

IMPORTANT INFORMATION FOR CUSTOMERS

The information below does not affect your responsibility to carry on making your normal payments in respect of outstanding loans.

- ALL Scheme Ltd (**SchemeCo**) with registered number 13116075, a direct subsidiary of Amigo Holdings PLC is proposing a scheme of arrangement (the **Scheme**) which will allow it to pay compensation to customers of Amigo Loans Ltd (**Amigo**) who have a valid 'redress claim'. You are receiving this because you are or were a customer of Amigo. We are trying to notify all past and present customers because some of them may be eligible to claim redress as a 'redress creditor'.
- If the Scheme is approved by: (i) SchemeCo's creditors; and (ii) the Court, compensation will be paid to: (a) customers who have a valid claim against Amigo, Amigo Management Services Ltd or Amigo Holdings PLC, that relates to a loan provided by Amigo; and (b) the Financial Ombudsman Service (the **FOS**) in respect of outstanding case fees owed by Amigo. Based on our calculations, this will result in customers and the FOS receiving more money than they would if the Scheme is not approved and Amigo goes into insolvency.
- All important information will be provided electronically and is available on the Scheme Portal which you can access by visiting amigoscheme.co.uk. If you require hard copies of the documents, these can be obtained free of charge upon request. In addition, if you have any difficulty reading these documents, please contact us so that appropriate alternative arrangements can be made.
- It will not be possible to physically attend the Creditors' Meeting due to the ongoing Covid-19 pandemic. The Creditors' Meeting will therefore take place remotely by telephone and live webcast from 10am on Wednesday, 12 May 2021.
- If you wish to attend the Creditors' Meeting, you will need to pre-register online by visiting the Scheme Portal (amigoscheme.co.uk) confirming your attendance before 5pm on Monday, 10 May 2021. There will be an ability to submit questions on the Scheme Portal in advance of the meeting as part of the pre-registration process. There will also be an ability to submit questions by telephone during the meeting and details of how to do so will be made available on the Scheme Portal. If you wish to nominate someone to be your proxy to attend the Creditors' Meeting on your behalf, you will need to do so on the Scheme Portal before 5pm on Monday, 10 May 2021.
- If you believe you've got a claim, you will be able to vote for or against the Scheme online through the Scheme Portal. If you are voting online in advance of the Creditors' Meeting, you must do so before 5pm on Monday, 10 May 2021 and you will find instructions on how to vote on the Scheme Portal at amigoscheme.co.uk. If you intend to attend the Creditors' Meeting, you will be able to vote for or against the Scheme online through the Scheme Portal up until the end of the Creditors' Meeting.
- We encourage you to read the documentation and to vote. If you have any questions, please contact us using the details provided below.
- If the Scheme is approved, you will be able to submit details of your claim online by following the instructions and guidance provided on the Scheme Portal and **you will have six months from when the Scheme becomes effective (expected to be in late-May 2021) to make a claim. If you don't make a claim within the six-month**

timeframe, you won't be able to make one (even if you didn't think you had one before the deadline) and you won't be able to benefit from any future balance reduction in respect of a claim that you could have submitted in the Scheme.

Instructions on how to submit details of your claim online through the Scheme Portal will be provided at amigoscheme.co.uk if the Scheme is approved. We encourage you to act promptly throughout the process in order to protect your rights (including voting and making a claim).

- SchemeCo will process your personal data (which may include your name and customer reference number) for the purposes of organising the Creditors' Meeting and administering the voting process for the Scheme. Further details of how we may process your personal data can be found in our privacy policy on the Scheme Portal.
- Whilst in due course it may be necessary for SchemeCo to confirm your bank details, we will provide you with specific guidance about the process we will use to ensure that these details are obtained in a safe and secure manner. For customers with internet access, we expect to use a secure web portal with strict security arrangements. In the meantime, do not give anyone purporting to be from Amigo or SchemeCo 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>.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT US

- Please address any queries about the Scheme by email to amigoscheme@amigoloans.co.uk. You may also contact our customer service team on 01202 629798 between 9am and 5.30pm from Monday to Friday.
- Further information, including frequently asked questions, is available on the Scheme Portal at amigoscheme.co.uk.

QUESTIONS ABOUT THE SCHEME

Q1. Who is affected by the Scheme?

You may be eligible to claim redress as a 'redress creditor' if you are or have been either:

- a borrower that took out a loan from Amigo Loans Ltd (**Amigo**) that should not have been made because you could not afford to repay it; or
- a guarantor for an Amigo loan and either: (a) that loan should not have been made; or (b) you should not have been accepted as a guarantor because you could not afford to make repayments; or
- 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.

Amigo's loans were serviced by Amigo Management Services Ltd (**AMSL**) and this Scheme includes any claims that you may have against AMSL. The Scheme also covers any claims that may be brought against Amigo Holdings PLC (**Holdings PLC**) as the parent company of Amigo.

In addition to past or present customers with a valid 'redress claim', outstanding case fees owed by Amigo to the Financial Ombudsman Service (the **FOS**) in connection with its review of 'redress claims' arising from loans made by Amigo will be included in the Scheme.

When this document refers to loans, it means loans made by Amigo between 28 January 2005 and 21 December 2020.

Q2. What is the Scheme proposing?

The Scheme involves Amigo paying the following amounts to SchemeCo to fund payments to: (i) customers who have a valid redress claim; and (ii) the FOS for outstanding case fees:

- an initial £15m, which could be further increased by an additional £20m maximum (depending on adjustments made to outstanding loan balances); and
- depending on the future performance of the business, an amount equal to 15% of the annual consolidated profits before tax of Holdings PLC for each of the next four years starting from 1 April 2021 (any payments made in respect of profits made will be paid annually to SchemeCo by when Holdings PLC files its audited financial statements for that year at Companies House).

Based on our calculations, this will make sure that customers and the FOS get more money than they would if Amigo were to go into insolvency (administration or liquidation). If the Scheme does not go ahead, Amigo, AMSL and Holdings PLC will likely go into insolvency. If that happened, because of the money Amigo owes to its secured creditors (its lenders), we expect that, based on our calculations, all unsecured creditors – including you – would receive nothing.

In addition to the amounts above, customers with an outstanding loan will also be entitled to set off (see Q.9 below).

Q3. What does the Scheme mean for me?

You should continue to make your normal monthly loan repayments.

If the Scheme goes ahead, we'll invite you to submit details of your claim. If we agree with your claim, you'll be entitled to a payment during the first half of 2022.

Unfortunately, we don't think we'll be able to pay you the full amount of any claim. How much you receive will depend on a number of things, which, given their uncertainty, cannot be

accurately predicted. These include: (i) the number of claims we receive in the Scheme; (ii) the number of claims which are accepted; (iii) the proportion of claims as between borrowers and guarantors; (iv) the proportion of claims as between current and past customers (including the extent of set off applied); and (v) the amount of any future profits made by Amigo upon which the business performance related contribution to the Scheme is based.

Based on information currently available, our best reasonable estimate is that valid claims will initially receive a cash payment of about 10% of the full amount of the claim. This estimate could however be significantly different given that much of the required information will not be available until all claims have been submitted and assessed in the Scheme. For example, a lower volume of upheld claims in the Scheme could result in a higher percentage dividend, due in part to the potential for additional cash contributions to the Scheme based on balance adjustments. In addition, the 10% estimate does not include a provision for additional contributions to the Scheme based on future profits as we cannot estimate what may be additionally available from future business profits.

In addition to the 10% cash payment referred to above, customers with an outstanding loan balance will benefit from set off of their claim against this balance.

Q4. What do I need to do now?

Please read this document carefully as it contains important information about the Scheme.

If you think you've got a claim, you can vote for or against the Scheme online on the Scheme Portal at amigoscheme.co.uk either before or during the Creditors' Meeting. You'll find instructions and guidance on how to vote on the Scheme Portal at amigoscheme.co.uk.

If you are voting online in advance of the Creditors' Meeting, you must do so before 5pm on Monday, 10 May 2021. Any votes submitted after this deadline will not be counted, subject to the Chairman of the meeting exercising their discretion to allow any such votes. If you intend to attend the Creditor's Meeting, you will be able to vote for or against the Scheme on the Scheme Portal up until the end of the Creditors' Meeting.

Q5. How can I submit a claim?

If the Scheme is approved in mid-May 2021, we'll provide you with further information in late-May 2021 on how you can submit a claim and we'll also tell you the deadline by when you must submit your claim. If your claim is not submitted by the deadline, it will not be considered (even where you didn't think you had a claim before the deadline but decided that you did then have a claim after the deadline had passed).

Any claim, that is submitted by the deadline, will be considered within the Scheme. If we decide that your claim is valid, we'll then decide the amount of your claim.

Q6. What should I do when I've decided how to vote?

You should only vote if you think you've a claim.

Once you've decided how to vote, you'll find instructions and guidance on how to do this on the Scheme Portal at amigoscheme.co.uk. You'll have two options: (i) to vote for the Scheme; or (ii) to vote against the Scheme.

You'll not need to work out the value of your vote if your claim is based on affordability. We'll do this for you where we can, using information about previous loan repayments that have been made. However, you'll also be able to estimate the value of your vote should you wish to do so if you have sufficient information. Any estimate will be reviewed by Amigo and decided upon by the Chairman of the Creditors' Meeting.

If your claim is not related to affordability, you'll be able to estimate the value of your vote online before voting. The value of your vote will be reviewed by Amigo and decided upon by the Chairman of the Creditors' Meeting.

We encourage you to vote for the Scheme as Amigo thinks it is in your best interests to do so. If you have any queries, you can contact us using the details provided in the summary box at the beginning of this document.

Q7. Who can't vote?

If you've already received full payment for a claim you've made against Amigo, AMSL or Holdings PLC, you'll not be able to vote unless you believe you've got a different valid claim against Amigo, AMSL or Holdings PLC.

Q8. What if: (i) I have already submitted a complaint to Amigo or the FOS before 21 December 2020; and (ii) I've not heard back that Amigo has accepted my original complaint, or that Amigo has accepted the FOS adjudication?

Provided Amigo has acknowledged receipt of your claim, you don't need to take any other action unless you've a different claim (other than to vote). You can vote for or against the Scheme on the Scheme Portal at amigoscheme.co.uk either before or during the Creditors' Meeting, and if the Scheme is approved, your claim will be included in the Scheme and you'll not have to resubmit details of your claim on the Scheme Portal, but we may seek further information from you during the process. Your claim will then be considered in the Scheme to decide if it is valid, and if so, its value.

If you have not received an acknowledgment of receipt from Amigo of a previously submitted claim, you can vote for or against the Scheme on the Scheme Portal at amigoscheme.co.uk either before or during the Creditors' Meeting, and if the Scheme is approved, you will also need to provide details of your claim through the Scheme Portal at amigoscheme.co.uk.

Q9. Am I guaranteed to receive a cash payment if the Scheme goes ahead?

If you've got a valid claim, you'll be entitled to a cash payment if the Scheme goes ahead (subject to the application of 'set off'). In addition, if you have an outstanding loan, your balance will first be reduced by the amount of compensation you are owed (known as 'set off').

If the amount of your claim is greater than any loan amounts owing by you, you will receive a payment under the Scheme in respect of your remaining compensation from the available money SchemeCo holds to pay all valid claims. As we explain in question 3, you're unlikely to receive the full amount of any claim, but based on our calculations, you'll receive more than if the Scheme does not go ahead (which would be nothing).

Q10. Will I still be able to sue Amigo, AMSL or Holdings PLC or make a complaint to the Financial Ombudsman Service (the FOS)?

If the Scheme goes ahead, you'll not be able to bring any other type of claim against Amigo, AMSL or Holdings PLC such as legal proceedings. If you are a customer, you can still complain to the FOS, but it has told us it's unlikely to be able to consider the merits of complaints because of the Scheme.

PART A – SUMMARY OF THE EXPLANATORY STATEMENT

1. Background to the Scheme

- 1.1 The past year has been difficult for Amigo Loans Ltd (**Amigo**) because of: (a) the economic impact of Covid-19; and (b) a significant increase in the level of customer complaints received.
- 1.2 As a result, Amigo is not making enough money to pay all of its creditors. Usually, this would mean that Amigo and other entities within the Amigo Group would have to go into an insolvency process (administration or liquidation). If this happened and you were owed money by Amigo, based on our calculations, you would receive nothing.
- 1.3 However, if the Scheme goes ahead, based on our calculations, creditors will get more money than they would in an insolvency. A full explanation of the terms of the Scheme is contained in PART B. In addition, a simplified group structure chart is attached at Schedule 1.

2. Why am I receiving this Explanatory Statement?

- 2.1 You are or were a customer of Amigo. We are trying to notify all current and former customers of Amigo because some of them may have a Redress Claim. You may have a Redress Claim if you: (i) borrowed money from Amigo; or (ii) acted as guarantor for a borrower in respect of an Amigo loan. When this document refers to loans, it means loans made by Amigo between 28 January 2005 and 21 December 2020. We have already notified the Financial Ombudsman Service (or the **FOS**) about the Scheme.
- 2.2 On 25 January 2021, we published details of where to access information about the Scheme on the Scheme Portal. The Scheme Portal contains a letter titled “Practice Statement Letter” that explained that we intended to ask the High Court for permission to call a meeting of Scheme Creditors to consider, and vote on, the Scheme.
- 2.3 On 30 March 2021, the High Court ordered a meeting of Scheme Creditors who are affected by the Scheme for the purpose of voting on it. This meeting is called the **Creditors’ Meeting** and we are required to provide this Explanatory Statement in advance to explain the Scheme to you so that you can decide how you would like to vote.

