Amigo Loans Ltd

Chairman of the Committee of Redress Customers' report on proposed scheme of arrangement terms

2 March 2022

1. EXECUTIVE SUMMARY

1.1 The Amigo Customers' Committee was formed from a mix of live borrowers and guarantors of live loans and borrowers with settled loans and guarantors of settled loans. These members represented the population of potential redress creditors, being creditors who had a complaint which was upheld ("Redress Creditors"). Over four thousand borrowers and guarantors volunteered to serve on the Committee. I selected the members from an anonymised list provided to me by Amigo Loans Limited ("Amigo"). The Committee comprised eight members.

1.2 A scheme is necessary if Amigo is to continue trading or avoid formal insolvency as it is currently insolvent. Amigo presented five options to the Committee. The first option, known as scheme 2.1 was a wind-down scheme where Amigo does not return to lending, collects its existing loans and distributes the funds under the security waterfall. Scheme 2.1 was the fall back if the conditions for the other schemes are not met and is, in Amigo's opinion, a better option than a formal insolvency.

1.3 Amigo then proposed four other options and asked the Committee to consider the options, choose one of them, a mixture of them, or propose a Committee alternative as a basis for negotiation. Two of the schemes offered equity to Redress Creditors. The Committee rejected the equity options by a majority of seven to one as the members wanted more certainty of outcome which I explain in more detail later.

1.4 The remaining two options (scheme options 2.2 and 2.3) offered money being put into escrow to be paid to Redress Creditors if Amigo was given permission to lend again and was able to raise significant new funds from external investors within a 12-month period. Both of the remaining options included an initial offer for £25 million to be paid within a few days of the scheme effective date, and up to a further £10 million from a Balance Adjustment Contribution (which depended on the level of set-off from successful claims from borrowers with live loans as against Amigo's forecast).

1.5 The difference between the two remaining scheme options was the final element where scheme 2.2 offered a percentage of future profits and scheme 2.3 offered £15 million from money raised from external investors. The Committee chose scheme 2.3 as the basis to negotiate with Amigo as the members believed that the money offered from external investors offered more certainty.

1.6 There were several proposals from Amigo and responses from the Committee but, after three months of negotiation, Amigo made a proposal which totalled £112 million being paid into the scheme. This was conditional on Amigo being permitted to lend again and raising at least £70 million from external investors within 12 months of the scheme effective date. If those conditions were not met, then Amigo would either go into a wind down scheme or a formal insolvency process. The Committee expressed a preference for a wind-down scheme rather than an insolvency.

1.7 The reasons that Amigo has given for being able to increase the offer over the period of negotiation are that collections were better than expected, a decision to repay secured creditors early saved interest costs, and balance adjustments reduced over time. Although discussions with Amigo have been robust, I have found the management to be transparent in their dealings with the Committee and myself.

1.8 It was not possible to find a time when all members of the Committee could attend meetings and so my interactions with the Committee were by video meetings, telephone calls and by email.

1.9 It is impossible for the Committee to say that it has negotiated the best deal possible as the ultimate outcome depends on the attitude of other stakeholders such as bondholders and future investors as well as the collections from existing loans. However, the Committee can say that it has negotiated a much better deal than the original proposal from Amigo.

1.10 This report considers the proposals made by Amigo solely from the perspective of maximising the return to Redress Creditors. The Committee considered the risks to each of the options but only as a means of evaluating the possible return to Redress Creditors as against the likelihood of success of the relevant option. Scheme 2.1, which is the wind-down option, is totally dependent on the level of recoveries from the back book and the costs of making those recoveries. As it is the fall-back option for any of the schemes, the Committee considers that scheme 2.3 as negotiated provides the opportunity for a greater return to Redress Creditors. Although the Committee recommends a preferred option, the risks of execution, including regulatory approval for future lending, remain with the Board of Amigo.

1.11 On 18 February 2022, Amigo sent my legal advisor the latest drafts of the Explanatory Statement and the New Business Scheme. I have reviewed the drafts as has my legal advisor and we are satisfied that the Explanatory Statement and the New Business Scheme generally reflect the agreement reached between the Committee and Amigo. There are some changes which have been introduced since the date of the Committee's agreement which I address in section 13 of this Report. However, these either enhance the Redress Creditors' position or make no difference to it and so I see no need to consult the Committee further on it.

1.12 I set out below a brief chronology of the matters the subject of this report and which are discussed in further detail in the body of this report:

Date	Event
24 June 2021	Amigo presented to the FCA in relation to five potential scheme of arrangement options.
July 2021	I was approached and asked to be the Chairman of a Customers' Committee for Redress Creditors.
21 July 2021	I was requested to select representatives of the Committee from an anonymised list.
3 August 2021	My appointment was confirmed pursuant to a letter of engagement between me and Amigo and draft Committee terms of reference were agreed between me and Amigo.
4 August 2021	The first Committee meeting took place by video conference at which Amigo presented on the five scheme options.
11 August 2021	A Committee meeting was held by video during which the Committee considered a response to Amigo in relation to the Committee's preference out of the five scheme options.
11 August 2021	I sent a response to Amigo advising that the Committee supported scheme 2.3 but with an up-front payment of £50 million rather than £25 million and a mechanism for further payments if Amigo was very successful.
18 August 2021	A response was received from Amigo indicating that Amigo would consider the request for £50 million, although it may not be possible to agree, and requested further details of the uplift mechanism.
20 August 2021	I sent a response to Amigo stating that the Committee considered that schemes 2.2 and 2.3 did not offer a substantial enough uplift to scheme 2.1 and that the Committee required a concrete proposal to uplift the £25 million up-front payment. I further noted that the Committee further considered that the uplift mechanism would allow Redress Creditors to share an upside if Amigo was successful in the future.
6 September 2021	I, and my legal representative, met with Amigo and its advisors to discuss how the returns under the five scheme options had been determined and to discuss an increase in the £25 million up-front payment. Amigo advised that it would hold discussions with other stakeholders and advise on what increased upfront payment could be offered.
28 September 2021	Amigo provided me with a copy of a comprehensive Business Plan which included the following proposed payments to Redress Creditors: • An upfront payment of £50 million which is paid into escrow on day 1; • A second payment – either (i) a range of cash between £0-30 million based on actual Balance Adjustments; or (ii) a fixed sum of £15 million being the mid-point of the range. This would be paid into escrow 9 months after sanction of the scheme;

