to invite you and other customers to vote on our proposed approach to compensate people who, like you, may have a claim against Amigo.
- We also need to give you certain information about our proposals and let you know that you may attend the Court hearing if you wish, which we currently expect will be held online on 16 February 2022.

CONTENTS OF PART A OF THE LETTER

- In this part A of the letter, we provide you with summary information about what happens next under the following headings:
 - Summary of recent events
 - Resolving the current situation
 - Option 1: The New Business Scheme
 - Option 2: The Wind-Down Scheme
 - Recommendation of the Customers' Committee
 - Possible outcomes
 - Using your vote
 - What happens if either Scheme is approved?
 - How much will I get paid?
 - The position of the Financial Conduct Authority (the **FCA**)
 - What else do I need to know?

SUMMARY OF RECENT EVENTS

- The past two years have put the future of Amigo as a going concern in doubt because of: (a) a significant increase in the level of customer claims received; and (b) the economic impact of Covid-19.
- Amigo doesn't have enough money to pay the full amount of cash compensation to the people who have valid claims. Because of this, we are using a legal process called a Scheme

of Arrangement (**Scheme**). Although we will not be able to pay the full amount owed to creditors¹ through the Scheme, we are making this proposal to try to maximise the returns creditors receive from Amigo, and to do so as soon as we possibly can.

- In May 2021, the High Court did not approve the **Previous Scheme** that was proposed, and which the creditors had voted in favour of. This was because the Judge was not satisfied that the Previous Scheme was fair. We've learnt from the Court's decision.
- We've now put together **two New Schemes** following discussions with a new Customers' Committee (the **Committee**). The New Scheme proposals provide better returns for creditors than under the Previous Scheme and, importantly, better returns than the likely alternative to the New Scheme proposals, which we describe below.
- Before we tell you about the **New Schemes**, we first need to tell you about the Committee.
- The **Committee** was established to represent the interests and views of customers through the process of finding a way forward for Amigo. An independent Chair, Jamie Drummond-Smith was appointed on 3 August 2021. Mr Drummond-Smith is an experienced financial services sector professional; he has never worked for Amigo and has his own legal advisor. To set up the Committee, Amigo emailed customers in July 2021 to ask for self-nominations to be a part of the Committee. From these self-nominations, Mr Drummond-Smith randomly selected eight past and present borrowers and guarantors, some of whom, depending on the status of their current balance, would benefit from a balance reduction if they have a valid claim in either of the New Schemes, and some of whom would not. This provided a cross-section of Amigo's customer population from the self-nominations received, each of whom were also required to confirm that they were not shareholders of Amigo as part of the self-nomination process.
- The Committee has been offered the opportunity to get independent advice paid for by Amigo, as was suggested by the Court and the FCA at the Court hearing for the Previous Scheme.
- The Committee has had the opportunity to consider a wide range of issues that have shaped the terms of the New Schemes. The input of the Committee has included: (a) considering new Scheme proposals; (b) giving a preference on those proposals; (c) putting forward alternative proposals and (d) negotiating the New Schemes terms to ensure they maximised recoveries for creditors.

RESOLVING THE CURRENT SITUATION

- As a result of our work since the **Previous Scheme** and the Committee's recommendation, we have developed **two New Schemes** for creditors to vote on. We're running both **New Schemes** at the same time to give creditors the maximum choice. This letter tells you about each of them in turn.

¹ A 'creditor' is a legal term used to describe someone who might be owed money by a particular person. Anyone whom we might owe money to is our creditor.

OPTION 1: THE NEW BUSINESS SCHEME

- The **New Business Scheme** includes both a **Preferred Solution** and a **Fallback Solution**.
- The reason for this is that there are two specific events that must happen in the Preferred Solution for business (i.e. future lending) to continue. These specific events are called the **Conditions** (which are detailed below). The Conditions are not guaranteed to happen, but we think there will be greater returns to creditors if the Conditions are met.
- If either of the Conditions are not met, the New Business Scheme will change to its Fallback Solution. The Fallback Solution is a wind-down² of the existing business without any further lending.
- Because we think that returns to creditors will be better under the Preferred Solution, we will try to implement the Preferred Solution before turning to the Fallback Solution.
- The **Preferred Solution** will be implemented if: (a) the New Business Scheme is approved by the creditors; (b) it is approved by the Court; and (c) the following **Conditions** are met:
 - Within 9 months of the **Scheme Effective Date**³, Amigo recommences lending (which requires that the FCA is satisfied that the firm can recommence lending); and
 - Amigo raises at least £70m of finance within 12 months of the Scheme Effective Date from external sources.
- If both of the Conditions under the Preferred Solution are met, the following cash amounts will be available in the Scheme fund within 10 business days for payment to creditors whose claims are assessed and found to be valid:
 - £60,000,000 (having already been paid into the Scheme fund within 5 business days of the Scheme Effective Date); plus
 - £37,000,000 (having already been paid to the Scheme fund within 9 months of the Scheme Effective Date); plus
 - £15,000,000 (funded from the proceeds of the new finance raised).
- The above gives a total payment of £112,000,000. In addition, the costs of implementing the Preferred Solution will be paid for separately by Amigo outside of the Scheme. Amigo has also agreed that the total net new lending under the New Business Scheme will not be more than £35,000,000 until the Conditions have been met and the £112,000,000 has been paid into the Scheme fund.

² A 'wind-down' is a term used to describe a situation where a business stops engaging in new business opportunities / activities and focusses on gradually finishing all its existing business engagements as it slows down before finally ceasing to trade.

³ The Scheme Effective Date is the date shortly after the Scheme is 'sanctioned' or approved by the Court.