It will not be possible to attend the Creditors' Meeting physically due to the ongoing Covid-19 pandemic.

The Creditors' Meeting will therefore take place remotely by telephone and live webcast from 10am on Wednesday, 12 May 2021. If you wish to attend the Creditors' Meeting, you will need to pre-register on the Scheme Portal at amigoscheme.co.uk confirming your attendance before 5pm on Monday, 10 May 2021. There will be an ability to submit questions in advance as part of the pre-registration process and by telephone during the meeting. Details of how to do so will be made available on the Scheme Portal at amigoscheme.co.uk.

You can either vote on the Scheme Portal during the meeting, or you can vote on the Scheme Portal in advance by following the instructions and guidance provided on the Scheme Portal. We explain how you can vote in Section 9 of this PART A.

- 2.4 At the Creditors' Meeting, Scheme Creditors will vote on the Scheme (and any votes submitted in advance online will be taken into account). For the Scheme to be approved: at least half of Scheme Creditors who vote will have to vote in favour of it, and the total value of their claims must represent at least 75% of the value of the claims of all Scheme Creditors who vote.
- 2.5 If you are a Redress Creditor, and your claim relates to affordability, you don't need to work out the value of your vote. However, you'll be able to estimate the value of your vote should you wish to do so if you have sufficient information. Any estimate will be reviewed by the Amigo and decided upon by the Chairman of the Creditors' Meeting.
- 2.6 If your claim is not related to affordability, you'll be able to estimate the value of your vote on the Scheme Portal before voting (which will be reviewed by Amigo and decided upon by the Chairman of the Creditors' Meeting). We explain more about this in Section 9 of PART B.
- 2.7 If Scheme Creditors vote in favour of the Scheme, we will go back to the High Court and ask it to approve the Scheme. This is currently scheduled for 19 May 2021. The Court will only approve the Scheme if it thinks that it is fair and any Scheme Creditor can communicate to the Court if they think that it is not. The Scheme should come into force within a week after it is approved by the Court. This is expected to be around late-May 2021 and is called the **Scheme Effective Date**.
- 2.8 If the Scheme goes ahead, it will apply to all Scheme Creditors, whether or not they voted for the Scheme, and also to those who did not vote at all.
3. **How would the Scheme work?**
 - 3.1 If the High Court approves the Scheme on or around 19 May 2021, we will let all Scheme Creditors know and tell them what the Scheme Effective Date is. You will then have six months to tell us if you have a claim. The end of this period is called the **Claims Submission Deadline** (expected to be around late-November 2021). **You will not be able to submit a claim unless you do so on or before the Claims Submission Deadline (even where you didn't think you had a claim before the**

deadline but decided that you did then have a claim after the deadline had passed) and you won't be able to benefit from any future balance reduction in respect of a claim that you could have submitted in the Scheme.

3.2 You will not be allowed to start any sort of proceedings, including legal proceedings, in respect of your claim. Although Redress Creditors may still complain to the FOS, we have informed the FOS that we are unable to pay any claims outside the Scheme. As a result, it is unlikely that the FOS will be able to consider the merits of complaints.

3.3 Redress Creditors will only be able to submit details of their claim through the Scheme Portal by following the instructions and guidance provided at amigoscheme.co.uk. We will provide further information about how to submit your claim on the Scheme Website if the Scheme is approved.

4. **What if I have already submitted a complaint to Amigo or the FOS which has not been finally resolved?**

4.1 You will not need to resubmit details of your claim if you have an **Outstanding Redress Claim**. You will have an Outstanding Redress Claim if:

- (a) you submitted a complaint to Amigo before 21 December 2020 (the **Stop Date**) (and receipt of that complaint has been acknowledged by Amigo), but Amigo had not accepted or rejected your claim before the Stop Date;
- (b) the FOS had issued an opinion in respect of your complaint before the Stop Date, but Amigo had not told you that it has accepted the FOS's opinion before the Stop Date; or
- (c) you have submitted a complaint after the Stop Date, and Amigo has: (i) acknowledged receipt of your complaint; and (ii) confirmed to you that it will be included in the Scheme and that you don't need to resubmit details of your claim.

4.2 If the Scheme becomes effective, we will notify you if you have an Outstanding Redress Claim and that you do not need to resubmit your claim. That Outstanding Redress Claim will then be considered within the Scheme as to whether it is a valid claim, and if so, what the value of the claim is.

5. **What if I have already received or accepted a settlement offer from Amigo, or received a final decision from the FOS in my favour?**

5.1 If, before the Stop Date:

- (a) you had your claim accepted by Amigo or you have accepted a settlement offer from Amigo; or
- (b) you had received a settlement offer from Amigo dated on or after 21 June 2020, which you did not accept or reject; or
- (c) you had been told that Amigo had accepted an opinion issued by an adjudicator at the FOS in respect of your claim; or

- (d) you had obtained a final decision in your favour from the FOS and Amigo had not notified you that it intends to judicially review that decision,

you will not be affected by the Scheme 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.

6. What if I already submitted a complaint but it was rejected?

- 6.1 If Amigo or the FOS have previously rejected your claim, and you still think it has merit, you will need to resubmit the details of your complaint for it to be considered in the Scheme. Using the same methodology, SchemeCo will assess all submitted claims, including any previously rejected claims that are submitted. However, without new information, resubmitting a previously rejected claim in the Scheme may not lead to a different outcome.

7. Common scenarios and questions about the Scheme

- 7.1 We set out a number of common scenarios in the table below but please do contact us if you have any questions about the process.
- 7.2 The below scenarios seek to address common questions regarding the submission of claims. **However, even where in the below you do not need to take any further action regarding the submission of your claim, we strongly encourage you to vote on the Scheme if you think you've got a claim.** Further information on the voting process is contained in Section 9 of PART B.

<p>I have not yet submitted a complaint to Amigo about: (i) a loan it made to me; or (ii) a guarantee that I provided, but I intend to do so. What should I do?</p>	<p>You do not have to do anything for the moment regarding the submission of your claim.</p> <p>In order to be in a position to implement the Scheme and ensure that creditors are treated fairly, Amigo will not be able to process any new claims or make any payments in respect of those claims until after the Scheme is approved.</p> <p>However, if the Scheme goes ahead, we will acknowledge receipt of the complaint and explain how you will be able to submit details of your claim.</p>
<p>I have already submitted a complaint to Amigo about: (i) a loan it made to me; or (ii) a guarantee that I provided, but I have not yet received a decision. What should I do?</p>	<p>If you submitted a complaint before the Stop Date (and receipt of that complaint has been acknowledged by Amigo) and the Scheme is approved by the Scheme Creditors and the High Court in May 2021, you will not have to submit details of your claim again.</p> <p>However, we may require more information from you to consider whether you have a valid claim within the Scheme. We will let you know if that is the case and will provide you with more details about the process to submit this information.</p>

<p>I have already: (i) submitted a complaint about a loan Amigo made to me / a guarantee I provided; and (ii) I have received but not accepted a settlement offer. What should I do?</p>	<p>Unless you have a different claim, you do not need to take any action.</p> <p>If you accepted a settlement offer before the Stop Date, you will be paid the amount specified in the settlement offer or opinion in full. You will not be affected by the Scheme. Unless you have a different claim, you do not need to take any action.</p> <p>Equally, if you did not accept the settlement offer before the Stop Date, provided: (i) the settlement offer was dated on or after 21 June 2020; and (ii) had not been rejected by or on behalf of you (e.g. either expressly or by referring your complaint to the FOS), you will be paid the amount specified in the settlement offer in full. You will not be affected by the Scheme. Unless you have a different claim, you do not need to take any action.</p> <p>Whereas, if the settlement offer: (i) was dated prior to 21 June 2020; or (ii) had been rejected by or on behalf of you, the offer is no longer capable of being accepted and you will not be paid in full. However, where such a settlement offer was dated between 21 December 2019 and 20 June 2020, you will not have to resubmit details of your claim on the Scheme Portal. Whereas, details of claims in respect of settlement offers dated prior to 21 December 2019 will need to be resubmitted on the Scheme Portal.</p>
<p>I have already: (i) submitted a complaint about a loan Amigo made to me / a guarantee I provided; and (ii) on or before 21 December 2020, I have either: (a) accepted a settlement offer from Amigo; or (b) been told by Amigo that it has accepted an opinion issued by an adjudicator at the FOS; or (c) obtained a final decision in my favour from the FOS and Amigo has not notified me that it intends to judicially review that decision. What should I do?</p>	<p>Unless you have a different claim, you do not need to take any action.</p> <p>You will be paid the amount specified in the settlement offer, adjudicator's opinion or final decision in full. You will not be affected by the Scheme. Unless you have a different claim, you do not need to take any action.</p>

<p>I did not accept Amigo's original settlement offer and instead referred my complaint to the FOS – can I still accept that settlement offer?</p>	<p>It is now too late to accept that settlement offer, but you will not have to resubmit details of your claim on the Scheme Portal.</p>
<p>I have already: (i) submitted a complaint to Amigo which was rejected; and (ii) referred my complaint to the FOS, but I have not been told that Amigo accepts an opinion issued by one of its adjudicators. What should I do?</p>	<p>Unless you have a different claim, you do not need to take any action. You will not have to resubmit details of your claim on the Scheme Portal.</p> <p>If the FOS has not been in touch with you to confirm that Amigo has accepted its adjudicator's opinion, then Amigo will not be making a settlement offer. This is because, to be able to implement the Scheme and ensure that all Scheme Creditors are treated fairly, Amigo is not able to make any more payments until the Scheme is approved by the Scheme Creditors and the High Court in or around mid-May 2021. If the Scheme is approved, the first payments to be made under the Scheme are expected to be made in the first half of 2022.</p>
<p>I have already submitted a complaint to Amigo which has been rejected. Can I complain to the FOS?</p>	<p>You do not have to do anything for the moment, but you will be invited to resubmit details of your claim if the Scheme is approved (and if you still think your claim has merit).</p> <p>While you can submit a complaint to the FOS, it is unlikely that the FOS will consider the merits of your complaint. This is because, to be able to implement the Scheme and ensure that all Scheme Creditors are treated fairly, Amigo is not able to make any more payments in respect of Scheme Claims until the Scheme is approved by Scheme Creditors and the High Court in or around mid-May 2021. If the Scheme is approved, the first payments to be made under the Scheme are expected to be made in the first half of 2022.</p>

7.3 We strongly encourage you to vote on the Scheme. The board of directors of Amigo firmly believe it to be in your best interests to vote in favour of the Scheme.

7.4 We will consider the claims we receive from Redress Creditors and the FOS through the Scheme Portal (submitted claims are called **Scheme Claims**). When you submit your claim, you will be asked to provide: (i) bank statements or payslips from the time the loan was lent; (ii) if relevant, any evidence of money having been directly paid back by a borrower to a guarantor; and (iii) any other information required to establish your claim. We may also require you to provide further information following the submission of your claim and we will follow up with you to let you know if we require this. We will then tell you whether or not we agree that you have a valid claim, and if so, what the

value of that claim is (although this may not be until after the Claims Submission Deadline). If you do not agree with SchemeCo's assessment of your claim, you will be able to request that your claim be referred to an independent person, called the **Scheme Adjudicator**. The Scheme Adjudicator will assess claims on an individual basis or in batches (depending on the grounds upon which they are disputed) to decide whether any claims referred to them should be allowed.

- 7.5 Once all Scheme Claims have been decided, the Initial Amigo Contribution, and, if it becomes payable, the Balance Adjustment Contribution (each as defined in paragraph 1.38 of PART B), will be proportionally divided among Scheme Creditors who have an accepted Scheme Claim. In addition, depending on the future performance of the business, there may be further subsequent payments made under the Future Business Contribution (as defined in paragraph 1.39 of PART B). We expect to be able to make the first payment from: (a) the Initial Amigo Contribution; and (b) the Balance Adjustment Contribution (if it becomes payable), during the first half of 2022. At the same time, we also expect to be able to inform you of the percentage of your Scheme Claim which we will be able to pay.
- 7.6 You may receive your payment in more than one part via the bank details you submit on the Scheme Portal. We encourage you to ensure that your bank details are kept updated to allow any payments to be made. Once you have received the final percentage of your Scheme Claim which is available to you under the Scheme, you will not be entitled to any more payments.
- 7.7 That payment is likely to be a percentage of your total claim (after set off), which based on information currently available, is reasonably estimated to be around 10% (although this may be significantly different). We have used the knowledge we have of our business and the information currently available to us to arrive at this estimated dividend. However, the ultimate dividend percentage paid to Redress Creditors is dependent upon a number of uncertain factors. These include: (i) the number of claims we receive in the Scheme; (ii) the number of these which are accepted; (iii) the proportion of claims as between current and past customers (including the extent of set off applied); and (iv) the proportion of claims as between borrowers and guarantors. We believe we have made prudent estimates for each of these factors. In addition, there is uncertainty in relation to the value of the Future Business Contribution to be made to SchemeCo by Amigo which is dependent on the future profits (if any) of the business. In reaching this estimated dividend, we have made assumptions for these uncertain factors, but for prudence, we have not included the value of any Future Business Contribution. If any of these uncertain factors are different from our estimates, the ultimate dividend outcome may be different from the 10% estimate.
- 7.8 We have also appointed Scheme Supervisors who will ensure that we implement the Scheme properly.