	• A further payment of £15 million from "external capital" once the equity capital raise has been completed. The funds from escrow would be released to the Redress Creditors at this point.
1 October 2021	Amigo sent me a draft Term Sheet for the proposal which was outlined in the Business Plan.
12 October 2021	I sent a report to the Committee on the draft Term Sheet that had been provided to me by Amigo.
14 October 2021	A Committee meeting was held to discuss the Term Sheet and my report.
26 October 2021	At my request, Amigo provided me with a spreadsheet showing their projections of new lending up until the end of January 2023, following review of which, I noted that the position on the wind down option had improved. I subsequently advised Amigo that there needed to be a clear difference between the wind-down expected outcome and any new proposal.
12 November 2021	Amigo provided me with a further proposal Term Sheet which offered: • £60 million to be paid into the scheme within 5 business days of the scheme becoming effective; • £37 million to be paid into the scheme within 9 months of the scheme becoming effective; and • £15 million to be paid into the scheme within 12 months of the scheme becoming effective.
18 November 2021	A Committee meeting was held to discuss the latest proposal at which the attending members indicated that they wished to accept Amigo's proposal. All of the remaining Committee members subsequently indicated their acceptance of Amigo's proposal.
2 December 2021	I sent an email to Amigo advising that the Committee accepted Amigo's latest proposal, subject to two conditions.
6 December 2021	Amigo issued an RNS stating that the Committee had confirmed its preference for the latest proposal.
18 February 2022	Amigo sent my legal advisor the latest draft of the Explanatory Statement, the New Business Scheme, and the Wind-Down Scheme.
1 March 2022	Amigo advised my legal advisor that it had made a further change to the draft New Business Scheme in relation to the Excess Cash Amount.

2. BACKGROUND

2.1 My name is James (known as Jamie) Drummond Smith. I attach a copy of my curriculum vitae at **Appendix 1**. As can be seen from that, I have been involved in financial services for many years and I am also familiar with schemes of arrangement. I was the CFO of Cattles plc and Welcome Financial Services Limited ("Welcome") for a period of 15 months following the removal of six executives. Welcome was a sub-prime lender with loan balances in excess of £3 billion. I then became a Non-Executive Director through eight years of run-off. My only prior involvement with Amigo was to chair the meeting of creditors convened to consider the original scheme of arrangement on 12 May 2021 which I was asked to do as Amigo wanted an independent person with previous experience of the sector.

2.2 In July 2021 I was approached and asked to be the Chairman of a Customers' Committee to consider proposals put forward by Amigo for a new scheme of arrangement to help address the Judge's comments in rejecting the original scheme: *"…that the redress creditors lacked the necessary information or experience to enable them properly to appreciate the alternative options reasonably available to them; or to understand the basis on which they were being asked by Amigo to sacrifice the great bulk of their redress claims, while the Amigo shareholders were to be allowed to retain their stake.*" This comment was made following an argument made by Counsel acting for the Financial Conduct Authority which opposed the original scheme.

2.3 Under a letter of engagement dated 3 August 2021 (attached at **Appendix 2**), my appointment was confirmed. Full details of the role are set out in the engagement letter. Prior to my appointment, I understand that Amigo had asked its customers and guarantors for volunteers to serve on the Customers' Committee.

2.4 On or around 3 August 2021, Amigo and I agreed to terms of reference for the Committee ("Terms of Reference"). Attached at **Appendix 3** is a copy of the Terms of Reference. While the document notes that it is a 'Draft', it is the latest version of the Terms of Reference and was agreed between me and Amigo. I subsequently explained the matters set out in the Terms of Reference orally to the Committee.

2.5 Amigo is currently insolvent. The balance sheet as at 30 September 2021, included in a presentation posted on Amigo's website, shows net liabilities of £117.6 million after making a provision of £344.3 million for complaints. For it to continue as a going concern, a scheme of arrangement (or an alternative insolvency procedure) is therefore necessary. Amigo has proposed a further scheme.

2.6 In an email dated 21 July 2021 from Nicholas Beal, Amigo's Chief Restructuring Officer, I was requested to select representatives for the Committee from an anonymised spreadsheet of customers and guarantors who had responded to Amigo's offer to become members of the Committee. They were split into the following cohorts:

2.6.1 Cohort 1 - Customers with a live loan (3 members and 3 reserves from a population of 1,758 respondents)

2.6.2 Cohort 2 - Guarantors of a live loan (1 member and 1 reserve from a population of 381 respondents)

2.6.3 Cohort 3 – Customers with a settled loan (3 members and 3 reserves from a population of 1,951 respondents)

2.6.4 Cohort 4 – Guarantors of a settled loan (1 member and 1 reserve from a population of 575 respondents)

2.7 Amigo provided a spreadsheet splitting the respondents into the above categories and applied a random number to each against a committee identity number. I selected a total of 16 random numbers, three from each category of borrowers as members with a further three from those categories as reserves and one from each category of guarantors as members with one reserve for each category.

2.8 Amigo then compared the random number to the Committee identity number which allowed them to identify the individual. Given the sensitivity of the information to be discussed, Amigo required that all members of the Committee sign a non-disclosure agreement ("NDA"). NDAs were sent by Amigo then to each of the selected Committee members. Where the selected individual did not respond with a signed NDA, I was told that one of the back-ups was then selected from the relevant category. I did not participate in that aspect of the process.

2.9 I did not have any input into the number of members of the Committee, but my view is that the number was big enough to have a view but small enough to be managed. The proportion of members in each cohort also appeared reasonable given the number of respondents. Neither I, or I understand Amigo, interviewed any members of the committee. I did not know if they were shareholders in Amigo. It was later confirmed to me by the Company that none of them were shareholders.

2.10 The Financial Ombudsman Service, a significant creditor, declined to be a member of the Committee.

3. PROPOSALS MADE BY AMIGO ON 24 JUNE 2021

3.1 Under the terms of the letter of engagement, I was to possess an understanding of the five options presented by Amigo to the FCA in its presentation dated 24 June 2021 which is attached at **Appendix 4**. Although there were iterations to these options, I will comment on the 24 June presentation and then explain the process that the Committee and I went through in considering these different scheme options. I go on to explain which option the Committee chose, and how the offer was improved by negotiation.

3.2 The five options relate to potential recoveries. Each option, apart from Scheme 2.1, depends on Amigo commencing new lending. Scheme 2.1 is a separate option, but it is Amigo's fall-back option if the preferred scheme cannot proceed for any reason.