- If either of the Conditions are not met however, the initial payments of £60,000,000 and £37,000,000 that were paid into the Scheme fund will be returned to Amigo to be dealt with under the terms of the Fallback Solution (described below).
- Amigo is subject to an FCA enforcement investigation, concerning the firm’s past behaviour, that has not yet concluded. The outcome of the FCA investigation could result in a fine being imposed on Amigo. The prospects of success of the New Business Scheme could be adversely affected if the FCA investigation results in a fine or is not resolved before capital is due to be raised as part of the New Business Scheme.
- In addition to the FCA enforcement investigation referred to above, other factors that relate to whether Amigo will be able to meet the Conditions could also contribute to the Preferred Solution not going ahead. These factors include: (a) the ability to successfully raise the £70m of required finance within the required timeframe and in the capital market conditions then existing which are at this stage unknown; and (b) the possibility that Amigo may not be able to recommence lending again, for example, because the FCA subsequently concludes that Amigo (including its approach to future lending) fails to satisfy the FCA's threshold conditions (minimum standards all authorised firms are expected to meet).
- Creditors’ claims will not be paid in full under the Preferred Solution, but we believe that creditors will receive more money under the Preferred Solution than they would under the Fallback Solution. Cash returns to creditors with valid claims in the Preferred Solution are currently estimated to be 42 pence per £1 of claim.
- If either of the Conditions is not met, the **Fallback Solution** will be implemented.
- The **Fallback Solution** does not have a fixed cash amount to pay valid claims. Instead, Amigo’s assets (i.e. its cash and existing loan book) will be collected over time and cash payments will only be distributed to creditors from any assets left in Amigo, after meeting the costs of operating Amigo’s business in its winddown and after repaying its current debt financing arrangements provided by the bondholders (the **Bonds**). The Bonds are a debt Amigo owes which is for £234m, with an interest rate of 7.625% per year. Amigo has given security for its debt under the Bonds⁴. As a matter of law, Amigo (and any other firm in our situation) is obliged to repay its creditors in a specific order, starting with debt owed to our secured creditors. Amigo does not have a choice in this which means that the Bonds are entitled to get paid in full before any of the customers who are owed compensation will receive anything.
- While creditors’ claims will not be paid in full under either the Preferred Solution or the Fallback Solution, we believe that the Fallback Solution will pay out less than the Preferred Solution.

OPTION 2: THE WIND-DOWN SCHEME

⁴‘Security’ is a legal term used where a person grants a legally enforceable right over an asset that they own in favour of someone to whom they owe money. That person has a priority claim over the cash proceeds from that asset, and in certain specific circumstances, might also be able to take ownership of the asset to repay the debt.

- The **Wind-Down Scheme** is a standalone Scheme that is voted on separately from the New Business Scheme.
- The Wind-Down Scheme has many similarities to the Fallback Solution under the New Business Scheme. For example, the process of: (a) how cash would be collected from Amigo's loan book; (b) how creditor claims would be submitted; and (c) how the cash collected would be offered to creditors to pay valid claims, is the same.
- Essentially, the only difference between the Wind-Down Scheme and the Fallback Solution is the timing of when the Scheme would take effect and the resulting possibility of either higher or lower returns for creditors between the two.
- By way of example, if the Court approved the Wind-Down Scheme, it would take effect straight away. In contrast, the Fallback Solution would only take effect if the Conditions of the Preferred Solution are not met. This difference in timing could, in theory, lead to a difference in returns for creditors between the two. Returns could either be greater or less in either case depending on how much money was collected and spent. Cash returns to creditors with valid claims in the Wind-Down Scheme are currently estimated to be 29 pence per £1 of claim.
- Because Amigo believes that the New Business Scheme offers the potential for the best return for creditors, Amigo's intention is to first ask the Court to consider the New Business Scheme for approval. This means that if the Wind-Down Scheme is approved by the creditors, the Court will only actually be asked to approve the Wind-Down Scheme if any of the following three things happen:
 - 75% by value or 50% by number of those creditors voting do not vote in favour of the New Business Scheme;
 - prior to the Court sanction hearing and having taken advice of leading counsel (i.e. a senior lawyer), Amigo considers that the New Business Scheme is unlikely to be approved by the Court and therefore Amigo chooses not to ask the Court to sanction the New Business Scheme; or
 - the Court does not approve the New Business Scheme.

RECOMMENDATION OF THE CUSTOMERS' COMMITTEE

- After Committee discussions, the Committee unanimously decided that **it prefers the New Business Scheme** as its first choice. However, the Committee also unanimously decided that, as its second choice, it would prefer the Wind-Down Scheme over an insolvency process (i.e. a liquidation or administration). Therefore, if the New Business Scheme is not approved by the creditors, or the Court, then the Committee would want the Wind-Down Scheme to go ahead.

POSSIBLE OUTCOMES

- There are only four possible outcomes. These are:
 - The New Business Scheme is approved by the Court and the Conditions of the Preferred Solution are met, meaning Amigo restarts lending with new funding. Cash returns to

creditors with valid claims in the Preferred Solution are currently estimated to be 42 pence per £1 of claim;

- The New Business Scheme is approved by the Court, but the Conditions are not met, meaning the New Business Scheme changes from the Preferred Solution to the Fallback Solution;
 - The Court approves the Wind-Down Scheme (but not the New Business Scheme). Cash returns to creditors with valid claims in the Wind-Down Scheme are currently estimated to be 29 pence per £1 of claim; or
 - Neither the New Business Scheme nor the Wind-Down Scheme are approved by the Court, meaning Amigo will go into an insolvency process. The form of insolvency process is likely administration or liquidation. Cash returns to creditors with valid claims in an insolvency process are currently estimated to be 24 pence per £1 of claim, which is less than under either the New Business Scheme or the Wind-Down Scheme.
- We've put a flowchart at the end of part A of this letter which shows the possible outcomes.