If the Scheme becomes effective and you have a claim or complaint (which is not an Outstanding Redress Claim), you (i) will not be entitled to any payment if you do not tell us on or before the Claims Submission Deadline (expected to be in late-November 2021) even if you didn't think you had a claim before the deadline; and (ii) won't be able to benefit from any future balance reduction in respect of a claim that you could have submitted in the Scheme.

We will provide you with details of where the relevant information can be found on the Scheme Portal at amigoscheme.co.uk once the Scheme is approved. If you are potentially a Redress Creditor and you have not submitted a claim, we will notify you again of the relevant information in the same manner around three months and around one month before the Claims Submission Deadline. It is important that you act promptly in order to protect your rights and submit your claim.

8. Advantages and possible disadvantages of the Scheme

Advantages	Possible disadvantages
<ul style="list-style-type: none"> • The main benefits of the Scheme are that, if it is approved: (i) Amigo will make available the Initial Amigo Contribution; (ii) if it becomes payable, Amigo will pay the Balance Adjustment Contribution; and (iii) depending on the future performance of the business, Amigo will make the Future Business Contribution. These funds would not be available in the insolvency of Amigo (administration or liquidation) that would likely occur if the Scheme was not approved. • This means that, based on our calculations, Scheme Creditors would receive a higher percentage of their claim than they would if Amigo entered insolvency. Depending on the uncertain factors outlined at paragraph 7.7 of this PART A, we reasonably estimate that Redress Creditors and the FOS might receive around 10% of their Scheme Claim compared to nothing if the Scheme is not approved and Amigo goes into insolvency. This estimate does not include a provision for the Future Business Contribution. • This is a Court-approved process which allows you the opportunity to vote on the proposals and have your views taken into consideration. 	<ul style="list-style-type: none"> • Scheme Creditors must submit any claim they have against Amigo before the Claims Submission Deadline. If you don't do this, you will no longer be able to make that claim (even if you didn't know you had a claim at the time). • In order to keep Scheme Costs low, which will assist towards the Future Business Contribution, we may be using increased automatic processes to decide whether or not we have to pay compensation to our customers. Whilst aimed to replicate our normal assessment process, this may lead to a different decision than if a human had decided on each Scheme Claim. • We have informed the FOS that we cannot pay Redress Creditors outside the Scheme and that Redress Creditors would be unable to bring legal proceedings against us. However, under the Scheme, all Scheme Creditors will still be able to refer their claim to the Scheme Adjudicator to decide on it in accordance with the Scheme if SchemeCo and the Scheme Creditor do not agree on the claim. This process will be quicker and cheaper but may reach a different decision from the one that the FOS or a court would have reached. If the Scheme does not go ahead and Amigo goes into

<ul style="list-style-type: none"> • The Scheme Portal will make it easier for Redress Creditors to submit their claim and to explain why they think they are entitled to compensation. Given the lack of funds that would be available for distribution to Redress Creditors in an insolvency, an administrator or liquidator would not have any funds to spend on setting up a claims portal and would likely have limited funds and resources to investigate whether a valid claim existed. Therefore, the assessment of Redress Claims against Amigo through the Scheme Portal is being made possible by the funding of the Scheme Costs by Amigo. • As would happen in an insolvency, if you are still paying back a loan to Amigo where you are a borrower or where you are paying as guarantor on behalf of a borrower, you have to keep doing so. However, if you are entitled to a payment under the Scheme, you will be able to set off the amount owed to you in full under the Scheme against the principal amount owed by you to Amigo under any loan balance at the Scheme Effective Date. The Scheme Supervisors will need to carry out a calculation, but you may be entitled to a repayment of some or all of the amounts that you paid after the Scheme Effective Date. • This is a very user-friendly process which removes the need to engage a Claims Management Company (CMC) to submit a claim on your behalf. This will reduce fees that would be payable by customers to CMCs and result in a greater return for you if you have a valid claim. • We have appointed independent third parties, called the Scheme Supervisors, who will ensure that we implement the Scheme properly. • If you do not agree with SchemeCo's assessment of your claim, you will be able to ask the independent third-party 	<p>insolvency, Scheme Creditors would not generally be allowed to bring court proceedings against Amigo or make complaints to the FOS.</p>
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<p>Scheme Adjudicator – who will be separate from the Scheme Supervisors – to decide on it (either individually or as part of batches of other claims referred to them under the Scheme).</p>	
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9. What do I need to do now?

- 9.1 Please consider whether you have a claim against us and whether you might be a Redress Creditor. You may be a Redress Creditor if: (i) you borrowed money from Amigo under a loan or if you acted as guarantor for a borrower in respect of a loan issued by Amigo, and Amigo should not have made that loan because: (a) the borrower could not afford to repay it; or (b) the guarantor should not have been accepted as a guarantor as they could not afford the payments; or (ii) you are or were 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. As mentioned, references to an Amigo loan in the document are to a loan made by Amigo after 28 January 2005 and before 21 December 2020.
- 9.2 If you believe you do have a claim, please read this Explanatory Statement carefully and decide whether you would like the Scheme to be approved (which, based on our calculations, would provide a much better outcome for Scheme Creditors than the alternative). If the Scheme is not approved, Amigo, AMSL and Holdings PLC will likely go into insolvency which, based on our calculations, would result in Scheme Creditors receiving nothing.
- 9.3 If you think you are a Redress Creditor, you will be able to vote for or against the Scheme through the Scheme Portal at amigoscheme.co.uk either: (i) in advance of the Creditors' Meeting; or (ii) during the Creditors' Meeting.
- 9.4 If you are voting online in advance of the Creditors' Meeting, you should do so before 5pm on Monday, 10 May 2021 and you will find instructions on how to vote on the Scheme Portal at amigoscheme.co.uk.
- 9.5 If you plan on attending the Creditors' Meeting, you may also vote online through the Scheme Portal at the meeting. You also have the right to elect someone else to be your proxy at the Creditors' Meeting to vote on your behalf during the meeting (from after it has commenced). If you wish to nominate a proxy to attend the Creditors' Meeting on your behalf, you must do so by letting us know online through the Scheme Portal on or before 5pm on Monday, 10 May 2021. Please note that the voting process is a very user-friendly process that does not require you to engage a CMC to vote on your behalf. The Creditors' Meeting will take place remotely by telephone and live webcast from 10am on Wednesday, 12 May 2021. If you wish to attend the Creditors' Meeting, you will need to pre-register online by visiting the Scheme Portal (amigoscheme.co.uk) confirming your attendance before 5pm on Monday, 10 May 2021.
- 9.6 We will provide you with further information about how to submit details of your claim on the Scheme Portal if the Scheme is approved by Scheme Creditors and the High Court.

10. **How to contact us**

- 10.1 Please address any queries about the Scheme to amigoscheme@amigoloans.co.uk. You may also contact our customer service team by telephone on 01202 629798 between 9am and 5.30pm from Monday to Friday.
- 10.2 Further information, including frequently asked questions, is available on the Scheme Portal at amigoscheme.co.uk.

**PLEASE READ THE IMPORTANT INFORMATION
ON PAGES 2 AND 3 OF THIS DOCUMENT**

EXPLANATORY STATEMENT

(in compliance with Section 897 of the Companies Act 2006)

in relation to

A SCHEME OF ARRANGEMENT

between

ALL SCHEME LTD (“SCHEMECO”)

and the

SCHEME CREDITORS

(as defined in this document)

PART B – DETAILED EXPLANATION OF THE SCHEME

1. Background to SchemeCo and the Amigo Group

- 1.1 ALL Scheme Ltd (**SchemeCo**), a direct subsidiary of Amigo Holdings PLC (**Holdings PLC**), was incorporated on 6 January 2021. SchemeCo is a private company limited by shares registered in England and Wales with registered number 13116075.
- 1.2 It was necessary to incorporate SchemeCo specifically for the purpose of promoting the scheme of arrangement (the **Scheme**) in a way that maximises the prospects for Amigo Loans Ltd (**Amigo**) to be able to trade on. If the business is able to trade successfully, additional contributions will be made by Amigo to SchemeCo for the benefit of the scheme creditors.
- 1.3 To promote the Scheme, SchemeCo entered into a deed poll dated 24 January 2021. Under the deed poll, SchemeCo assumed joint liability for all liabilities capable of being claimed against Amigo, Amigo Management Services Ltd (**AMSL**) or Holdings PLC relating to any loan advanced by Amigo between 28 January 2005 and 21 December 2020. References in this document to Amigo loans are to these loans.
- 1.4 Holdings PLC is a public limited company registered in England and Wales with registered number 10024479. Holdings PLC was incorporated in 2016 and became a Public Limited Company in 2018. Holdings PLC is the ultimate parent of all of the entities within the Amigo group of companies (the **Amigo Group**) and its shares are listed on the Official List of the London Stock Exchange. Further details can be found on www.amigopl.com which contains the most recent annual report.
- 1.5 Amigo is a private company limited by shares registered in England and Wales with registered number 04841153. The entity now trading as Amigo was first incorporated on 22 July 2003 under company name 1st Choice Party Hire Limited which was subsequently renamed as Loan Line Ltd on 23 June 2004. Loan Line Ltd was subsequently renamed as Financial Processing UK Ltd on 16 September 2004 which traded as “FLM” and “FLM Quick” and which was subsequently renamed as Amigo Loans Ltd on 16 March 2012.
- 1.6 Amigo is a provider of guarantor loans in the UK. Guarantor loans offer access to mid-cost credit to those who, because of their credit histories - are unable to borrow from mainstream lenders. The guarantor loan concept introduces a second individual to the lending relationship, typically a family member or friend with a stronger credit profile than the borrower. This individual acts as guarantor, undertaking to make loan payments if the borrower does not. Amigo's guarantor loan product can allow borrowers to rebuild their credit scores and improve their ability to access credit from mainstream financial service providers in the future. As a provider of consumer finance products, Amigo is authorised and regulated by the Financial Conduct Authority (the **FCA**).
- 1.7 AMSL is a private company limited by shares registered in England and Wales with registered number 05391984. The entity now operating as AMSL was first incorporated on 14 March 2005 under company name FLM 001 Ltd which was subsequently renamed on 23 December 2010 to FLM Management Services Limited. FLM Management Services Limited was renamed as Amigo Management Services Ltd on

20 June 2013. The principal activity of AMSL is to provide management services to Amigo. AMSL is also authorised and regulated by the FCA.

- 1.8 The Scheme will deal with: (i) any redress claims that are capable of being brought by a customer relating to a loan advanced by Amigo as lender; and (ii) any related claims that are capable of being brought against AMSL and Holdings PLC. As set out in paragraph 1.3 of this PART B, when this document refers to loans, it means loans made by Amigo between 28 January 2005 and 21 December 2020.
- 1.9 If the Scheme is approved, your claims will be solely against SchemeCo to be met from the funds which it holds (subject to the application of set off). You will no longer have any claims against Amigo, AMSL or Holdings PLC for any amount owing to you under the Scheme (except for any claims that might arise in respect of enforcing the Scheme terms).
- 1.10 The past year has presented significant financial and regulatory challenges for the Amigo Group in the form of: (a) the economic impact of Covid-19 (discussed below in sections 1.12 to 1.14 of this PART B); (b) a significant increase in the level of customer complaints received (discussed below in sections 1.15 to 1.17 of this PART B); and (c) an FCA investigation into its creditworthiness assessment process (discussed below in sections 1.18 to 1.22 of this PART B).
- 1.11 Also set out below under the following sub-headings is relevant information in relation to: (d) redress payments (discussed in sections 1.23 to 1.30 of this PART B); (e) other liabilities and the financial position of Amigo (discussed in sections 1.31 to 1.37 of this PART B); (f) increased returns for Creditors through the Scheme (discussed in sections 1.38 to 1.48 of this PART B); and (g) position of other creditors and sold and securitisation loans under the Scheme (discussed in sections 1.49 to 1.51 of this PART B).

(a) **The economic impact of Covid-19**

- 1.12 From March 2020, Amigo offered Covid-19 related payment holidays for those impacted by the pandemic. Payment holidays granted to customers afforded both a payment and interest holiday of up to three months with no increase in monthly instalments when payments resumed. The effect of this was effectively to increase the term of the loan by the duration of the payment holiday. No interest or principal was waived, and it was instead deferred to future periods.
- 1.13 The initial support offered by Amigo was subsequently extended up to a total of six months with interest re-accruing from the fourth month. In the financial results (released on 25 February 2021) covering the nine-month period of the current financial year up to 31 December 2020, the number of Covid-19 related payment holidays granted had risen to approximately 63,000.
- 1.14 In the nine-month period through to 31 December 2020, revenue fell by 36.9% year on year, reflecting both the pause in lending except to key workers and the impact of Covid-19 payment holidays. Amigo's pause in lending following the onset of Covid-19 led to a decline in customer numbers of 32.8% and a reduction in the net loan book of 42.9% compared to the previous year. The value of new loans made for the current financial year ending 31 March 2021 is £0.4m and this reflects lending to key workers

throughout the period. All lending ceased on 3 November 2020 alongside the second Covid-19 related lockdown in the UK.