3.3 Scheme 2.1

3.3.1 Scheme 2.1 is a wind-down scheme to allow the run-off of the existing book which is collected until the end of its life. The operating costs and the amounts due to secured creditors will be paid in preference to any return to the Redress Creditors. There will be no return to lending or continuing business but formal insolvency is avoided.

3.3.2 Any return to the Redress Creditors will depend on the level of collections achieved by Amigo. Clause 1.37 of the Explanatory Statement to the original scheme stated that: "*If Amigo did go into insolvency, 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).*"

3.3.3 The costs of an administrator or liquidator would not be incurred in a scheme of arrangement and I believe that the costs of scheme supervisors could be a less expensive option. In addition, clients are considered more likely to repay their loans if Amigo is not in a formal insolvency process.

3.3.4 Nonetheless, the return to Redress Creditors is uncertain under this option and, even if there is a return, they will need to wait for sufficient loans to be collected to pay the operational costs and the secured creditors in priority to them.

3.3.5 The uncertainty in a wind-down scheme (as well as an insolvency) is how much money existing customers with live loans, or their guarantors, repay. In my experience, it is more difficult to collect loans in a wind down as there is no prospect of long-term employment for the staff of Amigo, it can be more difficult to ensure fair customer outcomes and, at some stage, the book of debtors becomes too small to collect economically. It can be difficult to sell the loans as the selling company is still responsible for dealing with complaints in respect of lending pre-sale and warranties may be more limited.

3.3.6 At the date of the presentation the estimated outcome by Amigo under Scheme 2.1 was between £0 and £40 million. Under Scheme 2.1 there would be no return at all to shareholders.

3.3.7 Although the Committee understand that there are issues to be overcome to deliver the other options, all those options offer the potential of an "upside" to the Redress Creditors. In addition, under the wind down scheme, all of the central costs would be allocated to the collection of the back book whereas if Amigo continues in business, in whatever form, some of those costs would be allocated to the new lending.

3.4 **Scheme 2.2**

3.4.1 Scheme 2.2 provides Redress Creditors with £25 million of initial cash, 20 per cent of profits over a five-year period from the scheme effective date (which Amigo estimated could realise £15 million if Amigo met its business plan targets), and up to £10 million from a Balance Adjustment Contribution which would be dependent on the number of customers with live loans who set off any redress claims against those live loans as against Amigo's forecasts.

3.4.2 Under scheme 2.2, shareholders do not necessarily lose all their money. Whether they do depends on the level of dilution resulting from new equity raised to fund future lending and the future performance of the business. The return to Redress Creditors does not constitute payment in full but Amigo estimated that it could be greater than achieved under scheme 2.1. In addition, this scheme would provide more certainty.

3.4.3 I will not discuss further the estimated outcome in June 2021 as the outcome following negotiations with the Committee is very different.

3.5 **Scheme 2.3**

3.5.1 Scheme 2.3 is very similar to Scheme 2.2 with the exception that in place of the profit share over five years, a fixed sum of £15 million would be put into the scheme following a successful equity raise. If Amigo has any long-term chance of success, it is clear Amigo will need to raise new funds to lend again. This option offered more certainty as the £15 million is a fixed sum rather than the profit share in Scheme 2.2.

3.5.2 I will go into more detail on Scheme 2.3 later in the report.

3.6 **Schemes 2.4 and 2.5**

3.6.1 Under Schemes 2.4 and 2.5, Redress Creditors would be issued with equity either through a rights issue mechanism or pure equity. Whilst reference was made in the judgement on the original scheme about Redress Creditors receiving a dividend and existing shareholders not suffering any impairment through the scheme, as will be seen, when considering the options the Committee voted by a majority of seven to one not to pursue either of the equity options as they wanted greater certainty and some comments were made about the poor performance of the shares in Amigo.

3.6.2 In my opinion, the logistical difficulty in issuing shares to Redress Creditors (who, according to Amigo could potentially be over 1 million in number), the costs of doing so, and any mechanism for realising value from the shares would have made these two options expensive and complicated. I did not however seek to influence the Committee with this view before they commented on the various options.

4. COMMITTEE MEMBERS AND MEETINGS

4.1 The Committee members are drawn from a range of backgrounds but none of them are financially sophisticated; in particular, they are not experienced in accountancy, schemes of arrangement, insolvency, the stock market and terms such as equity dilution. These terms are, in my experience, familiar to a relatively small portion of the population. However, I am confident that I was able to explain, to every member of the Committee in a clear enough manner for them to be able to discuss and comment on the proposals:

4.1.1 The waterfall of payments due to be made from loan repayments in that costs, the bonds and other secured creditors needed to be paid first, the Redress Creditors second and shareholders third;

4.1.2 The reasons for the first scheme of arrangement being rejected and why Amigo was proposing new scheme(s) of arrangement;

4.1.3 The differences between a scheme of arrangement and an insolvency;

4.1.4 The interests of other stakeholders who would have an impact on whether the future Amigo was successful including: the bondholders (who would normally receive money first under the waterfall and could object to money being placed in escrow); and future shareholders who would have to accept that a proportion of the new equity would be paid to historic Redress Creditors;

4.1.5 The fact that, although in normal circumstances shareholders would get nothing until creditors had been paid in full, in this case creditors would get a better return than from an insolvency even if existing shareholders did not lose everything.

4.2 Their range of backgrounds and commitments made it impossible for all members of the Committee to attend every meeting, but I discussed every significant movement in the proposals from Amigo with each member of the Committee including, if necessary, individually.

4.3 First meeting

4.3.1 In advance of the first meeting of the Committee, I met with Amigo and its advisors to go through the presentation they had made to the FCA and understand the five options they had proposed for potential schemes of arrangement. I thought the options were complicated (which they are to those not familiar with schemes of arrangement and financial structuring) and they should make them as simple as possible in presenting them to the Committee.

4.3.2 The first meeting of the Committee took place on 4 August 2021 by video conference. Three members of the Committee attended, and a presentation was made by Amigo and its financial advisors.

4.3.3 Amigo explained that the range of options was limited by the requirement to repay (at that stage) £234 million of Bond creditors who were secured. They further explained that there was the option to go into wind-down where there would be no new lending, or for Amigo to start lending again subject to regulatory approval where any upside could be shared with Redress Creditors. New lending would also require new funding and so any upside would also have to be shared with new investors.