USING YOUR VOTE

- We are asking the Court for permission to ask you and other potential creditors to vote on the New Schemes.
- If the Court gives us permission to invite you to vote on the New Schemes, we will be asking past and present customers who believe they have a valid claim to **vote separately on each of the New Schemes, so you will be entitled to vote twice – once on each Scheme.**
- We think the questions that creditors will need to ask themselves when voting on the New Schemes are as follows:

Question	If so:
Do I support the New Business Scheme and Amigo restarting lending under the Preferred Solution?	Vote for the New Business Scheme
In addition to supporting the New Business Scheme, would I also support a Wind-Down Scheme on its own over an insolvency process if the New Business Scheme cannot be achieved?	Also vote for the Wind-Down Scheme (i.e. vote for both)
Do I support a Wind-Down Scheme on its own, but not the New Business Scheme and restarting lending?	Vote: (a) against the New Business Scheme and (b) for the Wind-Down Scheme
Do I support neither the New Business Scheme nor the Wind-Down Scheme?	Vote against both Schemes

- In terms of timing, you do not need to decide now whether you would vote in favour of either of the New Schemes.
- There will be further information made available before we ask you to vote on the New Schemes. The information will be contained in a document called the '**Explanatory**

Statement'. The Explanatory Statement will cover both New Schemes because the creditors are the same under both and both New Schemes relate to Amigo.

- If the Court gives us permission to invite you to vote on the New Schemes, we expect to notify you again in mid-February 2022 (in the same way that we have notified you about this letter) about how to access the Explanatory Statement and vote on the New Schemes.
- Creditors who can vote on the New Schemes will be: (a) customers who believe they have a claim against Amigo, Amigo Management Services Ltd (**AMSL**) or Amigo Holdings PLC (**Holdings PLC**); and (b) the Financial Ombudsman Service (**FOS**) in respect of outstanding case fees owed by Amigo for its review of previous claims made against Amigo. Other creditors of Amigo, such as its secured creditors (i.e. the bondholders) or other unsecured creditors (i.e. landlords, local councils and other trade creditors), are not included in the New Schemes and will therefore not get to vote on them.
- We think that all creditors who can vote on each of the New Schemes can do so as part of the same group (or 'class'⁵), as opposed to creditors voting in different groups (or classes). Part B of this letter tells you the reasons why we think it is appropriate that all creditors to whom the New Schemes are proposed should vote together in the same group.
- Part B of this letter also tells you what you can do if you disagree that all creditors can vote as part of the same group (or 'class') in either of the New Schemes. That is, what you can do if you think you or other creditors should vote on the New Schemes in a separate group from all other creditors.

WHAT HAPPENS IF EITHER SCHEME IS APPROVED?

- If either New Scheme is approved by the creditors and the Court, you will then have six months from when that New Scheme becomes effective (expected to be in late-April 2022) to make a claim.
- **If you don't make a claim within the six-month timeframe, you won't be able to make one at all (even if you didn't think you had a claim before the deadline had passed) and you won't be able to benefit from any future reduction of an outstanding balance you owe to Amigo for a claim that you could have submitted in the New Scheme.**
- Once all valid claims have been agreed, we will divide the money available in the Scheme fund among customers with a valid claim and the FOS and make payments to creditors. The payment will be proportionate based on the valid claim values of customers and the FOS.
- If neither of the New Schemes are approved, Amigo will go into an insolvency process, either an administration or a liquidation.
- Based on our calculations, creditors will be better off if either of the New Schemes are approved by the Court than they would be in an administration or liquidation. This is because

⁵ A 'class' is a legal term used to refer to a group of people with similar rights against the company proposing the Scheme to whom the scheme is proposed and who then vote together on the Scheme proposals.

creditors who are due cash compensation after set-off has been applied will receive more for their claims in either of the New Schemes than they would in either of those insolvency processes.

HOW MUCH WILL I GET PAID?

- We only have a limited amount of money and, until we know how many valid claims will be made and the value of those claims, it's not possible to say what share of the cash compensation each customer will receive. However, based on our current estimates, whatever share of cash compensation customers receive will not be sufficient to pay their cash compensation in full.
- We will check if you have any outstanding loans. If you do have an outstanding loan, and either of the New Schemes become effective, your current loan balance will first be reduced by the full amount of compensation you are owed (known as '**set-off**') before your cash compensation is calculated. Under the New Schemes, set-off will be calculated for everyone as at the Scheme Effective Date. Set-off would also be available in an insolvency process such as administration or liquidation in which assets are collected and distributed to creditors in respect of their claims.
- We're also setting up a separate **Trust Account** to make sure that customers with an outstanding complaint who continue to make payments between now and the Scheme Effective Date don't lose the benefit of those payments to the extent they are due cash compensation in respect of a valid claim made in the New Scheme. Therefore, beginning from 30 November 2021, the Trust Account will make sure that any such customers who've: (a) made an existing complaint to Amigo and (b) continue to make repayments, won't lose the benefit of those repayments made from either: (i) 30 November 2021 onwards, if a complaint had already been made by that date or (ii) if a complaint has not been made by 30 November 2021, the date the complaint was made. The Trust Account will operate to reimburse customers for these payments if either of the New Schemes go ahead or if Amigo goes into an insolvency process, to the extent of the cash compensation due in respect of a valid claim in that insolvency process.

THE POSITION OF THE FCA

- The FCA has reserved its position on the Schemes until it has completed its assessment of the Schemes. The FCA has only very recently been provided with final details of the Scheme proposals agreed with the Committee and the final terms of the Schemes and has not been given adequate time to review the Schemes. The FCA is yet to receive drafts of the explanatory materials to be shared with creditors prior to any vote on the Schemes. The FCA has therefore not completed its assessment of the Schemes.
- The FCA has informed the firm that it reserves the right to take any action as it may consider appropriate, including to oppose the Schemes in Court, once the terms of the Schemes have been finalised and it has been provided with all of the information requested from Amigo regarding the Schemes, or otherwise.