(b) **Increased level of customer complaints**

- 1.15 In common with the sector, Amigo has experienced a significant increase in the number of customer complaints related to its lending activities. Amigo's complaints provision has recently been increased to £150.9m as at 31 December 2020 and includes a combination of estimated redress payments for known cases and an allowance for future Redress Claims. This has been driven by increased activity from claims management companies.
- 1.16 On 20 May 2020, the FCA approved Amigo's application for a voluntary requirement (known as a **VReq**) to be imposed in order to work through a backlog of complaints, principally arising in 2020, by 26 June 2020. An amended VReq was later agreed on 2 July 2020. This covered a higher volume of complaints and all complaints were to be dealt with appropriately within an eight-week timeframe.
- 1.17 A total of 25,571 complaints were subject to the requirements of the VReq. By the 30 October 2020 deadline, Amigo had reviewed and reached a decision on all known complaints falling within the VReq at the time but had not issued the final responses to customers on 2,517 of those complaints, primarily for specific, known reasons. Of the outstanding complaints 2,209 related to a specific group of complaints where guarantor repayments on a loan have been a feature. In December 2020, Amigo became aware of a further 1,192 complaints that should have been included in the VReq.

(c) **FCA Investigation into affordability assessment**

- 1.18 The FCA has carried out several sector-wide reviews for the entire non-standard finance sector. This includes reviews of affordability, repeat lending and the treatment of vulnerable customers. Specific to guarantor lending, the FCA's reviews have focused on affordability, guarantor payments, guarantor understanding and forbearance.
- 1.19 With respect to Amigo, the FCA has initiated an investigation into Amigo's affordability assessment process, and the governance and oversight of this process. The investigation covers the period from 1 November 2018.
- 1.20 In July 2020, Amigo received feedback from the FCA's review into affordability and forbearance. Amigo had already tested changes to its affordability verification processes and a number of the recommendations from the FCA had been, or were in the process of being, implemented prior to its pause in lending. The remaining recommendations by the FCA regarding affordability will be implemented before Amigo returns to new lending. Amigo was informed on 15 March 2021 that the FCA has decided to extend the scope of its current investigation so that it can investigate whether Amigo appropriately handled complaints after 20 May 2020 and whether Amigo deployed sufficient resource to address complaints in accordance with the VReq. The FCA investigation will consider whether those complaints have been handled appropriately and whether customers have been treated fairly in accordance with Principle 6 of the FCA's Principles for Business.
- 1.21 On 6 August 2020, the FCA published its review into relending within the non-standard finance sector with the expectation that firms would review their relending operations

in light of the FCA findings and make necessary changes to improve customer outcomes. Amigo had made significant changes to its eligibility criteria around 'top up' loans in August 2019 and has made additional changes with the onset of Covid-19, reducing overall levels of relending as a proportion of new lending.

- 1.22 Amigo continues to review credit policies to ensure the best outcomes for its customers and continues discussions with the FCA Investigations team to aid the ongoing investigation.

(d) **Redress payments**

- 1.23 When considering whether a customer (being a borrower and/or guarantor) is entitled to compensation in respect of loans advanced, Amigo considers whether the loan was affordable and whether the borrowing was sustainable. If it concludes that the loans should not have been made, it provides a redress payment to the customer.
- 1.24 This type of complaint, or any other type of complaint that arises out of or in relation to a loan advanced by Amigo is called a **Redress Claim**. Borrowers or guarantors (past or present) who have a Redress Claim are called **Redress Claimants**.
- 1.25 If it is decided that Amigo owes money to a Redress Claimant, the amount owed (after set off) is called a **Redress Liability** and the Redress Claimant is called a **Redress Creditor**.
- 1.26 In the case of a borrower, the Redress Claim (and, if decided in the borrower's favour, the Redress Liability) will be, after the application of set off: (i) any interest or costs paid on the loans by the borrower; and (ii) 8% p.a. interest on amounts paid after the 'principal' has been repaid. The **Principal** refers to the amount of money originally lent to you by Amigo.
- 1.27 In the ordinary course, Principal amounts repaid by a borrower under a loan are not reclaimable even where a borrower is entitled to a redress payment on the loan. This approach to borrower redress reflects the fact that the borrower received the benefit of the Principal advanced, and must always therefore repay this amount, like any other loan.
- 1.28 In the case of a guarantor, the Redress Claim and, if Amigo concludes that: (a) the original loans should not have been made; or (b) the guarantor should not have been accepted as a guarantor as they could not afford the payments, the Redress Liability will be: (i) the full amount of all payments made by a guarantor under the loan (whether Principal or interest); plus (ii) 8% p.a. interest on those amounts from the date of each payment; less (iii) any amounts reimbursed by the borrower to the guarantor. In addition, the guarantee will not be enforced against the guarantor where the Redress Claim is found to be valid.
- 1.29 This approach to guarantor redress payments reflects the fact that if Amigo concludes that the loan should not have been made or the guarantor could not afford the payments, the guarantee should not have been accepted by Amigo and the guarantor would never have had to make any payments.
- 1.30 Usually, where a guarantor is repaid any Principal for a Redress Claim under a loan that they have guaranteed, the amount of Principal repaid to the guarantor is added back to the borrower's loan balance, reflecting that the Principal is always repayable.

However, as an exception to how Amigo operates redress payments in the ordinary course of its business, this will not happen where a guarantor receives such a payment under the Scheme. This will mean that no borrower will be worse off as a result of a redress payment being made to a guarantor under the Scheme.

(e) **Other liabilities and financial position**

1.31 Amigo also owes money to people who are not its customers. These people are called **Non-Redress Creditors**.

1.32 Redress and Non-Redress Creditors to whom Amigo owes money are together known as **Creditors**.

1.33 The Non-Redress Creditors which are particularly relevant are financial creditors in respect of:

- (a) borrowings incurred to the holders of senior secured high yield bonds (the **High Yield Bonds**) with a gross principal amount outstanding as at 31 December 2020 of £234.1m, which Amigo has guaranteed (the **Bondholders**); and
- (b) a securitisation facility with an outstanding balance of £112.2m as at 31 December 2020 (the **Securitisation Creditors**).

The Bondholders and the Securitisation Creditors are entitled to get paid before all other Creditors if Amigo were to go into insolvency (administration or liquidation). This is because they each have prior ranking claims to the assets of Amigo that would be available for realisation and distribution in an insolvency.

1.34 Amigo also has a number of other liabilities, including:

- (a) landlords of premises which are occupied by entities within the Amigo Group;
- (b) local councils who are owed business rates;
- (c) professional advisers' fees;
- (d) the Financial Ombudsman Service (or **the FOS**) which charged Amigo case fees for complaints referred to it (the **FOS Fees**);
- (e) IT companies and other suppliers; and
- (f) other members of the Amigo Group.

1.35 Redress Creditors, and the FOS, in relation to the FOS Fees, are together known as **Scheme Creditors**.

1.36 Amigo is not making enough money to pay all of its Creditors. Usually, this would mean that Amigo and other entities within the Amigo Group would have to go into an insolvency process.

1.37 If Amigo did go into insolvency:

- (a) based on our calculations, all of Amigo's available assets would be used to repay the debt owed to the Bondholders and the Securitisation Creditors (after allowing for the costs of an administrator or liquidator). This is because: (i) the debt due to the Bondholders is secured by a charge over Amigo's assets and

is also supported by cross-guarantees given by Amigo and other entities in the Amigo Group; and (ii) certain loans in Amigo's loan book are equitably assigned to an orphan SPV called AMGO Funding (No. 1) Ltd (the **Securitisation SPV**), with the collections received under such loans being held on trust by Amigo for the Securitisation SPV. This means that the Bondholders and Securitisation Creditors would get paid from Amigo's available assets in an insolvency before any other liabilities owed to other Creditors;

- (b) all remaining unsecured Creditors would be paid the same percentage of the amount Amigo owes them, but only to the extent there were available assets remaining at that stage (and allowing for the costs of an administrator or liquidator); and
- (c) this percentage would depend on whether all of the outstanding loans were repaid and on how many Creditors submitted a valid claim to the administrator or liquidator.

Given the amount of the debt owed to the Bondholders and the Securitisation Creditors (approximately £346.3m combined as at 31 December 2020), based on our calculations, Amigo's unsecured Creditors (including Scheme Creditors like you) would not get any return on what Amigo owes them in an insolvency.

(f) **Increased returns for Creditors through the Scheme**

- 1.38 If the Scheme goes ahead, Amigo will not have to file for insolvency and will instead make £15m available to SchemeCo (the **Initial Amigo Contribution**). In addition, if balance adjustments made to outstanding loan balances following the deduction of valid Redress Claims from outstanding balances at the Scheme Effective Date are less than the reasonable estimate of £85m, the Initial Amigo Contribution may be further increased. However, some loans are not expected to realise their full value. So, for each £1 by which £85m exceeds the actual gross balance adjustment, Amigo will contribute cash of 38.85p, up to a maximum of £20m, to SchemeCo (the **Balance Adjustment Contribution**). Based on our calculations, the Initial Amigo Contribution will ensure that Scheme Creditors get more than they would in an insolvency of Amigo. In addition, if it becomes payable, the Balance Adjustment Contribution would further increase returns to Scheme Creditors.
- 1.39 Separately, approval of the Scheme should also enable Amigo to continue in business and restart lending. This would allow Amigo to pay a share of any future profits to SchemeCo to pay to the Redress Creditors (the **Future Business Contribution**).
- 1.40 The amount of the Future Business Contribution:
 - (a) is uncertain and will depend on the future success of the business;
 - (b) is to be calculated (based on Holdings PLC's audited consolidated annual financial statements) as 15% of the annual consolidated profits before tax for each of the next four years starting from the period 1 April 2021 (after adjusting for the net effect of any change in the provisions or costs for redress relating to loans issued prior to the Stop Date); and
 - (c) will be paid annually to SchemeCo by when Holdings PLC files its audited financial statements for that year at Companies House.

- 1.41 This is why SchemeCo is proposing the Scheme. If the Scheme goes ahead: (i) the Initial Amigo Contribution would be used to pay Scheme Creditors, as opposed to being used towards repayment of the debt owed to the Bondholders; and (ii) if it becomes payable under the Scheme, the Balance Adjustment Contribution would also be used to pay money to Scheme Creditors that, based on our calculations, they would not receive if Amigo became insolvent. Further, restarting lending also provides an opportunity for increased returns to Scheme Creditors through the Future Business Contribution which, based on our calculations, would also not be possible if Amigo were to go into insolvency.
- 1.42 The actual percentage of each Redress Liability that SchemeCo will be able to pay to customers will depend on a number of factors which, given their uncertainty, cannot be accurately predicted. These include: (i) the number of claims we receive in the Scheme; (ii) the number of claims which are accepted; (iii) the proportion of claims as between borrowers and guarantors; (iv) the proportion of claims as between current and past customers (including the extent of set off applied); and (v) the amount of any future profits made by Amigo upon which the business performance related contribution to the Scheme is based. If we receive and accept a greater number of Redress Claims than we currently estimate, the cash payment that you receive for your claim could be significantly lower than the current reasonable estimate of 10% (which does not include any provision for any payments from the Future Business Contribution). However, this payment will be higher than what you would receive in an insolvency (which, based on our calculations, would be nothing). In addition, customers with an outstanding loan balance will benefit from set-off of their claim against their balance.
- 1.43 Amigo has yet to make the Initial Amigo Contribution to SchemeCo, but it will do so as a condition to its release becoming effective under the Scheme. Amigo will pay the money into a separate and ring-fenced account, to be held on trust by SchemeCo for the benefit of the Scheme Creditors. Payments to Scheme Creditors based on the Balance Adjustment Contribution (if it becomes payable) are expected to be paid in the first half of 2022.
- 1.44 Any future payments to Scheme Creditors based on the Future Business Contribution (the **Upside Payments**), will be paid annually by when Holdings PLC files its audited financial statements for that year at Companies House. Upside Payments or payments made as part of the Balance Adjustment Contribution will: (i) be shared proportionally between Scheme Creditors whose claims have been accepted by reference to the value of their Scheme Claim; and (ii) increase the overall percentage return to Scheme Creditors on the amount of compensation owed to them.
- 1.45 In addition, if the Scheme goes ahead, Amigo also proposes to fund the costs of putting together and administering the Scheme. This includes the costs of: (i) staff to consider and respond to claims; (ii) the running of SchemeCo and (iii) our lawyers and professional advisers (the **Scheme Costs**).
- 1.46 If, however, Amigo were to become insolvent after making the Initial Amigo Contribution and before paying all the Scheme Costs, the unpaid Scheme Costs would be payable from the Initial Amigo Contribution. This would reduce the amount available for Scheme Creditors. In addition: (i) if the insolvency occurred before any payments due under the Balance Adjustment Contribution were made, these payments would

not be paid; and (ii) the Future Business Contribution would not be possible as Amigo would not be generating the business profits necessary to fund this if it was insolvent. This would mean that the Scheme Creditors would: (i) receive a lower amount under the Scheme than if Amigo remained solvent and restarted lending; and (ii) not be able to bring a claim against Amigo for the outstanding amount. However, based on current business projections, we think that it is unlikely that Amigo will become insolvent if the Scheme goes ahead. Further, based on our calculations, the amount paid to Scheme Creditors would still be more than they would receive if there were no Scheme at all.