4.3.4 The presentation was similar to the one made to the FCA in that it covered the five options, and Amigo did attempt to make it easier to understand. Amigo made it clear that, in its view, the point of the Committee was to debate, negotiate and shape each option, discuss whether a combination of the options or an alternative option was preferable, and ask any questions committee members might have.

4.3.5 The only material change to the options presented to the FCA on 24 June 2021 was that Schemes 2.2 and 2.3 contained a contribution of up to £15 million rather than up to £10 million from Balance Adjustments.

4.3.6 At the end of the presentation, Amigo and its advisors left the meeting, and the members discussed their views. There was a unanimous, firm view that the members wanted as much certainty as possible (whilst understanding that any scheme beyond the wind-down scheme depended on other factors) and the equity options did not offer that certainty. They therefore discounted schemes 2.4 and 2.5. The members also thought that the £15 million from a share issue (which would be required to enable Amigo to lend in the future) offered more certainty than a share of future profits.

4.3.7 The view of the members present was that the Committee response should be to accept scheme 2.3 but ask for £50 million to be paid up front rather than the £25 million offered.

4.3.8 Over the next few days, I contacted all the other members of the Committee. With each member I went through the history of the original scheme, the reason it was rejected by the Court and why Amigo was proposing a new scheme. I explained the waterfall of payments and why, although Amigo had cash, that money would go first to the bondholders. I also explained that scheme 2.1 was a wind down scheme which Amigo intended to propose if the alternative was insolvency.

4.3.9 I then went through the five scheme options, explaining that scheme 2.1 was the fall-back option (as an alternative to a formal insolvency process) if any of the Committee, the Court or the regulator did not support Amigo continuing to trade. I did not give any indication of how the three members of the Committee had voted before giving the members the chance to express their views. Four of the remaining five Committee members wanted greater certainty from the cash option and the rights issue and so supported scheme 2.3. The final member supported the equity options. When I explained that other members of the Committee supported scheme 2.3, the member indicated that he would support the majority view.

4.4 **Second meeting**

4.4.1 Once I had spoken to all the members of the Committee, I organised another meeting of the Committee on 11 August 2021 to agree a response to Amigo. Four members of the Committee attended, and I had managed to speak to one member just before the meeting. At that meeting, I advised that I thought a wind-down scheme would be a better option than an insolvency. This was based on my experience at Welcome Finance (as outlined in my CV) which had also been subject to a scheme of arrangement.

4.4.2 The Committee members present said that the explanation was clear in that book collections were likely to be lower in an insolvency than in a scheme and that they understood the rationale. At Welcome Finance, we were advised to propose a scheme for just this reason with the additional reason that costs were also likely to be lower. I understand that Amigo has had similar advice from a financial advisor.

4.4.3 The meeting was attended by the member who preferred the equity options. I asked them to explain why they preferred the equity option. They said that a friend had made a lot of money from an equity scheme and that they were prepared to wait a long time if it meant maximising value. Another member countered that equity was very uncertain and Amigo had experienced difficulties in the past which is why it was in its current position.

4.4.4 I then shared a possible response to Amigo which I had drafted following the conversations I had had with the members. I attach this response at **Appendix 5**. In addition to supporting a scheme over an insolvency, the response supported scheme 2.3 but with an up-front payment of £50 million rather than £25 million and a mechanism for further payments if Amigo was very successful.

4.4.5 On the basis that I had received support from five out of the eight members of the Committee, I sent the response to Amigo on 11 August 2021. The three other members of the Committee subsequently approved the response.

4.5 **Further correspondence**

4.5.1 Amigo responded on 18 August 2021 by an email from Nicholas Beal, the Chief Restructuring Office of Amigo, noting the Committee's preference for scheme 2.1 over an insolvency, the Committee's position on the equity option schemes, and the Committee's preference for scheme 2.3 and agreement to negotiate on that scheme. Amigo said it would consider the request for £50 million but current estimates indicated that Amigo would not be able to agree to that request. Amigo also wanted more detail on the mechanism for additional payments if Amigo were to be successful.

4.5.2 I discussed Amigo's position with members of the Committee and managed to obtain seven out of the eight members' approval to send a response to Amigo on 20 August 2021 which I attach at **Appendix 6**. I did receive confirmation from the final member subsequently. The Committee's position was that Amigo's proposals for schemes 2.2 and 2.3 did not offer a substantial enough uplift to scheme 2.1 and that it was not sufficient to say that Amigo was considering an uplift to the £25 million without a concrete proposal from Amigo.

4.5.3 The Committee also felt that it ought to be possible to create some mechanism that would allow Redress Creditors to share an upside if the future business of Amigo was successful. The final point was to seek confirmation that all the costs of the schemes would be met by Amigo (and not by the Redress Creditors) except in the case of scheme 2.1.

5. MEETING WITH AMIGO AND ITS ADVISORS 6 SEPTEMBER 2021

5.1 Following the Committee response of 20 August 2021, it was suggested (and I cannot remember by whom) that it would be useful for me to meet with Amigo and its advisors. I attach a note of that meeting at **Appendix 7** . This was prepared by one of Amigo's advisors, but I am satisfied that it is an accurate record.

5.2 My letter of engagement included the provision that I could engage legal and financial advice as I considered appropriate. I did not consider that I required financial advice as Amigo was well advised and I was informed that some of those advisors had assisted in and reviewed Amigo's forecasts.

5.3 Furthermore, I considered that I had a degree of expertise from my roles at Welcome Finance (where the outcome on the collection of loans was very different from the original forecasts) which would allow me to analyse the financial information being provided by Amigo. I understood that the greatest uncertainties would be the collection of existing loans (including the level of set-off to Redress Creditors with a successful claim depending on the uphold rate) which is a subjective area and the likely success of the future business plan.

5.4 I had, however, decided that I did require legal advice and I engaged Nicholas Pike, who is a consultant in the Restructuring team at Pinsent Masons LLP, is well known in the restructuring world, and with whom I had worked in the past. Mr Pike did not attend the meeting on 6 September 2021 (as it was decided it would be without lawyers) but he reviewed the notes of the meeting.

5.5 I wanted to understand how Amigo had arrived at the mid-point outcomes in respect of the five options (from the presentation attached as Appendix 4). The benefit to Amigo of Redress Creditors accepting a proportion of the amount owed to them in order to remove the provision of £338 million included in the financial results as at 30 June 2021 published on Amigo's website was very significant and I felt that the £25 million initial cash consideration was not significant enough.