- Further, the FCA continues to assess whether Amigo is failing (or is likely to fail) to satisfy the FCA's threshold conditions (minimum standards all authorised firms are expected to meet) and its proposed approach to future lending. In light of the further analysis that the FCA can be expected to complete, the FCA has informed Amigo that there is a risk that the FCA may impose a requirement on Amigo's regulatory permissions which restricts it from continuing its business and which affects ALL Scheme Ltd's (**SchemeCo**) ability to implement the Scheme.
- If ultimately the FCA decides to object to either of the New Schemes or take any other action, the board of SchemeCo will have to consider the viability of either or both of the New Schemes and the Amigo Group (including SchemeCo) will have to consider what the options for the Amigo Group are at that stage.

WHAT ELSE DO I NEED TO KNOW?

- If you: (a) have a legal objection to one or both of the New Schemes; (b) disagree that all creditors can vote together on the New Schemes as part of the same group (or class); or (c) would like to attend the Court hearing where we will ask the Court for permission to call two separate creditors' meetings on the New Schemes, please refer to the contact details at paragraph 37 of part B of this letter. Otherwise, you don't need to take any action now and can wait until we contact you again about how to access the Explanatory Statement.
- Please read part B of this letter which explains the New Schemes in more detail. The information that was contained in this summary section won't be repeated in part B. If you have any questions, then please contact us using the information provided in paragraph 37 of this letter.
- In due course it may be necessary for us to confirm your bank details. We will provide you with specific guidance about the process we will use to ensure that these details are obtained in a safe and secure manner. For customers with internet access, we will use a secure web portal with strict security arrangements. In the meantime, please be wary of any fake or pretend companies that are acting as Amigo or SchemeCo. Specifically, please do not provide your bank details, and please refer to the guidance contained in the following link about how to protect against scams or fraud <https://www.fca.org.uk/consumers/protect-yourself-scams>

Two new schemes to consider

Creditors to vote on both schemes at the same time

New Business Scheme

Vote yes

Scheme sanctioned by the Court

Scheme not sanctioned by the Court

Preferred Solution

Outcome for Scheme fund

- £60,000,000 to be paid within 5 business days of the Scheme Effective Date;
- £37,000,000 to be paid to within 9 months of the Scheme Effective Date; and
- £15,000,000 to be paid within 10 business days of Conditions* being met.
- If the Conditions are met, the above sums added together will provide a total of £112,000,000 available in Scheme fund to pay creditors whose claims are assessed and found to be valid.
- Estimated payment to creditors: **42 pence per pound¹**

¹ Redress claim value based on 20% application rate, excludes balance adjustments which will be paid in full

Vote no

Wind-Down Scheme

Vote yes

Scheme sanctioned by the Court

Scheme not sanctioned by the Court

Fallback Solution / Wind-Down Scheme

Outcome for Scheme fund

- No set cash amount paid; and
- Business to be wound down and assets realised over time. Residual cash, after payment of operating costs and repayment of bonds, to be distributed to creditors with valid claims.
- Estimated payment to creditors in the Wind-Down Scheme: **29 pence per pound**

Conditions* not met

Vote no

Insolvency Process

Insolvency outcome

- If neither Scheme is approved by the creditors and the Court, Amigo will go into an insolvency process.
- Returns to creditors in an insolvency process would be less than in either of the Scheme options.
- Estimated payment to creditors in insolvency: **24 pence per pound**

Alternative is insolvency

- *Conditions:
- 1 Amigo recommences lending (having been given permission by the FCA) within 9 months of the Scheme Effective Date.
 - 2 Amigo raises from external sources at least £70m of finance within 12 months of the Scheme Effective Date.

PART B – IMPORTANT INFORMATION

PROPOSED SCHEMES OF ARRANGEMENT IN RELATION TO ALL SCHEME LTD

Please refer to www.amigoscheme.co.uk/faqs if you have any questions about your responsibility to carry on making payments on any outstanding loans you have.

This document describes two separate Schemes of Arrangement that if implemented, would affect your rights against Amigo Loans Ltd^[1], Amigo Management Services Ltd^[2] and Amigo Holdings PLC. You should read it carefully. If there is anything you don't understand, you should seek legal advice.

^[1] Formerly known as 1st Choice Party Hire Limited, Loan Line Ltd and Financial Processing UK Ltd (which traded as "FLM" and "FLM Quick").

^[2] Formerly known as FLM 001 Ltd and FLM Management Services Limited.

INTRODUCTION TO PART B

1. This is part B of the letter. This part of the letter provides more detailed information about other parts of the New Schemes that were not explained in part A.

DETAILED BACKGROUND

2. Amigo Loans Ltd (**Amigo**) is a provider of guarantor loans in the UK and has provided access to mid-cost credit to those who, because of their credit histories, are unable to borrow from mainstream lenders. Guarantor loans are loans where a relative or friend guarantees repayment of a loan made to a borrower by Amigo.
3. Over the last two years, Amigo has received lots of 'redress claims' from customers, mostly from those who've had loans and claim that they may not have been able to afford their loans because we didn't carry out the right checks when a loan was given to them.
4. A **Redress Claim** is a type of complaint that can be made against Amigo by current and former borrowers or guarantors if they believe that they have a claim in relation to an Amigo loan.
5. The most common type of complaint made by borrowers or guarantors is that they were not able to afford payments under an Amigo loan (borrowers and guarantors may have or make other complaints as well). Any person who is found to have a valid Redress Claim against Amigo is known as a **Redress Creditor**.
6. You will have a Redress Claim against Amigo if you are or have been any of:
 - a. a borrower that took out a loan from Amigo that should not have been made because you could not afford to repay it; or
 - b. a guarantor for an Amigo loan and either: (i) that loan should not have been made to the borrower; or (ii) you should not have been accepted as a guarantor because you could not afford to make payments; or
 - c. a borrower or a guarantor of an Amigo loan and you have any other claim that might arise out of, or in relation to, an Amigo loan.