1.47 Once SchemeCo has received the Initial Amigo Contribution and agreed all claims, we will be in a position to start making payments to Scheme Creditors whose claims have been accepted. SchemeCo also expects that, if it becomes payable, any funds paid as part of the Balance Adjustment Contribution will also be available by the time SchemeCo starts making payments to Scheme Creditors whose claims have been accepted.

1.48 In exchange for Scheme Creditors being entitled to submit a claim under the Scheme and, if appropriate, to payment of some or part of that claim, Amigo, AMSL and Holdings PLC will be released from any claim they may have that may arise out of or in relation to a loan issued by Amigo. This means that (except for any claims that may arise in respect of enforcing the Scheme terms) they will no longer be able to bring a claim against Amigo, AMSL or Holdings PLC and will instead have a claim against SchemeCo. Any such claim will be paid out of the funds which SchemeCo holds (to the extent that it can), as explained above.

(g) **Position of other creditors & treatment of sold and securitised loans under the Scheme**

1.49 The purpose of the Scheme is to: (i) avoid Amigo, AMSL and Holdings PLC going into insolvency; and (ii) facilitate the ongoing trading of the business once Amigo can begin to restart lending. In light of this, where a successful Scheme achieves both of these purposes, it is envisaged that the Bondholders and the Securitisation Creditors will be paid in full.

1.50 As set out at paragraph 1.33 of this PART B, the financing arrangements which Amigo has in place include the securitisation facility. Under the securitisation facility, Amigo transfers and assigns its beneficial rights and interest in certain loans to the Securitisation SPV. Under the Scheme, Amigo will ensure that any Redress Creditors who have a valid Redress Claim in respect of a loan that has been previously transferred or assigned to the Securitisation SPV as part of the securitisation, will receive the full benefit of their Redress Claim (including by the operation of 'set off' and/or the repayment of any amounts that may become due in respect of payments made following the Scheme Effective Date) as if their loan had not been transferred or assigned to the Securitisation SPV.

1.51 Separately, during the course of operating its business, Amigo has sold and transferred its rights and interests in certain loans to a third-party debt purchaser called Intrum UK Finance Limited (formerly known as 1st Credit (Finance) Limited) (*Intrum*). Under the Scheme, Amigo will also use reasonable endeavours to ensure that any Redress Creditors who have a valid Redress Claim in respect of a loan that was sold to Intrum will receive the full benefit of their Redress Claim (including by the operation of 'set off'

and/or the repayment of any amounts that may become due in respect of payments made following the Scheme Effective Date) as if their loan had not been sold to Intrum.

(h) **Amigo's engagement with the FCA regarding the Scheme**

- 1.52 Amigo is regulated by the FCA. Amigo has been in discussions with the FCA regarding, amongst other things, the Scheme and Amigo's future lending.
- 1.53 As noted in the Practice Statement Letter, Amigo, as an authorised firm, had initially sought from the FCA a "letter of non-objection" to the terms of the Scheme, in order to demonstrate to the Court that the proposed Scheme has not raised regulatory concerns that might undermine Amigo's and, in turn, SchemeCo's ability to implement the Scheme.
- 1.54 Prior to the issuing of the Practice Statement Letter, the FCA had informed Amigo that it could not provide a "letter of non-objection" based on the terms of the Scheme at that time and without having completed its assessment of the Scheme. Amigo then withdrew its request for a "letter of non-objection" from the FCA.
- 1.55 Since that time, Amigo has continued to engage with the FCA in relation to the Scheme (as well as the investigation referred to above at Part B, 1(c) (*FCA investigation into affordability assessment*)).

(i) **The FCA's position in relation to the Scheme**

- 1.56 The FCA has now notified Amigo (and Amigo has notified the Court) that, having completed its assessment of the terms of the Scheme, the FCA does not support the Scheme. The FCA considers that the Scheme may not be compatible with the FCA's rules, principles and strategic objectives. In particular, the FCA is concerned that:
- (a) customers with valid Redress Claims stand to receive significantly less than the value of their claims;
 - (b) the claims assessment methodology does not produce outcomes with the same high standards of accuracy and fairness as would be available under the FCA's usual framework of complaint handling rules for firms or through recourse to the FOS;
 - (c) Furthermore, on the basis of the information currently available to it, the FCA is not currently proposing to take any additional regulatory action that might stop the Scheme were it to be agreed by the requisite majority of creditors and sanctioned by the Court; and
 - (d) the FCA has identified certain concerns with the Scheme which it has drawn to the attention of the Company and, in turn, the Court.
- 1.57 The Company has shared a letter from the FCA setting out these concerns with the Court. However, Amigo expects customers to be given the opportunity to decide for themselves whether to support the Scheme or to oppose it in favour of the alternative, an insolvency proceeding, notwithstanding any concerns which the FCA may have.

2. What is a scheme of arrangement?

- 2.1 Under English law, a scheme of arrangement of the kind proposed by SchemeCo is a compromise or arrangement, under Part 26 of the Companies Act 2006, to take effect between a company and its creditors (or any class of them), which becomes legally binding on the company and on all the creditors to whom it applies if:
- (a) a majority in number, representing 75% in value of each class of creditors, present and voting in person or by proxy, vote in favour of it at a meeting convened with the leave of the High Court (the **Court**); and
 - (b) the Court subsequently sanctions (approves) the scheme of arrangement, and a copy of the order of the Court is delivered to the Registrar of Companies for registration.
- 2.2 The Scheme cannot be sanctioned by the Court unless it is satisfied that the class or classes of Creditors have been properly constituted. We explain at Section 9 of this PART B why we think Scheme Creditors should form a single class for the purpose of voting. The Court has already considered this question, and, on 30 March 2021, the Court ordered that a single Creditors' Meeting be convened. If any Scheme Creditor now wished to dispute that this is the correct class constitution, it would need to satisfy the Court at the sanction hearing that it had a good reason for not raising the issue at the hearing on 30 March 2021.
- 2.3 If the necessary majorities of Scheme Creditors vote in favour of the Scheme, SchemeCo will ask the Court to 'sanction', or approve, the Scheme. When deciding whether to do so, the Court will consider whether the Scheme is fair to all of SchemeCo's creditors (which will only consist of the Scheme Creditors).
- 2.4 Once the Scheme becomes effective, it will bind SchemeCo and all of SchemeCo's creditors, irrespective of whether or not they voted in favour of the Scheme or at all. Scheme Creditors will only have a claim against SchemeCo and will not have any further claim against either Amigo, AMSL or Holdings PLC for any Redress Liability from the Scheme Effective Date.
- 2.5 SchemeCo will also appoint Scheme Supervisors who will ensure that the Scheme is properly implemented. The role of Scheme Supervisors will be performed by Dan Schwarzmann and Nigel Rackham who will monitor SchemeCo's compliance with the terms of the Scheme and prepare a quarterly progress report for Scheme Creditors which will be available on the Scheme Website. Dan Schwarzmann and Nigel Rackham of PricewaterhouseCoopers LLC (**PwC**) are, respectively, a Partner and Director of PwC and have extensive experience of acting as scheme supervisors and of acting in relation to insolvency of financial services businesses.
- 2.6 PwC has provided a range of services to Amigo in recent years including internal audit services and advice relating to the proposed Scheme.

3. Financing arrangements of Amigo

- 3.1 Separate from any cash that is generated from the existing loan book, the Amigo Group also has the following financing arrangements (set out at paragraph 1.33 of this PART B) in place to meet its funding requirements:
- (a) the High Yield Bonds (with a gross principal amount outstanding as at 31 December 2020 of £234.1m); and

- (b) the securitisation facility (with an outstanding balance of £112.2m as at 31 December 2020).

- 3.2 As set out above, the debt due to the Bondholders is secured by separate first ranking charges over some of the Amigo Group's assets and is supported by a cross-guarantee given by other subsidiaries (including Amigo which owns the majority of the Amigo Group's assets and would therefore be the main entity against which a claim would be brought). Under the securitisation facility, certain loans in Amigo's loan book are equitably assigned to the Securitisation SPV, with the collections received under such loans being held on trust by Amigo for the Securitisation SPV.
- 3.3 With respect to the securitisation facility, during the first half of the year, due to the potential impact of Covid-19 on asset performance, Amigo negotiated a waiver on asset performance triggers under the facility, allowing both Amigo and its lender the opportunity to fully understand the impact of Covid-19 on the business whilst maintaining the facility. The waiver period was further extended to 25 June 2021.

4. Financial position of Amigo and estimated outcome in an insolvency

- 4.1 Amigo has prepared a report considering the outcomes for Scheme Creditors in an insolvency of Amigo compared to under the Scheme. The conclusions of the report and the basis of the assumptions contained in it have been reviewed by PwC. You can view this report on the Scheme Portal at amigoscheme.co.uk.
- 4.2 In the financial results for the nine-month period up to 31 December 2020, Amigo recorded a statutory loss after tax of £86.8m, compared to a profit after tax of £45.9m for the same period in the prior year. This decline in profitability was driven by the recognition of a complaints provision and increased impairment provisioning in the year.
- 4.3 As set out in more detail above, Amigo has faced further challenges in these areas during the current financial year and has, like many businesses, been adversely impacted by the Covid-19 related measures it has implemented in response to the pandemic.
- 4.4 As a result of these challenges, Amigo is not making enough money to pay all of its Creditors. Usually, this would mean that Amigo and other entities within the Amigo Group would have to go into an insolvency process such as administration or liquidation.
- 4.5 However, as set out in more detail in Section 5 of this PART B, SchemeCo is proposing the Scheme instead of Amigo going into insolvency. Should the proposed Scheme not be approved by the Scheme Creditors at the Creditors' Meeting, the directors anticipate that Amigo would shortly thereafter seek the appointment of an administrator or liquidator.
- 4.6 As at 30 April 2021 (which is the date that has been assumed for any likely insolvency), the available assets of Amigo in an insolvency are estimated to largely consist of:
 - (a) outstanding loans; and
 - (b) cash.
- 4.7 The total estimated realisable value of these assets, before costs, is £312m - £325m.
- 4.8 As at 30 April 2021, Amigo has estimated its creditor claims will primarily consist of:
 - (a) claims from the Bondholders of £270m under the High Yield Bonds;

- (b) claims from the Securitisation Creditors of £54m under the securitisation facility in respect of the loans subject to the securitisation facility;
- (c) a preferential VAT claim from HMRC;
- (d) claims by Redress Creditors: Amigo has granted approximately 927,000 agreements to customers since 28 January 2005 and the number of these customers that would submit a claim in an insolvency, and the number and value of such claims that would be accepted by an administrator or liquidator, is uncertain;
- (e) claims by the FOS for the FOS Fees; and
- (f) the other liabilities listed in paragraph 1.34 of this PART B.

4.9 As set out at paragraph 1.37 of this PART B, given the amount of the debt owed to the Bondholders and the Securitisation Creditors (approximately £346.3m combined as at 31 December 2020 and estimated to be approximately £324m combined that would be claimed as at 30 April 2021), based on its calculations, Amigo considers that, other than the Bondholders and the Securitisation Creditors (in respect of whose debt there would likely be a shortfall), its Creditors would not get any return on what they are owed in an insolvency of Amigo.

4.10 Further, the amount of the debt owed to the Bondholders and the shortfall between that sum and the estimated realisable value of Amigo's assets would mean that an administrator or liquidator would not have funds with which to develop a separate portal to deal with Redress Claims and they would likely have limited funds and resources available to otherwise investigate claims submitted by Redress Claimants. This would make it more difficult for Redress Claimants to submit a claim in an insolvency of Amigo than would be the case under the Scheme where claims are submitted through the Scheme Portal.

4.11 Overall, an insolvency of Amigo is not estimated to result in any payment to unsecured creditors, including Redress Creditors, on their claims.

5. Increased returns for Creditors through the Scheme

5.1 If the Scheme goes ahead, Amigo will not have to file for insolvency and will instead be able to make the Initial Amigo Contribution. Based on Amigo's calculations, the Initial Amigo Contribution will ensure that Scheme Creditors get more than they would in an insolvency. In addition, if it becomes payable, the Balance Adjustment Contribution would further increase the amount of money that Scheme Creditors would receive.

5.2 The board of directors of Holdings PLC has recently undergone significant change and work is ongoing with the FCA to rebuild and strengthen the existing relationship to find a way forward which would allow Amigo to restart lending as soon as possible in 2021.

5.3 Amigo's focus is on ensuring that it retains its position as a viable lending platform for the 10-12 million adults who are excluded from mainstream bank lending in the UK. Amigo wants to meet the varied needs of these potential customers, be that through offering guarantor loans or unsecured loan products. There is strong demand for non-standard loan products, and this is likely to be even more relevant as the economy recovers from the Covid-19 pandemic. Amigo has great people and an established brand and customer base. Amigo aims to restart lending, in a prudent way, as soon as possible in 2021.

- 5.4 Approval of the Scheme should also enable Amigo to continue in business and restart lending. This should allow Amigo to pay the Future Business Contribution. The amount of the Future Business Contribution is uncertain and will depend on the future success of the business. We explain more at Section 6 of this PART B about the exact nature of the payments that Amigo will provide.