5.6 Mike Corcoran ("MC"), Amigo's then CFO highlighted that the claims provision cannot be added back in full to the net liabilities, as the provision contains claims settled via Balance Adjustments and some scheme and complaint costs. I took this to mean that if the preferred scheme went ahead, the full sum of £338 million could not be removed from the liabilities in the balance sheet.

5.7 MC presented some slides which showed a potential return on a wind-down of £65 million, as opposed to the £4 million to £58 million range presented to the Committee in August with a mid-point outcome of £31 million. MC said that the £65 million was not risk adjusted which I took to mean that risks could reduce this number, but the scheme scenario projections had improved since the June 2021 numbers due to cash collections in August and September 2021 being better than expected and a reduction in finance costs of £35 million resulting from Amigo repaying a significant amount owed to bondholders earlier than expected.

5.8 I asked Amigo what the improved starting point for scheme 2.1 meant for any proposal in respect of scheme 2.3. MC replied that it would be better than the £25 million as the initial contribution but Amigo required more time to model by how much it could increase.

5.9 In my view, a realistic estimate for scheme 2.1 was £45 million at that stage, which provided a baseline for scheme 2.3. I suggested a range of certain contributions of £65 million to £70 million plus an upside mechanism based on the future share price.

5.10 Amigo said it needed to have further discussions with other stakeholders and would try to finalise the position by the following week.

6. COMPANY BUSINESS PLAN 28 SEPTEMBER 2021

6.1 In the event it was over three weeks before Amigo responded with a comprehensive Business Plan which Amigo wanted to share with the Committee, future investors, and the FCA. I attach, at **Appendix 8**, page 20 of the Business Plan which is the most important page of the presentation as far as the Committee was concerned as it proposed that Redress Creditors would receive the following:

6.1.1 An upfront payment of £50 million which is paid into escrow on day 1;

6.1.2 A second payment – either (i) a range of cash between £0-30 million based on actual Balance Adjustments; or (ii) a fixed sum of £15 million being the mid-point of the range. This would be paid into escrow 9 months after sanction of the scheme;

6.1.3 A further payment of £15 million from "external capital" once the equity capital raise has been completed. The funds from escrow would be released to the Redress Creditors at this point.

6.2 In addition, the slide stated that it was expected that the external capital raise would substantially dilute existing equity and that cash payments of the size proposed would be discussed with bondholders.

6.3 The new proposal was a significant improvement on the previous proposal with a range of £80 to £95 million depending on the level of Balance Adjustments.

7. REPORT TO THE COMMITTEE

7.1 Amigo then sent me a draft Term Sheet for the proposal. I prepared a short report for the Committee which I attach at **Appendix 9**. It is marked as draft, but it was the final report that I sent to the Committee and is dated 12 October 2021. The report covered some of the history which I have included in this report up to the date of the Business Plan and the latest proposals.

7.2 In the report I raised the point again about Amigo having to balance the needs of all its stakeholders. The upfront payment into escrow would come from cash which, under an insolvency waterfall, would go to bondholders first and so this amount could not be of a size which could cause the bondholders successfully to object to the scheme. Likewise, the money coming from external sources could not be of a size that prevented those funds being raised because new investors would see money going to historic creditors rather than being invested in new lending.

7.3 My opinion was that, as a Committee, we could not say to other Redress Creditors that we had negotiated the best deal possible as:

7.3.1 We did not know how much the bondholders would be prepared to see being put into escrow before they might object to the scheme;

7.3.2 We did not know how much future investors might be prepared to see being put into the scheme rather being invested in future lending; and

7.3.3 We did not know how much would be realised from the existing book of loans.

7.4 What, however, could be said is that the Committee had negotiated a much better deal than that proposed in the original scheme and under the original proposals from Amigo for the current scheme.

7.5 I also referred to the different populations of Redress Creditors. Those borrowers with live loans may be able to set-off any redress they receive against their loan balance if their complaint is upheld and so could obtain up to 100 pence in the pound. This redress would also be available in a wind-down scheme or an insolvency. The proposals contained in the Term Sheet related to borrowers and guarantors of settled loans.

7.6 I then set out the proposals which I have referred to above. I also said that Amigo had told me that its advisors had said that any upside mechanism was difficult to implement and might make it difficult to raise new equity.

7.7 Amigo had estimated the outcome for Redress Creditors from a wind-down as being £60.2 million (higher than originally thought due to higher collections) and from an insolvency as being between £33 million and £35 million. This could be compared to the current scheme proposal which offered between £80 million and £95 million.

7.8 I identified the risks as follows:

7.8.1 Scheme 2.3 was not approved by the Court or the Redress Creditors;

7.8.2 Amigo did not start lending again for any reason;

7.8.3 Amigo did not manage to raise sufficient money to lend again at a sufficient volume to make money;

7.8.4 The set-off date for balance adjustments was to be a date other than 1 September 2021 (if an earlier date was chosen there might be a higher level of set-off from customers with live loans and therefore less money for this proposal);

7.8.5 If the Scheme was approved, something happens between the approval date and raising external funds which means that those funds cannot be raised;

7.8.6 On a wind-down, borrowers pay more than is currently anticipated and the costs of collecting those loans is lower than estimated which means the return under Scheme 2.1 would be much higher than forecast by Amigo. We might never know the answer to this. Amigo also thinks that it will take over two years to collect the outstanding loans to the extent they can be collected which is a longer timescale than under scheme 2.3.

7.9 I concluded that; " the Committee can never say it has achieved the best deal. The New Proposal is much better than the Original Scheme and the original proposal for scheme 2.3 and we can say that. The Committee needs to decide whether the New Proposal is acceptable, whether we should accept a fixed sum for balance adjustments or go with a mechanism that might offer more but with the risk that it will be less, and whether we want to insist on a mechanism that might offer more if profits are more than expected or the share price were to exceed certain thresholds."

8. MEETING OF THE COMMITTEE 14 OCTOBER 2021

8.1 A meeting of the Committee was held on 14 October 2021 which was attended by two members of the Committee. I went through the Term Sheet and my report highlighting the major areas. I suggested that the Committee might want to ask for a profit share of any profits in excess of the Business Plan projections in order to share any upside.