When this document refers to loans, it means loans made by Amigo from 28 January 2005 to 21 December 2020. Amigo has not made any new loans since that date.

7. If you are (or have been) a customer who has already complained about: (a) a loan made to you by Amigo; or (b) a guarantee you gave to Amigo, and before 21 December 2020 (the **Stop Date**):
- a. you had your complaint upheld by Amigo or you had accepted a settlement offer from Amigo;
 - b. you had received a settlement offer from Amigo dated on or after 21 June 2020, which you did not accept or reject;
 - c. you have been told that Amigo had accepted an opinion issued by an adjudicator or investigator at the Financial Ombudsman Service (**FOS**) in respect of your complaint (FOS "opinions" may also be referred to as "views", "initial assessments" or "provisional assessments" and may be in writing or not); or
 - d. you had obtained a final decision in your favour from the FOS and Amigo had not notified you that it intends to ask a court to review that decision,

you will not be affected by either of the **New Schemes** and will be paid the amount specified in the settlement offer, FOS adjudicator's opinion or FOS final decision in full. Unless you also have a different claim, you do not need to take any action under the New Schemes. Most of these customers have already been paid, but if you have not please contact us so we can speed up that payment.

8. Amigo doesn't have enough money to pay the full amount of cash compensation to the other people who have valid Redress Claims. It also does not have access to credit to refinance both its existing debt and pay the claims against it given its circumstances. Nor can it borrow with a view to recommencing its lending business, even if the Financial Conduct Authority (the **FCA**) were satisfied that the firm may recommence its lending business.
9. Because of this, we are using a legal process called a Scheme of Arrangement (**Scheme**). A Scheme allows a company to enter into a compromise or arrangement with its creditors. To go ahead, it requires certain percentages of creditors who vote, to vote in favour. The details of these requirements are set out in paragraph 18 below. Although we will not be able to pay the full amount owed to creditors through a Scheme, we believe that a successful Scheme should maximise the returns creditors receive from Amigo in the shortest timeframe possible.
10. Without a Scheme, Amigo would have to go into an insolvency process, such as administration or liquidation. The directors of Amigo would have to initiate that process because it would be unfair for them to pay creditors as and when claims arose for payment, as opposed to all claims being treated equally according to their ranking in an insolvency process. If an insolvency process was initiated, then in broad terms:
- a. the significant amount of debt that is owed by Amigo under its existing financing arrangements to the bondholders (the **Bonds**) would have to be repaid first ahead of all other creditors, in particular, unsecured creditors with a valid Redress Claim;
 - b. an administrator or liquidator would continue to collect your loan balance (after any set-off has been applied (as per c below));
 - c. if you had both a valid Redress Claim and an outstanding loan balance, 'set-off' (described below in paragraph 20) would apply to reduce the amount of your loan balance by the amount of your Redress Claim; but

- d. after 'set-off' has been applied, unsecured creditors – (including past or current customers who were owed compensation for a Redress Claim) would receive less cash compensation than they would under a Scheme based on our calculations.
11. Amigo Holdings PLC (**Holdings PLC**) previously set up a new subsidiary called ALL Scheme Ltd (**SchemeCo**) for the purpose of proposing the **Previous Scheme**. SchemeCo will therefore also be proposing the **New Schemes**.
 12. If either Scheme comes into effect, this will allow SchemeCo to pay compensation to: (a) certain customers of Amigo who have a valid Redress Claim; and (b) the FOS in respect of outstanding case fees owed by Amigo. The aggregate value of the FOS's claim is an unsecured claim against Amigo and ranks equally for payment with the Redress Claims. We have already notified the FOS about the New Schemes.
 13. Amigo's loans were serviced by Amigo Management Services Ltd (**AMSL**) and the New Schemes will also cover any Redress Claim that may be brought against AMSL. The New Schemes also cover any Redress Claim that may be brought against Holdings PLC as the parent of all companies in the Amigo Group (or their directors).
 14. To promote the New Schemes, SchemeCo has agreed to become jointly liable for any claims that Redress Creditors and the FOS have against Amigo, AMSL and Holdings PLC (or their directors). If either of the New Schemes are approved, that Scheme will be binding on those creditors of SchemeCo who are affected by it. That includes those creditors who decide to vote either for or against the Scheme that is approved, and those who do not vote at all.

SINGLE CLASS OF CREDITORS

15. Creditors who can vote together in the same group in respect of each of the New Schemes on whether or not to approve that New Scheme are known as a class of creditors.
16. All creditors within a class must have sufficiently similar rights against SchemeCo both pre-scheme and under the proposed terms of the scheme. This is what allows them to be able to consider that New Scheme, and vote on it together, as they have a common interest.
17. SchemeCo thinks that, because the way in which the New Schemes propose to affect their rights is the same for all creditors, both in the New Business Scheme and in the Wind-Down Scheme, its creditors form a single class to consider and vote on each of the New Business Scheme and the Wind-Down Scheme. This analysis is unchanged from the Previous Scheme. The creditors of SchemeCo who will vote together are: (i) past or present customers (i.e. borrowers or guarantors) who believe they have a valid Redress Claim; and (ii) the FOS. There is more information in Appendix One that explains why SchemeCo has decided this.
18. Every creditor of SchemeCo who believes they have a valid Redress Claim has the right to cast its vote at, or before, the **Creditors' Meeting** in respect of each New Scheme using the online voting portal at amigoscheme.co.uk. For either of the New Schemes to go ahead:
 - a. a majority (i.e. more than 50%) of the creditors who vote, must vote in favour of the New Scheme; and
 - b. those creditors who vote in favour of the New Scheme, must hold 75% or more of the value of all the creditors that vote on that Scheme.

WHAT HAPPENS IF EITHER SCHEME IS APPROVED?