6. The Scheme Fund

- 6.1 A key feature of the Scheme is that, if it is approved, Amigo will make the Initial Amigo Contribution to SchemeCo in order to ensure that Scheme Creditors get more than they would in an insolvency. Details of what the Initial Amigo Contribution consists of are set out above at paragraph 1.38 of this PART B. If the Scheme goes ahead, the Initial Amigo Contribution will be used to pay Scheme Creditors as opposed to being used towards repayment of the debt owed to the Bondholders as would occur if Amigo went into insolvency.
- 6.2 If the Scheme is approved, as a condition to Amigo's (and AMSL's and Holdings PLC's) release becoming effective under the Scheme, Amigo will pay the Initial Amigo Contribution into a separate and ring-fenced account, to be held on trust by SchemeCo for the benefit of the Scheme Creditors (the **Scheme Fund**).
- 6.3 In addition, the Initial Amigo Contribution may be further increased by the Balance Adjustment Contribution. Details of what the Balance Adjustment Contribution will consist of are set out above at paragraph 1.38 of this PART B. Further, if it is possible to restart lending, Amigo will also undertake to pay to SchemeCo the Future Business Contribution. Details of what the Future Business Contribution will consist of are set out above at paragraphs 1.39 and 1.40 of this PART B.
- 6.4 Payments made by Amigo as part of either the Balance Adjustment Contribution or the Future Business Contribution will operate to increase returns to Scheme Creditors.
- 6.5 The Scheme Costs are to be paid for by Amigo separately to the Initial Amigo Contribution, the Balance Adjustment Contribution and the Future Business Contribution.
- 6.6 Although we consider this to be unlikely, if Amigo enters into an insolvency process after the Scheme Effective Date but before it has paid for the Scheme Costs, these will be deducted from the Scheme Fund. In addition: (i) if an insolvency of Amigo occurred before any payments due under the Balance Adjustment Contribution were made, these payments would not be paid; and (ii) a future insolvency of Amigo would likely result in it being unable to make any payments as part of the Future Business Contribution (as it would not be trading in order to generate the business profits necessary to fund this).
- 6.7 This would mean that the Scheme Creditors would: (i) receive a lower amount under the Scheme than if Amigo remained solvent after the Scheme was approved; and (ii) not be able to bring a claim against Amigo for the outstanding amount. However, much of the Scheme Costs accrued in preparation and implementation of the Scheme will be discharged promptly following the Scheme Effective Date. This will have the effect of reducing the amount of potential Scheme Costs that could be deducted from the Scheme Fund if Amigo were to become insolvent.

7. Excluded Creditors

- 7.1 The **Excluded Creditors** consist of any creditor who has a claim that relates to a loan issued by Amigo that will not be subject to the Scheme (the **Excluded Claims**).
- 7.2 The Excluded Claims shall be paid in full by Amigo in the ordinary course of business and consist of customers which have, before the Stop Date:
- (a) had their claim accepted by Amigo or have accepted a settlement offer from Amigo; or
 - (b) received a settlement offer from Amigo dated on or after 21 June 2020, which they did not accept or reject; or
 - (c) been told that Amigo has accepted an opinion issued by an adjudicator at the FOS in respect of their claim; or
 - (d) obtained a final decision in their favour from the FOS and Amigo has not notified the customer that it intends to judicially review that decision.

8. Estimated returns in the Scheme

- 8.1 As noted in Section 4 of this PART B, Amigo has prepared a report considering the estimated outcomes for Scheme Creditors in an insolvency for comparison with the estimated recoveries under the Scheme. The conclusions of the report and the basis of the assumptions contained in it have been reviewed by PwC. You can view this report on the Scheme Website.
- 8.2 In the proposed Scheme, Scheme Creditors will share the Scheme Fund proportionally. Amigo will enter into the agreement to make the: (i) the Initial Amigo Contribution; (ii) the Balance Adjustment Contribution; and (iii) the Future Business Contribution. The agreement will become effective on the Scheme Effective Date and Amigo will make the Initial Amigo Contribution as a condition to its release becoming effective under the Scheme. Amigo has no legal obligation to make any sum available in an insolvency and, as set out above, would not have the funds to do so.
- 8.3 As set out above, the Scheme Costs are to be funded separately by Amigo outside of the Scheme. A significant amount of work has been and will be required in the Scheme for the administration of Redress Claimants' claims through the development and operation of the Scheme Portal and a workflow management tool, for the process of adjudicating and valuing Redress Claimant claims, and for legal and professional costs which SchemeCo incurs. While these costs are to be borne by Amigo outside of the Scheme, there is a risk that some would become payable from the Scheme Fund if Amigo were to enter insolvency before it had funded the Scheme Costs. We consider this to be unlikely.
- 8.4 The reasonable estimate of the outcome for Redress Creditors and the FOS in the Scheme is 10% of their claims. However, the final outcome may be higher or lower than this, with the key variables being: (i) the number of Redress Claims submitted in the Scheme; (ii) the number of those claims which are accepted; (iii) the proportion of claims as between borrowers and guarantors; (iv) the proportion of claims as between current and past customers (including the extent of set off applied) and (v) the value of the Future Business Contribution (which has not been provided for in arriving at the 10% estimate). These factors will combine to make up the total value of Redress Liabilities and, together with the value of the Future Business Contribution, the ultimate dividend outcome. Much of this information will not be known until all claims have been submitted and assessed in the

Scheme. For example, if the number of claims received and the number of claims accepted are significantly higher than we have estimated, whilst the other variable factors turn out to be as we have estimated, Redress Creditors and the FOS will get a reduced pay-out rate on their claims than this estimate indicates.

- 8.5 As a result of the Scheme Fund being made available to Scheme Creditors, including Redress Creditors, based on our calculations, the estimated outcome for Redress Creditors is much greater than in an insolvency scenario, as considered above in Section 4 of this PART B (in which the return would be nothing).

9. Arrangements for voting on the Scheme

- 9.1 The High Court agreed on 30 March 2021 that Scheme Creditors should form a single class for the purpose of considering, and voting on, the Scheme. All creditors within a class must have sufficiently similar rights against Amigo, AMSL and Holdings PLC.
- 9.2 Scheme Creditors who will vote together on the Scheme will be made up of: (i) Redress Creditors; and (ii) the FOS in respect of its claim for the FOS Fees. While there are differences between the rights of the Redress Creditors and the FOS against Amigo, AMSL and Holdings PLC, these differences would also exist in an insolvency of these entities, and the treatment of the FOS under the Scheme will replicate these differences. Under the Scheme:
- (a) the Scheme Creditors will make a claim (details of how to do this are set out in Sections 9.8 and 11 of this PART B);
 - (b) the Scheme Creditors' claims will all rank equally (as they did before);
 - (c) SchemeCo will review the Scheme Creditors' claims; and
 - (d) if SchemeCo agrees with the Scheme Creditors' claims, they will all share in the money held by SchemeCo in proportion to the total value of their accepted claim after set off.
- 9.3 Because there is a single class as explained in Section 2 of this PART B, a single Creditors' Meeting will take place remotely by telephone and live webcast starting at 10am (or as soon as possible thereafter) on Wednesday, 12 May 2021. Further information regarding the details of the Creditors' Meeting (including the deadline of 5pm on Monday, 10 May 2021 for pre-registering your attendance) is provided on the Scheme Portal.
- 9.4 Every Scheme Creditor who thinks they have a valid claim is entitled to cast a vote at the Creditors' Meeting. The Scheme will not go ahead unless:
- (a) a majority (i.e. more than 50%) of the Scheme Creditors who vote at the Creditors' Meeting vote in favour of the Scheme; and
 - (b) those Scheme Creditors who vote in favour of the Scheme hold 75% or more of the value of votes held by every Scheme Creditor who voted at the Creditors' Meeting.
- 9.5 If you are a Redress Claimant with an affordability claim, you do not need to work out the value of your vote. SchemeCo will do this where it can, using information which Amigo has on its systems about the loans it made to borrowers and the guarantees provided. However, there will also be an option for you to submit details of your claim value for voting purposes should you have the necessary information and if you wish to do so (this estimate will be

reviewed by Amigo and decided upon by the Chairman of the Creditors' Meeting). If you have a claim that is not related to affordability, you will be able to submit details of the value of your claim for voting purposes on the Scheme Portal (this estimate will be reviewed by Amigo and decided upon by the Chairman of the Creditors' Meeting). You should only vote on the Scheme if you think you have a valid claim.

9.6 If you think you have a valid claim, all you need to do is to decide whether to vote for or against the Scheme on the Scheme Portal by following the instructions provided on the Scheme Portal. After you submit your vote on the Scheme Portal, if your claim is based on grounds of affordability, SchemeCo will attribute a value to your vote as described below. If possible, please also have your customer reference number and/or your agreement number to hand when accessing the Scheme Portal to vote.

9.7 The value of your vote **does not**:

- (a) affect the amount of money that you may end up receiving under the Scheme;
- (b) mean that, once your claim is considered, you will necessarily have any monetary claim in the Scheme; or
- (c) mean that, if you do have a monetary claim in the Scheme, that claim will be the same as the value of your vote.

9.8 The value of your vote will be calculated as at 31 March 2021 as follows:

- (a) **If you are a guarantor:** your allocated vote will be the value of the full amount paid by you as guarantor, plus 8% p.a. interest from the time of each relevant payment. Guarantors who have not made any payments will be allocated a vote value of £1; or
- (b) **If you are a borrower:** your allocated vote will be the amount by which your aggregate repayments exceed the aggregate amount of principal advanced on your loans, plus 8% p.a. interest from the time of each payment after the principal has been repaid. If the aggregate repayments made by a borrower do not exceed the aggregate amount of principal advanced, their vote will be valued at £1.

In some situations, the required data may not be available in order to determine vote calculations on the basis of the above, in which case, SchemeCo will seek to arrive at an approximation which is as close as possible to what the customer's maximum redress claim would be.

9.9 You, or someone acting on your behalf (provided they have been given the authority to do so), can submit your vote on the Scheme Portal in advance of the Creditors' Meeting by following the instructions and the information and guidance made available to you with this Explanatory Statement. By voting online in advance, you will be electing the Chairman of the Creditors' Meeting to be your proxy and act in accordance with your voting instructions at the meeting. For votes online in advance of the Creditors' Meeting to be counted, this must be done by 5pm on Monday, 10 May 2021. Any votes submitted after this deadline will not be counted, subject to the Chairman of the meeting exercising their discretion to allow any such late votes. You may also vote online during the Creditors' Meeting or elect someone else to be your proxy to vote during that meeting (from after it has commenced) by following the instructions of how to do this on the Scheme Portal (at

amigoscheme.co.uk). The appointment of proxies on the Scheme Portal must be completed on or before 5pm on Monday, 10 May 2021 (subject to the Chairman of the meeting exercising their discretion to allow any such proxy appointed after the deadline specified). Please note that this is a very user-friendly process that does not require you to engage a CMC to vote on your behalf.

10. Making a claim

- 10.1 If the Scheme Creditors vote in favour of the Scheme and it is approved by the Court, you will be able to tell SchemeCo if you think you have a Redress Claim.
- 10.2 Within ten business days of the Scheme Effective Date, SchemeCo will notify every person it can, who it believes may be a Scheme Creditor that the Scheme is effective and inform them of the Claims Submission Deadline. SchemeCo shall also post a notice on the Scheme Portal and through media channels inviting Redress Creditors to access the Scheme Portal. Around three months and again around one month before the Claims Submission Deadline, SchemeCo will send a notice to Redress Creditors for whom Amigo has contact details and post a notice on the Scheme Portal and through media channels reminding Redress Creditors who have not submitted a claim that they should do so.
- 10.3 SchemeCo shall also invite any person it believes may be a Redress Claimant to provide information about their claim using the Scheme Portal and provide appropriate access instructions.
- 10.4 To make a claim under the Scheme, you, or someone acting on your behalf (provided they have been given the authority to do so), must submit details of your claim, and provide any requested supporting documentation, using the Scheme Portal by following the instructions provided.
- 10.5 You must make your claim to SchemeCo on or before the Claims Submission Deadline and do so as instructed at paragraph 10.4 of this PART B. Any claims made after the Claims Submission Deadline or in a different way to that described at paragraph 10.4 of this PART B shall not be considered.
- 10.6 SchemeCo shall examine the Scheme Claims it receives and may request that you provide further information or evidence that may help it reach a decision in respect of your claim. You must provide the information or evidence requested within four weeks of receiving the request. Claims will be assessed by SchemeCo in accordance with its claims assessment methodology. A summary of the main principles of the claims assessment methodology is set out in Schedule 4.
- 10.7 SchemeCo will let you know if it agrees or disagrees with all or part of your claim through the Scheme Portal after the Claims Submission Deadline.
- 10.8 If SchemeCo agrees with all of your claim, you will be paid in accordance with the procedure described in Section 13 of this PART B.
- 10.9 If you are a Redress Claimant and SchemeCo does not think you have a valid claim, or you do not agree with the value of your claim communicated to you by SchemeCo, you can indicate on the Scheme Portal that you do not agree with SchemeCo's decision within 30 days of SchemeCo communicating its decision to you. SchemeCo may then try to reach an agreement with you in respect of your claim within 30 days (unless such timeframe is otherwise varied by SchemeCo). If you reach an agreement with SchemeCo, you shall be

paid in accordance with the procedure described in Section 13 of this PART B. If you cannot reach an agreement with SchemeCo in respect of your claim within those 30 days, your claim will automatically be referred to the Scheme Adjudicator to decide whether it should be allowed. The Scheme Adjudicator will have the ability to look at claims either individually or in batches depending on the specific grounds upon which the claim has been disputed.