8.2 I then noted that the questions for the meeting were:

8.2.1 Do we want to accept the offer; and

8.2.2 What do we want to do with the Balance Adjustments; and

8.2.3 What do we want to do with the profit share mechanism?

8.3 The members then discussed the risks of asking for more, particularly as the bondholders had nothing to lose as Amigo's projection was that they would be paid in full on an insolvency. After some discussion the members present said that we should ask for an increase on the fixed amount from Balance Adjustments and ask for the profit share mechanism.

8.4 I then called the other members of the Committee who all preferred the fixed amount for the Balance Adjustments part of the offer and suggested the Committee should ask for £20 million rather than £15 million as a fixed amount together with a share of profits over and above the Business Plan.

8.5 On 12 October 2021, following discussions with all the members of the Committee, I sent the following email to all members asking for permission to send the following response to Amigo:

"The Committee has considered the draft Term Sheet which offers to scheme creditors in pure money terms:

- *£50 million paid into a separate bank account within 5 business days of the Scheme effective date to be held until the conditions have been met;*
- *A choice of £15m fixed or a mechanism that offers between £0 and £30 million in respect of balance adjustments within 9 months of scheme effective date;*
- *£15 million from external sources to be paid within 10 business days of the conditions set out below being satisfied.*

The Committee is prepared to accept the following (with the same timelines as set out in the term sheet where relevant):

- *£50 million into a separate bank account;*
- *£20 million fixed in respect of balance adjustments within 9 months of scheme effective date;*
- *£15m from external sources;*
- *25 per cent of all profits after tax that exceed the profits set out in the business plan for the 5 years 2022 to 2026 inclusive.*

I confirm that all members of the Committee have agreed to this proposal and, if accepted, will not negotiate further unless the Company changes any of the terms in the current term sheet.

Conditions

We understand that if Amigo does not start lending again within 9 months of scheme effective date and is not lending in accordance with its business plan by that date AND does not raise at least £70 million from external sources within 12 months of scheme effective date, then none of the above takes effect and Amigo goes into a wind-down scheme."

9. NEW LENDING

9.1 Whilst discussing the risks of accepting any offer from Amigo, I was considering the risk that if an agreement was reached with the Committee, the scheme was approved and sanctioned but the new capital was not raised, how much of Amigo's cash would be used in pilot lending on new products in the 12 months following the scheme effective date.

9.2 I asked Amigo to let me have their projections of new lending up until the end of January 2023. On 26 October 2021, Amigo sent me a spreadsheet, the relevant extract of which is attached at **Appendix 10.**

9.3 I reviewed the spreadsheet and then sent the following email to Amigo:

"On reviewing the cash flow and after our conversation, the position on the wind down appears (without any other matters of which I may not be aware) to have improved to the extent that, on the current business case proposal, it offers little or no upside to a wind-down.

At the end of January 2023, the cash flow shows that there will be £93 million of cash after paying the bonds. Even if the other creditors have to be paid in full for operational reasons, that would reduce cash to £87 million. That would seem to give £7m of headroom on a wind down above the current business case proposal. Also, the timing of payment to the redress creditors will be little different. I recognise it depends on the continued performance of the book but, it may be, given that the Company has not lent for some considerable time, that the current book comprises better loan quality than historical performance might predict.

I have always made it clear that there must be significant clear water between any proposal the Committee accepts and the wind-down.

Unless I am missing something fundamental, I cannot see why the Committee, or the FCA with its advisors, would vote for anything other than Scheme 2.1 based on the current information. It also appears strange that the longer the delay on scheme issuance, the better the potential outturn appears to be.

I am happy to discuss with you and your advisors if necessary and, if I am missing something obvious, please let me know."

9.4 In the event, I did not send the response to Amigo sent to the Committee on 12 October 2021 and agreed by the Committee as I believed it to be out of date based on the latest information from Amigo.

10. AMIGO'S FINAL PROPOSAL

10.1 Following my email to Amigo, I discussed the position with Amigo and emphasised that there needed to be a clear difference between the wind-down expected outcome and any new proposal. Amigo said that it understood and said that collections had been better than expected, loan financing costs had substantially reduced from the original forecasts and Balance Adjustments had been lower. It said it would issue a new proposal to the Committee.

10.2 On 12 November 2021, Amigo issued what it said was its final proposal. I attach the term sheet at **Appendix 11**. Amigo also provided two spreadsheets which showed the estimated outcome on a wind-down which was now £78 million and a formal insolvency which showed a range of between £66.4 million and £67.5 million.

10.3 The offer comprised:

10.3.1 £60 million to be paid into the scheme within 5 business days of the scheme becoming effective;

10.3.2 £37 million to be paid into the scheme within 9 months of the scheme becoming effective; and

10.3.3 £15 million to be paid into the scheme within 12 months of the scheme becoming effective.

10.4 All these payments **totalling £112 million** are dependent on Amigo starting lending again and raising at least £70 million from investors within 12 months.

11. COMMITTEE RESPONSE

11.1 I called a meeting of the Committee for 18 November 2021 to discuss the latest proposal. Two members of the Committee attended. I explained the latest proposal and the risks of Amigo lending in 2022 before the conditions had been met and what would happen if Amigo subsequently went into wind-down.

11.2 One of the Committee members said they did not want to ask for more money from Amigo and wanted customers to have the chance to borrow from Amigo in the future. The other member of the Committee also wanted to accept the proposal. It took a while to talk to other members of the Committee, but I managed to contact all but one by 30 November 2021 all of whom wanted to accept the proposal. The final member had been hurt in a road traffic accident and I was unable to speak with him at that time although he did approve the final response to Amigo (as discussed below). In discussing the risks of pilot lending to customers, I suggested net new lending (new lending less repayments from that lending) should be restricted to £35 million.

11.3 On 2 December 2021, I sent an email to all the members of the Committee with a suggested response to Amigo. All the members of the Committee agreed by return email. The text of the email is as follows:

"The Customers' Committee ("the Committee") has considered the term sheet dated 12 November 2021 which you have described as the Company's final proposal ("the Proposal") to the Creditors' Committee.

*The Committee is prepared to accept the Proposal (which comprises £60 million placed into Escrow within 5 business days of Scheme Effective Date, a second payment of £37 million within 9 months of Scheme Effective Date, and a third payment of £15 million within 10 business days of the Conditions Precedent being satisfied) which **totals £112 million subject to the points below**. If the Conditions Precedent are not met or the second and third payments are not met, Scheme A fails and Amigo will go into a wind-down scheme.*

The Committee does not accept that any regulatory fine should be deducted from the first payment of £60 million as set out in the term sheet. This is a matter between Amigo and the Regulator.