19. If you believe that you have a Redress Claim, you will have six months from when that Scheme becomes effective (expected to be in late-April 2022) to provide details of your claim through an online portal available at amigoscheme.co.uk. If you don't make your claim before this deadline, you will not be able to submit a claim (even if you didn't think you had a claim before the deadline but then decide that you do have a claim after the deadline has passed) and you won't be able to benefit from any future reduction in an outstanding balance that you owe by way of set-off (described below at paragraph 20) for a claim that you could have submitted in the Scheme.
20. **'Set-off'** means that the amount you owe to Amigo under your Amigo loan will be reduced by the full amount that SchemeCo owes you under your Redress Claim. Where you have a valid Redress Claim in either of the New Schemes, any compensation owing to you will first be set-off against amounts owed by you to Amigo under any outstanding loan at the **Scheme Effective Date** to determine the total cash compensation payable (if any).
21. If either of the New Schemes becomes effective (forecast in the current timetable to be in late-April), Amigo, AMSL and Holdings PLC will not have any further liability for the Redress Claims, and any Redress Creditors will have a claim against SchemeCo only, to be paid from the funds which SchemeCo holds. Those borrowers with both a valid Redress Claim in the New Scheme and an outstanding loan when the Scheme becomes effective, will benefit from set-off in full (referred to at paragraph 20 above). In addition, where there is a valid Redress Claim in the New Scheme for a given loan, the guarantor of the relevant loan would not be required to make any future payments under their guarantee irrespective of whether the Redress Claim was made by a borrower or guarantor.
22. Customers who have already submitted details of their claim to Amigo before the Stop Date, and where Amigo had acknowledged receipt, will not be required to provide these details again, but SchemeCo may ask for more information from you during the process. If you have not received an acknowledgment of receipt from Amigo of a previously submitted claim, you will need to provide details of your claim through the online portal available at amigoscheme.co.uk in the same way as all Redress Creditors who claim under the New Scheme. Customers who submitted details of their claim to Amigo after the Stop Date (i.e. 22 December 2020) will not have to resubmit these details if Amigo acknowledged receipt of your complaint and confirmed that it will be included in the New Schemes and that you don't need to resubmit details of your claim. Otherwise, you will need to resubmit any claims sent after the Stop Date. If either of the New Schemes is approved by the creditors and Court, we will remind all customers of this information.
23. SchemeCo will review all claims received and decide whether they are valid. If SchemeCo agrees with some or all of your claim, you will be entitled to set-off against any outstanding loan balance that you have and thereafter, cash compensation will be paid by SchemeCo.
24. We expect that the total value of valid claims is more than the amount of money that can and would be contributed to SchemeCo by Amigo in either the New Business Scheme or the Wind-Down Scheme. This shortfall in the amount of money relative to the number of claims means that SchemeCo will not be able to pay all valid claims in full. The money that SchemeCo will receive will instead be used to pay valid claims proportionally by reference to: (a) the total value of valid Redress Claims after set-off; and (b) the FOS claim. The aggregate value of the

FOS's claim is also an unsecured claim against Amigo and ranks equally for payment with the Redress Claims. SchemeCo will hold the money that it receives on trust for the benefit of all creditors (including the FOS) that have valid claims under the New Scheme.

25. If the Court gives SchemeCo permission at the **First Court Hearing** (explained at paragraph 33 below) to call two separate meetings of its creditors (which we expect will likely be held online), we will tell you how to access the **Explanatory Statement** in mid-February. The Explanatory Statement is a document that will contain further details about how the New Schemes will work (including details about how to vote using the online voting portal at amigoscheme.co.uk).

WHAT HAPPENS IF NEITHER OF THE NEW SCHEMES ARE APPROVED?

26. If neither of the New Schemes is approved, Amigo will go into an insolvency process, either an administration or liquidation. Based on our calculations, creditors will be better off if either of the New Schemes are approved by the Court. This is because creditors will receive more cash compensation for their valid post set-off claims in either of the New Schemes than they would in an insolvency process such as administration or liquidation. The board of directors of Amigo and SchemeCo therefore believe that it is in your best interests to vote in favour of the New Schemes. That is why SchemeCo is proposing the New Schemes.

HOW MUCH WILL I GET PAID?

27. For a borrower with a valid Redress Claim, the claim will be any interest or costs paid on the loans by the borrower after the application of set-off, plus 8% p.a. simple interest on these amounts up to the Scheme Effective Date.
28. For a guarantor with a valid Redress Claim, the claim will be the full amount of all payments made by the guarantor, plus 8% p.a. simple interest up to the Scheme Effective Date. In addition, the guarantee will not be enforced against the guarantor where the Redress Claim is found to be valid (this will apply irrespective of whether it is the borrower or the guarantor (or both) which has a valid claim in the New Scheme for a particular loan).
29. However, we only have a limited amount of money available to contribute to the Scheme and, until we know how many valid claims will be made, it's not possible to say exactly what share of the cash compensation each customer will receive. However, based on our current estimates, whatever share of cash compensation customers receive will not be sufficient to pay their cash compensation in full.
30. We will check if you have any outstanding loans. If you do have an outstanding loan, and either of the New Schemes become effective, set-off will be applied to reduce your current loan balance by the full amount of compensation you are owed before your cash compensation is calculated. Set-off would also be applied in an insolvency process.
31. If your Redress Claim is greater than any loan amounts owing by you to Amigo, you will receive cash compensation under either of the New Schemes in respect of your remaining Redress Claim after set-off from the available money SchemeCo holds to pay all valid claims. Payments under either of the New Schemes after set-off (where applicable) will be made proportionally based on the total value of valid Redress Claims and the FOS's claim.

32. Based on our calculations, either of the New Schemes will result in customers receiving more money than they would if neither Scheme were approved, and Amigo went into an insolvency process such as administration or liquidation.