11. The FOS

- 11.1 The FOS is also claiming as a Scheme Creditor in respect of the FOS Fees.
- 11.2 The FOS will need to work out the value of its vote. The FOS should provide details of the amount that is claimed by it against Amigo in respect of the FOS Fees to SchemeCo prior to submitting its vote.
- 11.3 The FOS can submit its vote to SchemeCo in advance of the Creditors' Meeting before 5pm on Monday, 10 May 2021. Any vote that is received after this date will not be counted, subject to the Chairman of the meeting exercising their discretion to allow any such vote. The FOS may also vote during the Creditors' Meeting or indicate to SchemeCo that it would like to elect a proxy to represent it at the Creditors' Meeting. The appointment of a proxy by the FOS must be completed on or before 5pm on Monday, 10 May 2021 (subject to the Chairman of the meeting exercising their discretion to allow any such proxy appointed after the deadline specified).
- 11.4 The FOS must provide the information requested from SchemeCo in relation to its claim for the FOS Fees and must provide sufficient details of its claim together with any supporting documentation.
- 11.5 SchemeCo will let the FOS know if it agrees or disagrees with all or part of its claim by email after the Claims Submission Deadline.
- 11.6 If SchemeCo disagrees with all or part of the FOS's Scheme Claim, the FOS will be able to ask the Scheme Adjudicator to look at its claim and to decide whether it should be allowed within 30 days of being notified of SchemeCo's decision.

12. Referring a Scheme Claim to the Scheme Adjudicator

- 12.1 Within around eight weeks of your claim being referred to the Scheme Adjudicator (unless such timeframe is otherwise varied by the Scheme Adjudicator), the Scheme Adjudicator shall consider all of the information and documents you provided to SchemeCo. They will try to reach a decision within this time in respect of your claim whether it is being considered individually or as part of the same batch of claims.
- 12.2 However, the Scheme Adjudicator may request further information or documents from you or SchemeCo, or may request that you or the representatives of SchemeCo answer their questions (and you may be required to do this by email). If you or SchemeCo do not respond to a request by the Scheme Adjudicator to provide further information or attend a meeting within two weeks of their request, the Scheme Adjudicator shall decide whether your claim should be allowed using the information that they have.
- 12.3 The Scheme Adjudicator shall try to tell you and SchemeCo whether it has decided to allow your claim within a further six weeks of further information being provided (unless such timeframe is otherwise varied by the Scheme Adjudicator). If the Scheme Adjudicator

decides that SchemeCo should make a payment to you in respect of all or part of your claim, that payment shall be made in accordance with the procedure described in Section 13 of this PART B.

- 12.4 Any decision made by the Scheme Adjudicator about your claim is final. Neither you nor SchemeCo will be able to dispute or appeal the decision of the Scheme Adjudicator.
- 12.5 If your claim to the Scheme Adjudicator is unsuccessful, you may be liable for the costs of dealing with the claim if the Scheme Adjudicator decides that your claim should not have been referred to the Scheme Adjudicator.

13. Payment of Scheme Claims

- 13.1 If your claim is allowed in whole or in part, you will be entitled to a payment from SchemeCo, after the application of set off.
- 13.2 Any payments received by a Redress Creditor from SchemeCo under the Scheme will be treated as being applied first towards: (i) in the case of a borrower, interest and costs paid by the borrower under the original loan, before being applied towards 8% p.a. interest on those amounts; and (ii) in the case of a guarantor, all Principal and interest paid by the guarantor, before being applied towards 8% p.a. interest on those amounts.
- 13.3 If the amount of the Scheme Fund is sufficient to meet all accepted Scheme Claims submitted by Redress Creditors and the FOS in full, you will receive the full amount of your claim. We consider this to be unlikely.
- 13.4 If the amount of the Scheme Fund is insufficient to meet all accepted Scheme Claims submitted by Redress Creditors and the FOS in full, you will receive a percentage of your claim. How much you receive will be calculated in accordance with the following formula:
 - (a) firstly, the value of your claim will be divided by the total value of all accepted Scheme Claims submitted by Scheme Creditors plus a prudent reserve for any claims not yet agreed; and
 - (b) secondly, the value obtained in (a) will be multiplied by the amount of funds available for all accepted Scheme Claims submitted by Scheme Creditors.
- 13.5 SchemeCo shall pay you in one or more payments by electronic transfer to your bank account. If the electronic transfer of money to the bank account is unsuccessful, SchemeCo will try to make the payment again within 14 days and, if this is unsuccessful, a further 14 days after that. If these second and third attempts to transfer money to the bank account are unsuccessful and SchemeCo has followed standard procedures in seeking to process the transfer (including using the correct bank details provided), SchemeCo will no longer be required to make the payment to you. We encourage you to ensure that your bank details are kept updated on the Scheme Portal to allow any payments to be made and SchemeCo will publish a notice on the Scheme Portal reminding customers of the need to do so.

14. Terms of the Scheme

- 14.1 The main terms of the Scheme are summarised above. In this section, we again draw your attention to some of the terms already summarised and also to some other terms of the

Scheme which may affect you. If there are any differences between the contents of this Explanatory Statement and the Scheme, the terms of the Scheme will prevail.

<p>Scheme Claims</p>	<p>The only claims that are capable of being submitted by Redress Creditors under the Scheme as Scheme Claims are Redress Claims by current and former borrowers or guarantors against Amigo, AMSL or Holdings PLC, that might arise out of or in relation to a loan made by Amigo between 28 January 2005 and 21 December 2020</p> <p>For borrowers: Redress Claims related to affordability will consist of all interest and charges paid in respect of a loan from Amigo, plus 8% p.a. interest from the date of each relevant payment up to the Scheme Effective Date, after set off.</p> <p>For guarantors: redress claims related to affordability will consist of all payments made in respect of a loan from Amigo, plus 8% p.a. interest from the date of each relevant payment up to the Scheme Effective Date, less any amounts reimbursed by the borrower.</p> <p>The FOS will be entitled to submit a Scheme Claim in respect of claims for the FOS Fees.</p> <p>For claims not related to affordability, the amount of your claim will depend on the basis of the claim. You can estimate the value of your claim which will be reviewed by SchemeCo (and if relevant, the Scheme Adjudicator) under the Scheme to determine if the claim is valid, and if so, its value.</p>
<p>Stay of proceedings relating to liabilities owed to Redress Creditors</p>	<p>If the Scheme is approved, you will not be able to bring any kind of proceedings against Amigo, AMSL, Holdings PLC or SchemeCo in relation to a claim you might have against it which comes within the Scheme.</p>
<p>Release of claims against Amigo, AMSL and Holdings PLC</p>	<p>If the Scheme is approved, Amigo, AMSL and Holdings PLC will be released from all claims howsoever arising that you may have against them which arise out of or in relation to a loan made by Amigo between 28 January 2005 and 21 December 2020 (except for any claims that may arise in respect of enforcing the Scheme terms).</p> <p>As a result, and regarding the claims that come within the Scheme, you will be unable to bring any further claims against Amigo, AMSL or Holdings PLC (except for any claims that may arise in respect of enforcing the Scheme terms) and your only claim, from the Scheme Effective Date, will be against SchemeCo</p>

	(which will be subject to the stay on proceedings described above).
Set-off	<p>SchemeCo will apply set off as at the Scheme Effective Date to any Redress Claim that is ultimately adjudicated in your favour against: (i) any loan balance that was owed by you to Amigo; (ii) any loan that was transferred or assigned to the Securitisation SPV as part of the securitisation facility; and (iii) any loan that was previously sold to Intrum.</p> <p>If you have a valid Redress Claim and have made payments under any of the above referenced loans after the Scheme Effective Date, these will be considered, and depending on the amounts involved, you may be repaid some or all of the amounts you paid after the Scheme Effective Date.</p> <p>If there is a net Redress Liability owed to you, this will be paid under the terms of the Scheme.</p>
Representatives	<p>You will be entitled to appoint a representative to submit a claim on your behalf through the Scheme Portal, provided you furnish the representative with sufficient information and provide them with the authority to do so (although please note that: (i) the process does not require you to appoint a CMC to submit a claim on your behalf; and (ii) if you do engage a CMC, it will reduce the amount of any payment you will receive under the Scheme if you have a valid claim as the CMC will deduct a portion of your payment as fees for submitting the claim).</p>
Time limits	<p>SchemeCo (and the Scheme Adjudicator in respect of the timeframes dealing with the adjudication of claims) will be able to vary any of the time limits set out in the Scheme, in particular those relating to administration and payment of claims. This does not include the Claims Submission Deadline.</p>
Completion of the Scheme	<p>The Scheme will come to an end if the Scheme Supervisors determine that it has been properly implemented in accordance with its terms; all Scheme Claims have been determined; and all accepted Scheme Claims have been paid (to the extent that they can be from the funds that SchemeCo holds).</p> <p>Once these things have happened, SchemeCo will publish a notice on the Scheme Portal.</p>

Termination of the Scheme	<p>If insolvency proceedings are opened in relation to SchemeCo, any liquidator, administrator or provisional liquidator may decide to terminate the Scheme.</p> <p>Any part of the Initial Amigo Contribution, the Balance Adjustment Contribution or the Future Business Contribution which has already been paid into the Scheme Fund will be available for Redress Creditors and the FOS in SchemeCo's insolvency.</p> <p>The only possible deduction from the Scheme Fund would be in respect of Scheme Costs, but only if these had not already been paid by Amigo, and it had also then entered an insolvency process.</p>
Notice	<p>Clause 8.2 of the Scheme sets out how any notices are to be given. However, in relation to the submission of claims, administration and payment of claims, separate provision is made elsewhere in the Scheme.</p>
Governing law and jurisdiction	<p>The Scheme is governed by English law and the English Court will have jurisdiction to resolve any dispute arising in relation to the Scheme. However, this does not extend to disputes about Scheme Claims which will be decided by the Scheme Adjudicator.</p>

15. Financial Ombudsman Service

- 15.1 You will still be able to make a complaint to the FOS if you are unhappy with the outcome under the Scheme. However, SchemeCo has appointed the Scheme Supervisors to ensure that the Scheme is implemented correctly.
- 15.2 SchemeCo and Amigo have informed the FOS that they will be unable to meet any liabilities owing to Redress Creditors outside the Scheme. While you will still be able to make a complaint to the FOS about a redress liability, it is unlikely that it will consider the merits of your claim.

16. Interests of directors

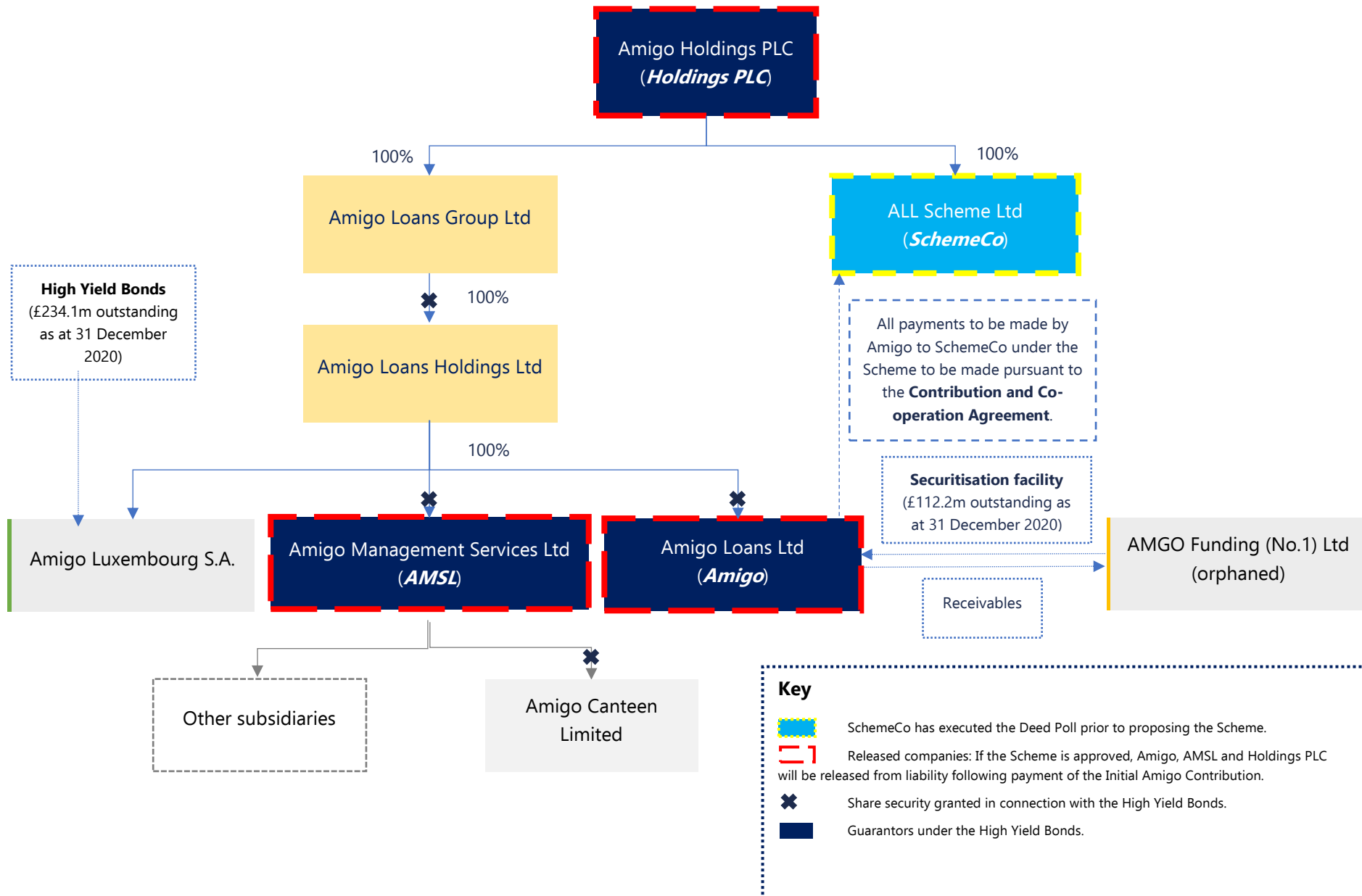
- 16.1 We list the directors of SchemeCo below and their relevant interests in each of SchemeCo, Amigo, AMSL and Holdings PLC. None of these individuals have any direct interests in any of those companies except for Holdings PLC. We set out the full list of directors of Holdings PLC and their respective interests for completeness.