In addition, in order for the Committee to support Scheme A, total net new lending must not exceed £35 million in the period up until both Conditions Precedent have been met and the £15m has been received from external funds. This mechanism will need to form part of the Scheme. This helps protect the redress creditors from an unacceptable level of risk in the event that the Conditions Precedent are not met and Amigo then goes into wind-down.

I confirm this response has been agreed by all of the Committee members."

11.4 On 6 December Amigo issued an RNS stating that the Independent Customers' Committee had confirmed its preference for the New Business Scheme and set out the terms of that scheme.

12. EXPLANATION TO THE WIDER BODY OF REDRESS CREDITORS OF THE PROCESS TO REACH AGREEMENT

12.1 As part of the letter of engagement appointing me to be Chairman of the Creditors' Committee, I had agreed to host a webinar for the wider body of Redress Creditors to explain how the Committee had been formed and the process the Committee had gone through in negotiation with Amigo.

12.2 On reflection after seeing the difficulty in getting members of the Committee to attend a meeting at a time convenient to them all, due to work and other commitments, my legal advisor and I concluded it would be better to film a video which could be made public and would be available on demand to the Redress Creditors online. Amigo has told me that almost all its borrowers obtained loans online and so the vast majority can be expected to have internet access.

12.3 In the event, I recorded two videos. The first was a short summary of the process which directed those interested to a longer and more detailed video. This is because a shorter video was likely to obtain higher viewing numbers and because algorithms dictate against longer videos and where they appear on the internet. The script for the two videos are attached at **Appendix 12**. As at 16 February the shorter video had been viewed by 18,608 people and the longer video by 6,007 people.

13. DRAFT EXPLANATORY STATEMENT AND SCHEMES

13.1 On 18 February 2022, Amigo sent my legal advisor the latest draft of the Explanatory Statement, the New Business Scheme, and the Wind-Down Scheme. I and my legal advisor have reviewed the draft Explanatory Statement and New Business Scheme, and we are satisfied that the details set out generally reflect the agreement between Amigo and the Committee. We have not reviewed the Wind-Down Scheme as that Scheme does not contain any points negotiated with the Committee.

13.2 While the New Business Scheme does not make reference to the Committee's condition that total net new lending must not exceed £35 million in the period up until both Conditions Precedent have been met (the "**New Lending Limit**"), my legal advisor has been provided with, and I and my legal advisor have reviewed, a draft of the Contribution and Co-operation Agreement referred to in the New Business Scheme which contains the New Lending Limit. I understand that the reason for the New Lending Limit being included in the Contribution and Co-operation Agreement, rather than the New Business Scheme document itself, is because Amigo (being Amigo Loans Limited) is not a party to the scheme. In the circumstances, I am satisfied that Amigo has accounted for the New Lending Limit in the overall scheme arrangements.

13.3 As noted in the draft Explanatory Statement, Amigo estimates the payment to Redress Creditors to be 42 pence in the £ under the New Business Scheme, between 33 pence and

38 pence in the £ in the Fallback Scheme (which will only occur if the New Business Scheme is sanctioned), 33 pence in the £ in the Wind-Down Scheme, and 28 pence in the £ on an Administration. I understand that Amigo has commissioned a report from EY to comment on the reasonableness of these estimates. The estimated returns support the requirement from the Committee that there is a clear uplift in the estimated payment to Redress Creditors in the New Business Scheme compared to the Wind-Down Scheme. They also support the Committee's view that a Wind-Down Scheme offers a better potential outcome than an administration.

13.4 The New Business Scheme contains, so far as I can see, three potentially material changes to the agreement with the Committee. I have reflected on those changes with my legal advisor, and we believe there is no necessity to seek further agreement from the Committee because the changes either improve the position negotiated by the Committee or there is no change to the financial outcome.

13.4.1 The first change is the Turnover Amount which represents Amigo's collections from its existing loan book which exceed £97 million. This clearly improves the payment to Redress Creditors if there is a surplus.

13.4.2 The second change is in relation to the Excess Cash Amount, which I discuss further at paragraphs 13.5 to 13.7 below.

13.4.3 The third change is the dilution of the current equity holders' mechanism as against the previous provision of at least £70 million raised from external investors to fund the Top-Up Amount. My view is that to make the future business viable Amigo will have to raise substantial funds. If Amigo cannot raise those funds, then the New Business Scheme will fail and the Fall-Back Scheme will replace it. I understand from Amigo that it estimates the amount required will substantially exceed £70 million and Amigo is looking for professional advice to provide some comfort on this point. I do not see that Redress Creditors are prejudiced by this change.

13.5 On 1 March 2022, Amigo made a further change to the scheme in relation to the Excess Cash Amount. As I have said, Redress Creditors are being offered a minimum sum of £15 million if the proposed equity raise under the Preferred Solution (as defined in the New Business Scheme) is successful (being the Top-up Amount referred to in the New Business Scheme). Amigo, with my approval, wished to include a mechanism whereby the £15 million could be increased if there was sufficient demand for the new shares (the Excess Cash Amount).

13.6 Amigo has said that it is difficult to reflect this in prescriptive terms in the New Business Scheme as it is not known at this stage what sum in excess of £15 million, if any, new investors may be prepared to commit to pay to Redress Creditors. Moreover, a structured commitment may be self-defeating in that it may simply result in investors refusing an Excess Cash Amount at any level. Amigo has therefore asked for discretion as to whether or not the sum of £15 million might be increased by the Excess Cash Amount and if so, at what level. That consideration will take place once the results of the equity raise and Amigo's negotiations with investors are known.

13.7 Since the committee has approved the Preferred Solution based on a minimum contribution of £15 million, I took the view that there was no reason to consult them over Amigo's proposal to increase that if it were possible to do so. Given the uncertainty surrounding the appetite of future investors to commit to an additional payment, I do not think Amigo's proposal is unreasonable.

Jamie Drummond-Smith

2 March 2022

APPENDICES

Appendix 1

Jamie Drummond Smith FCA
Conygarth Farm
High Street
Chapmanslade
Wiltshire BA134AP
Email: jamie.ds1@gmail.com
Mobile: 07825 832353

Summary

I am an experienced Executive and Non-Executive Director. I have acted as Chairman, Chair of the Audit Committee, and Chair of the Risk Committee. I also have experience in a regulated environment. I look to provide leadership and challenge in the Board environment as well as a background of commercial expertise.