NEXT STEPS IN THE PROCESS

33. The next steps in the process are as follows:

First Court Hearing

SchemeCo will ask the Court at the First Court Hearing to call separate meetings of creditors who are affected by the New Schemes (i.e. a single meeting for each of the New Business Scheme and the Wind-Down Scheme). Each meeting will allow creditors to consider, and vote on, each of the New Schemes. You have the right to attend the First Court Hearing, but you don't need to attend unless you want to. The First Court Hearing is expected to be held online on 16 February 2022. A notice will be put on amigoscheme.co.uk confirming the date closer to the time.

The Explanatory Statement

Assuming the Court gives SchemeCo permission to call separate meetings for the creditors who are affected by each of the New Schemes, SchemeCo will provide more detailed information about the New Schemes at that stage. This information will be contained in a document called the **Explanatory Statement**. This will also be accompanied by the legal Scheme document for each of the New Schemes.

Creditors' Meetings

Separate meetings of the creditors for each of the New Schemes are expected to be held online, likely in mid-April 2022 and we will tell you more about this closer to the time. If you are not able to attend the online Creditors' Meetings, you, or someone acting on your behalf, can submit your votes online either: (a) at the meeting; or (b) before the relevant meeting, using the online voting portal at amigoscheme.co.uk. This is called 'appointing a proxy'. You should only vote on the New Schemes if you believe you have a valid claim.

Second Court Hearing

If SchemeCo's creditors vote in favour of one or both of the New Schemes, SchemeCo will ask the Court to approve one of the New Schemes at the Second Court Hearing. In relation to the order in which the Court will be asked to consider the New Schemes, the Court will be asked to consider the New Business Scheme unless either: (a) the creditors have not voted in favour of the New Business Scheme at the

Creditors' Meeting; or (b) prior to the Second Court Hearing and having taken advice of leading counsel (i.e. a senior lawyer), Amigo considers that the New Business Scheme is unlikely to be approved, in which case, the Court will instead be asked to consider the Wind-Down Scheme. At the Second Court Hearing, the Court will consider whether that New Scheme is fair to SchemeCo's creditors. You have the right to attend the Second Court Hearing, but you don't need to attend unless you want to. This hearing will also likely be held online, probably in late-April 2022.

Making claims

If either of the New Schemes is approved by the Court at the Second Court Hearing, creditors will have six months from when that New Scheme becomes effective (expected to be in late-April 2022) to submit their claim to SchemeCo. If you don't submit your claim before this deadline, you will not be able to submit a claim after this date (even if you didn't think you had a claim before the deadline but then decide that you do have a claim after the deadline has passed). The Explanatory Statement will set out in detail how you can make a claim.

Payment and treatment of claims

SchemeCo will review the claims it receives in accordance with the methodology to be summarised in the Explanatory Statement which sets out how a claim will be determined. If SchemeCo agrees with the claim, subject to the application of set-off (as described in paragraph 20 above), it will make a cash payment to the relevant creditor. Under the Preferred Solution, the first payments are expected to be made around 12 months after the Scheme Effective Date, once all the claims have been reviewed and it is known whether the Conditions have been satisfied. It is less certain when payments would be made under either the Fallback Solution under the New Business Scheme or under the Wind-Down Scheme as payments will only be made to creditors in either scenario once the Bonds have been repaid in full. In the Wind-Down Scheme, the Bonds are currently expected to be repaid in July 2022. Whereas, in the Fallback Solution, the timing of when the Bonds would be repaid would depend on when the Fallback Solution came into effect. In either case, the latest date that the Bonds could be paid back would be January 2024.

Disagreement/Appeal Process

If a creditor does not agree with SchemeCo's decision in relation to its claim, the creditor can ask an independent third-party Scheme Adjudicator to review the claim. The Scheme Adjudicator will then decide whether it should be a valid claim under that New Scheme. Further details of the Scheme Adjudicator will be contained in the Explanatory Statement. If any issues arise that need to be resolved in relation to the FOS's claim, the FOS can also refer its claim to the Scheme Adjudicator for consideration in the same way as the Redress Creditors.

WHAT STEPS DO YOU NEED TO TAKE NOW?

34. You do not need to take any action now, although please note the details at paragraph 35 below. At the First Court Hearing, the Court will decide whether it agrees with SchemeCo that SchemeCo's creditors can vote on each of the New Schemes separately as a single class. If the Court agrees, SchemeCo will ask the Court to allow SchemeCo to call two separate meetings of its creditors to allow them to vote separately on each of the New Schemes (**i.e. to vote twice**). We will send an email and SMS to all customers for whom we have contact details to tell them about the meeting and how they can vote online.
35. If you:
 - a. have a legal objection to one or both of the New Schemes; or
 - b. disagree that SchemeCo's creditors can consider, and vote on, one or both of the New Schemes in the same class; or
 - c. intend to attend the First Court Hearing,please send details to Jon Yorke at jy@amigoca.co.uk before the First Court Hearing and he will bring your objection (if any) to the Court's attention. Jon Yorke is an experienced solicitor and is the **Customer Advocate** appointed by Amigo. The Customer Advocate's role is to consider customers' views on the New Schemes and present those views to the Court at the First Court Hearing.
36. You may also attend the First Court Hearing and make any objection to the Court directly. While you will still be able to object to one or both of the New Schemes at the Second Court Hearing, if your ground of objection relates to whether a single 'class' of creditors is appropriate, the Court will expect you to show good reason why you did not do so before or at the First Court Hearing if the matters that you wish to raise were known before that hearing. As the First Court Hearing may be held virtually, you will have to contact us or the Court (chanceryjudgeslisting@justice.gov.uk) to obtain details of how to attend. The arrangements for the First Court Hearing (in particular whether that hearing will be held virtually) are not yet known and will be confirmed closer to the time.
37. You can find more information about the New Scheme at amigoscheme.co.uk. If you have a general question about the New Scheme, you can email us at amigoscheme@amigoloans.co.uk or call us on 01202 629798