Director	Interests in SchemeCo	Interests in Amigo	Interests in AMSL	Interests in Holdings PLC
Gary Jennison	No direct interests	No direct interests	No direct interests	1,250,000 Ordinary 0.25p each Shares

				9,500,000 shares under Long Term Incentive Plan
Nicholas Beal	No direct interests	No direct interests	No direct interests	See footnote below. ¹
Michael Corcoran	No direct interests in SchemeCo	N/A (not a director)	N/A (not a director)	335,000 Ordinary 0.25p each Shares 4,750,000 shares under Long Term Incentive Plan
Jonathan Roe	N/A (not a director)	N/A (not a director)	N/A (not a director)	180,000 Ordinary 0.25p each Shares
Maria Darby-Walker	N/A (not a director)	N/A (not a director)	N/A (not a director)	107,567 Ordinary 0.25p each Shares
Michael Bartholomeusz	N/A (not a director)	N/A (not a director)	N/A (not a director)	107,567 Ordinary 0.25p each Shares

¹ Nicholas Beal has a direct shareholding in Holdings PLC of 989,989 Ordinary 0.25p each Shares ('Shares'), has total awards over 1,198,675 Shares in Holdings PLC under the Long Term Incentive Plan, has an option over 185,567 Shares under the Amigo Holdings PLC Save as You Earn Scheme, has 9,855 Shares held within the Deferred Bonus Plan, and is a participant in the Amigo Holdings PLC Share Incentive Plan of which 37,987 Shares are held for his beneficial ownership.

Schedule 1– Simplified Structure Chart



Schedule 2
The Scheme

**The Scheme Document has been uploaded separately -
please refer to the separate document.**

Schedule 3
Notice of Creditors' Meeting

Notice of Creditors' Meeting

Claim No.: _____

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

INSOLVENCY AND COMPANIES LIST (ChD)

IN THE MATTER OF ALL SCHEME LTD

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE

NOTICE IS HEREBY GIVEN that by an Order dated 30 March 2021 made in the above matter, the High Court of Justice of England and Wales (the **Court**) has directed that a single meeting of the Scheme Creditors of ALL Scheme Ltd (the **Company**) be convened (the **Creditors' Meeting**) for the purposes of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and its Scheme Creditors (the **Scheme of Arrangement**).

A capitalised term used in this notice and not otherwise defined herein shall have the meaning given to it in the document in which the terms of the Scheme of Arrangement are contained (the **Scheme Document**).

Scheme Creditors shall consider, and vote on, the Scheme of Arrangement at the Creditors' Meeting to be held remotely by telephone and live webcast on Wednesday, 12 May 2021 commencing at, or as soon as reasonably practicable after 10am.

A copy of the Scheme Document and a copy of the statement required to be provided to creditors subject to the Scheme of Arrangement pursuant to section 897 of the Companies Act 2006 (the **Explanatory Statement**) are available to view and download on www.amigoscheme.co.uk (the **Scheme Portal**).

Any Scheme Creditor who wishes to attend the Creditors' Meeting must pre-register in order to do so on the Scheme Portal by 5pm on Monday, 10 May 2021. Scheme Creditors will be

able to submit written questions to be considered at the Creditors' Meeting on the Scheme Portal in advance as part of pre-registration and must do so by 5pm on Monday, 10 May 2021.

Scheme Creditors may attend the Creditors' Meeting either by telephone or live webcast in order to vote for or against the Scheme of Arrangement. Scheme Creditors who attend the Creditors' Meeting will be able to vote on the Scheme Portal during the Creditors' Meeting.

Alternatively, Scheme Creditors may:

- (a) elect the Chairperson to be their proxy to act in accordance with their voting instructions at the Creditors' Meeting, or at any adjournment or postponement thereof, by voting on the Scheme on the Scheme Portal before 5pm on Monday, 10 May 2021; or
- (b) elect any other person to be their proxy at the Creditors' Meeting, or at any adjournment or postponement thereof, by communicating this to the Company through the Scheme Portal before 5pm on Monday, 10 May 2021

If you think you are a Scheme Creditor and you: (i) do not understand the instructions on how to vote through the Scheme Portal; and/or (ii) have issues accessing the Scheme Portal, please contact the Company by email at amigoscheme@amigoloans.co.uk or by telephone on 01202 629798.

By the said Order, the Court has appointed Jamie Drummond-Smith, or in his absence, any other person appointed by the Company, to act as Chairperson of the Creditors' Meeting and has directed the Chairperson to report the result of the meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Freshfields Bruckhaus Deringer LLP

100 Bishopsgate, London EC2P 2SR

Reference: NAG/RPT:174668-0001

Solicitors for ALL Scheme Ltd

Schedule 4

Summary of claims assessment methodology

Claims submitted through the Scheme Portal will be reviewed in line with the diagram included in this Schedule 4. The customer will first be verified to ensure that they are a past or current Amigo customer who is entitled to claim. If the Scheme Portal is unable to verify a customer at this stage, the customer will be made aware of a contact telephone number for Amigo to enable the identification process to be completed securely.

The claim will then be triaged to determine whether it relates to affordability, is another claim unrelated to affordability, or contains both an affordability claim and other claim.

Claims that relate to affordability

The materiality of these claims will initially be considered. Any affordability claim with a value determined to be less than £100 will be upheld. Any variation to this threshold value would only be made after discussions with the Scheme Supervisors and FCA. Thereafter, **whole or partial** affordability claims will be subject to review as follows:

Borrowers

1. We will carry out a number of checks and tests on your loan history, on a loan by loan basis, using information already held by us including any information you supplied when the loan was applied for, or by credit reference agencies (such as TransUnion) and information given by you in the Scheme Portal. We will use this information to work out if you may have a valid Redress Claim.
2. Factors which may be taken into account in our assessment of whether your loan appears to be unaffordable (at the time you took out your loan) and which could be the basis of a Redress Claim include:
 - your credit reference agency credit score;
 - your income and expenditure details;
 - the number and size of loans you had within a certain period of time, either from Amigo or other lenders;
 - whether you had an uncleared County Court Judgment against you;
 - to what extent you had been behind in your payments on other loans;
 - your family circumstances; and
 - other factors that suggest the loan was unaffordable.
3. No one check will be used to decide whether the loan or loans which you received were unaffordable, and each Redress Claim will be looked at using at least some of the information above:
 - (a) Each claim will first be reviewed using our automated Analytical Framework. This Framework incorporates a determinative model (which utilises data regarding individual customer lending patterns, their income and expenditure

data, and credit file information), statistical model (which determines a claim's likelihood of being upheld based on statistical analysis of historical complaints made to Amigo) and income confidence score provided by TransUnion's TAC product (a third-party solution to validate income information);

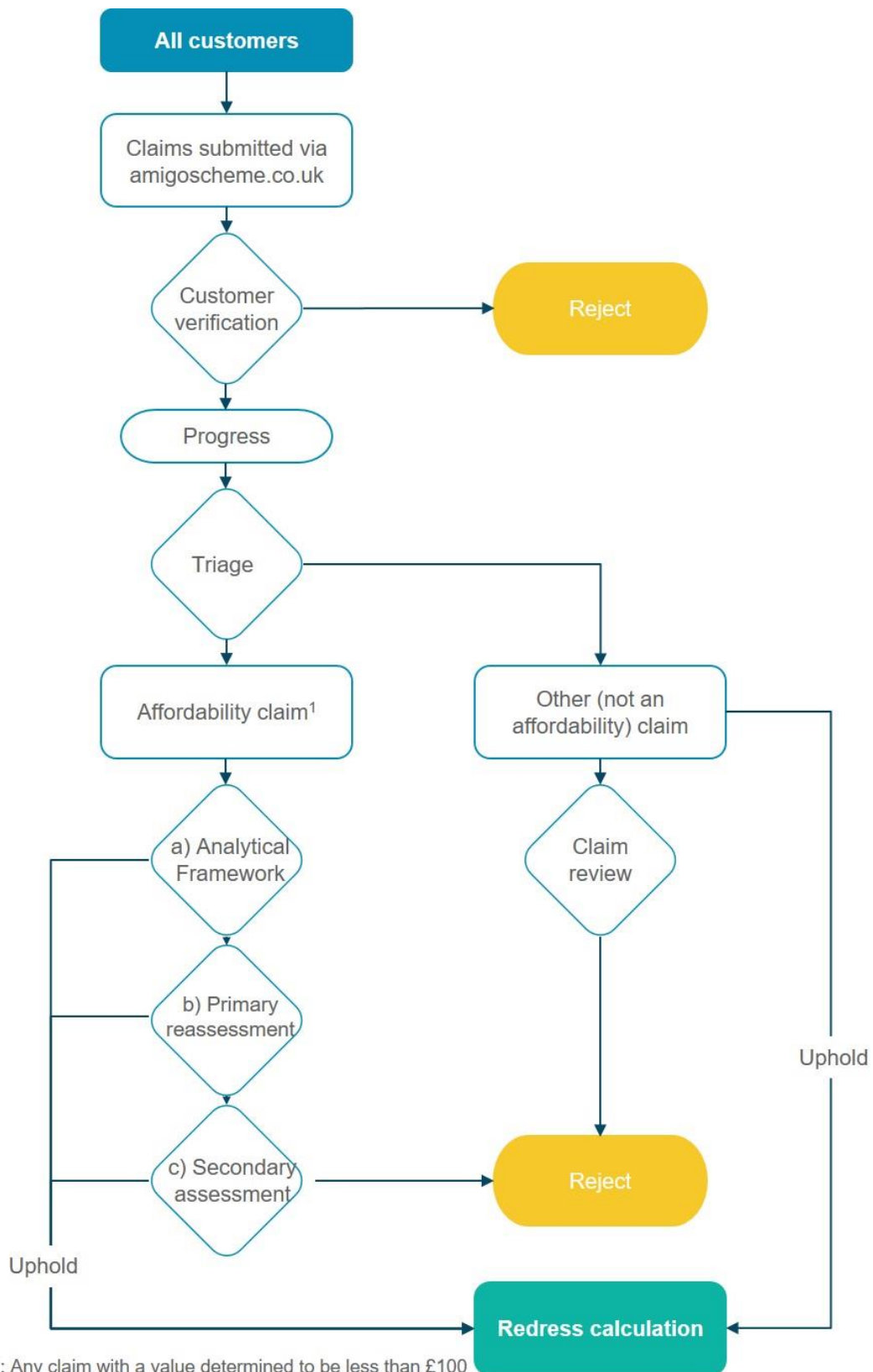
- (b) If the automated Analytical Framework described in paragraph (a) above does not uphold your claim, your claim will be manually reviewed through a primary reassessment. This will review the initial lending decision using your income and expenditure information. If this initial manual review does not uphold your claim;
 - (c) If the initial manual review described at paragraph (b) above does not uphold your claim, your claim will be subject to a secondary assessment involving a broad manual review of all the relevant information now available to Amigo.
4. If these checks show that a loan should not have been made to you, we will let you know the value of your claim. We will work this out by taking the amount you paid above the principal value of your loan that you have received and add 8% compensatory interest to this from the point at which your principal was fully repaid.

Guarantors

- 5. If you are making a Redress Claim because you consider the borrower could not afford the loan then we will assess the affordability of the loan to the borrower, as above.
- 6. If you are making a Redress Claim because you consider you could not afford to make repayments as guarantor, then we will apply the factors above to your circumstances to decide whether we consider you could not afford to be a guarantor.
- 7. In either case, if we agree that you should not have been accepted as a guarantor, we will let you know the value of your claim. This will be the value of all payments you have made under the guarantee, plus 8% compensatory interest.

Other claims which are unrelated to affordability

A detailed manual review and investigation of your Claim will be carried out. If your Claim is upheld, appropriate redress will be calculated and we will inform you of the value of your claim.



Note 1: Any claim with a value determined to be less than £100 will be upheld. Any variation to this threshold value would only be made after discussions with the Scheme Supervisors and FCA.