Appendix One

Class Analysis

1. In order to decide whether its creditors can form a single class for the purposes of voting separately on each of the New Schemes, SchemeCo has taken legal advice and has considered:
 - a. the current rights that each creditor has against Amigo, AMSL and Holdings PLC; and
 - b. the way in which those rights will be affected under each of the New Schemes, SchemeCo having assumed liability in respect of all of those rights against Amigo, AMSL and Holdings PLC (or their directors).
2. The legal test to decide whether creditors can form the same class for the purpose of considering and voting on a scheme is capable of being described in different ways. These include that, objectively: (a) there must be more that unites than divides the creditors in the proposed class; and (b) the class should consist of those persons whose rights against the company proposing the scheme are sufficiently similar to enable them properly to consult and identify their true interests together. In this case, the company proposing the New Schemes is SchemeCo, which has assumed liability in respect of all creditors' rights against Amigo, AMSL and Holdings PLC.
3. SchemeCo has decided that the Redress Creditors and the FOS can form part of a single class of creditors for each of the New Schemes for the purpose of considering and voting on each of the New Schemes. The main reasons for this decision are as follows:
 - a. both the Redress Creditors and the FOS are unsecured creditors with substantially the same rights and equal ranking claims against SchemeCo, Amigo, AMSL and Holdings PLC;
 - b. each of the New Schemes will give Redress Creditors and the FOS similar rights; namely:
 - i they will all be able to make a claim in respect of sums they claim are owed to them by Amigo, AMSL and/or Holdings PLC;
 - ii their claims will all rank equally (as they did before);
 - iii SchemeCo will review their claims;
 - iv if SchemeCo disagrees with their claim, they will all be able to refer their claim to an independent third-party adjudicator; and
 - v if SchemeCo agrees with their claim, they will all share in the money held by SchemeCo in proportion to the total value of their accepted claims after set off;
 - c. the main question therefore for both Redress Creditors and the FOS in respect of the New Business Scheme will be whether to vote against the New Business Scheme and receive what is likely to be less cash in a Wind-Down Scheme or an insolvency process for the portion (if any) of their claim that is not capable of being satisfied in full by set-off, or to vote in favour of the New Business Scheme and receive what is likely to be

a larger cash payment, albeit partial, in respect of the portion (if any) of their claim that is not capable of being satisfied in full by set-off; and

- d. similarly, the main question for both Redress Creditors and the FOS in respect of the Wind-Down Scheme will be whether to vote against the Wind-Down Scheme and receive what is likely to be less cash in an administration or liquidation scenario for the portion (if any) of their claim that is not capable of being satisfied in full by set-off, or to vote in favour of the Wind-Down Scheme and receive what is likely to be a larger cash payment, albeit partial, in respect of the portion (if any) of their claim that is not capable of being satisfied in full by set-off.
4. SchemeCo is also of the view that any potential differences between Redress Creditors' claims and the FOS's claim in respect of case handling fees (such as the fact that the latter is likely to be for a liquidated and ascertained amount) would not mean that these creditors need to form different classes. These differences would also apply in an insolvency process in relation to Amigo, AMSL and Holdings PLC and do not affect the ability of Redress Creditors and the FOS to consider either of the New Schemes, and the alternatives together.
 5. SchemeCo does not consider that any class issue arises from its acceptance of liabilities in relation to Amigo, AMSL and Holdings PLC. Amigo is the entity against whom all known Redress Claims have been made, and it is the lending entity. AMSL serviced the loans and also employed the relevant Amigo staff. There is a theoretical prospect of Redress Claims against it, and any such claims would be of the same nature and duplicative of those against Amigo, which is the lending entity. The position is similar against Holdings PLC which might, in theory, be exposed to an asserted Redress Claim by reason of its status as a holding company, even though it is not a lending entity to customers. Further, the overwhelming majority of the value of the group resides with Amigo such that the possibility of different claims against different entities with different means is not a realistic basis on which it might be said that all creditors of SchemeCo cannot consult together, SchemeCo having assumed liabilities to creditors of Amigo, AMSL and Holdings PLC in respect of Redress Claims.
 6. SchemeCo is also of the view that no class issues arise from the fact that Redress Creditors with outstanding loans will benefit from set-off in full, whereas by contrast, Redress Creditors who have paid off their loan balance in full will only receive a partial payment under the New Scheme. SchemeCo is of the view that this difference reflects the reality that would exist under the Wind-Down Scheme and in an insolvency process. There is no substantial difference in rights as a creditor of SchemeCo as between a Redress Creditor with the benefit of set-off and a Redress Creditor without the benefit of set-off. Both have a Redress Claim, and each has an interest in being paid in respect of that claim. The fact that a Redress Creditor with the benefit of set-off will be paid in full to the extent of the set-off does not mean that they will assess the New Schemes in a materially different way to a Redress Creditor who does not have the benefit of set-off. While differences do exist between the possible outcomes for Redress Creditors with the benefit of set-off compared to those who do not have the benefit of set-off, those differences do not arise as a result of any additional rights being granted to those Redress Creditors under the terms of the New Schemes. The difference of position between a Redress Creditor with the benefit of set-off as compared to a Redress Creditor without the benefit of set-off is therefore not a substantial difference in rights that would prevent those creditors from consulting together in respect of the New Schemes.

7. SchemeCo is also of the view that no class issues arise from the fact that Redress Creditors who are eligible to do so will benefit from the Trust Account if they have a valid claim in the New Scheme. This is because the establishment and operation of the Trust Account is not dependent on the success of the New Schemes. The Trust Account is being set up by Amigo independently of the New Schemes and will operate in the same manner in either of the New Schemes or in an insolvency process of Amigo. While it can be said that Redress Creditors who are eligible to benefit from the Trust Account will receive a better outcome if they have a valid claim in the New Schemes than those who also have a valid claim but are not eligible to benefit from the Trust Account, this difference does not arise as a result of any additional rights being given to Redress Creditors under the New Schemes.