Skills, experience and personal attributes

Leadership
In the corporate world I have been Chairman, Finance Director, Non-Executive Director and Chief Restructuring Officer as well as a Partner for 11 years with a Big 4 Accounting Firm. I look to provide leadership in situations where other members of the Board may have little or no experience as well as providing a bridge between a company and its stakeholders.

Business Knowledge
In a thirty-eight year career I have worked with clients in many different industries, mainly advising stakeholders, whether these be Holding Companies, Lending Institutions, or members of the professions. My broad knowledge enables me to understand the financial performance, as well as the strengths and weaknesses, of a wide range of businesses. I am happy to take appointments with a regulatory oversight.

Business Management
In the eleven years of partnership at Deloitte, I was a partner responsible for at least one profit centre. Acting as a partner in one of the fastest growing professional services firms in the world, I needed to understand how to grow and develop the profit centres for which I was responsible as well as advising clients across a broad range of industries. I acquired a detailed knowledge of financial statements, syndicated loan agreements, legal contracts, and legislation in different jurisdictions. I also dealt with clients all over the world, understanding different business priorities in other jurisdictions and cultures.

In the last 15 years I have acted in a number of executive and non-executive roles within businesses. Initially these were restructuring roles including Finance Director of Cattles PLC which was a fully quoted sub-prime lender with 5,000 employees which had discovered a £1billion hole in its balance sheet. Subsequently I have largely pursued a Non-Executive career in the financial services arena.

Current Projects

January 2014 – Date

Arthur J Gallagher Holdings (UK) Limited

In January 2014 I was appointed as Non-Executive Director and Chairman of the Audit Committee of this UK subsidiary of a US SEC quoted insurance broker. The UK businesses are growing and currently employ 4,500 staff.

March 2012 – Date

SVS Securities Plc, MF Global UK Limited, Stronghold Insurance Limited, Beaufort Asset Clearing Services Limited

I act (or acted) as an independent advisor to the Creditors' Committee overseeing the fee arrangements of the Administrators of these four organisations. In order to properly advise the Committee, it is necessary to understand the strategy of the Special Administrators and comment on whether this strategy provides the best value for the stakeholders to the estate.

August 2021 - Date

Amigo Loans Plc

I am the Chairman of the Customers' Committee negotiating with the Company the terms of a Scheme of Arrangement

The Forward Trust – 2014 - Date

I am a Trustee and member of the Audit Committee of this charity which helps those suffering from substance or alcohol addiction and their families.

London Screen Academy June 2021 - Date

I am a member of the Finance Committee of this London Academy which is a sixth form Academy training pupils for future roles in Film and television.

Independent Schools Inspectorate 2017 - Date

In June 2017, I was appointed to the Board of ISI which is a not for profit organisation responsible for the oversight of compliance and educational standards in the Independent Schools sector.

I attach a full employment history of previous roles as an appendix.

Appendix

Employment History

May 2014 – January 2021

Hampshire Trust Bank Limited

I was a Non-Executive Director and Chairman of the Audit Committee of this start-up commercial lending bank. I was also a member of the Risk Committee.

March 2009 – December 2019

Cattles PLC and Welcome Finance Limited

I acted as Chairman of Welcome Financial Services Limited having previously acted as Finance Director of Cattles PLC and its main operating subsidiary, Welcome Financial Services Limited. This followed the suspension of 7 senior executives in February 2009 including the Finance Directors of Cattles and Welcome following the discovery of a material overstatement of customer balances in the Accounts. I was one of 3 executive directors of a business with 5000 people and led the finance team of 100. I then became the Chief Restructuring Officer leading the financial restructuring of Cattles and its subsidiaries through 4 separate schemes of arrangement.

April 2019 - August 2019

Arcadia Group Limited

I acted as Interim Chairman of Arcadia Group Limited and Topshop Topman Limited following the sudden resignation of the previous Chair in order to help the Group deliver Company Voluntary Arrangements for 7 of the Group Companies which were supported by creditors. The role included ensuring proper governance for the Boards as well as negotiating with major stakeholders.

November 2007 – September 2013

Barbon Insurance Group Limited

I was Chairman of this FCA regulated insurance intermediary. My first involvement was as Chief Operating Officer and Finance Director (from November 2007 to December 2008), and then for a short period, Chief Executive of the insurance intermediary subsidiary of a publicly quoted company. The company employed 700 people in six different locations with a turnover of approximately £50 million. It is the largest tenant referencer for letting agencies in the UK and also provided insurance broking services to the property industry until the sale of this part of the business in May 2013. I became Chairman in August 2012 after 3 and a half years as a Non-Executive Director and Chairman of the Risk Committee (January 2009 to July 2012).

May 2013 – December 2015

IVG Finance B.V

I act as a Director of this Dutch finance company that has moved its centre of main interests to the UK as part of a wider restructuring. The restructuring of the German parent has not gone as planned and IVG Finance B.V was liquidated having done nothing except issue some bonds prior to my involvement.

August 2011 – November 2012

Leasing and Maintenance Company

I assisted Lloyds Bank as an advisor in respect of its asset based lending to a leasing and maintenance company that had a 20 year PFI contract with a Public Authority.

April 2011 – July 2011

Drive Assist (UK) Limited

I acted as Chief Restructuring Officer of a business with £600m of debt which arose from a private equity buy out in 2007. The business revolved around the founder of the business who was strong willed and had a strained relationship with the senior lender group.

December 2008 – February 2009

Newstar Asset Management

Duties and achievements

I acted as the project manager of the debt for equity swap and sale processes. This involved working with the Directors and staff at Newstar, Investment Bankers, Accountants and Lawyers. I helped manage the flow of information for a huge raft of legal documents and agreements, the data room, and the financial information required by stakeholders and interested parties.

Deloitte & Touche LLP
1981 – 2007

Consultant 2006 - 2007

I continued to advise the UK Firm in respect of some insurance companies in respect of reinsurance collections, investment strategies, negotiations with major stakeholders, and the agreement of insurance claims.

Partner Corporate Finance, London
1996 – 2006

Duties Included
Partner in Charge of two profit centres within the Corporate Finance division of Deloitte comprising, by 2006, thirty-five professional staff turning over £6.5 million. I was responsible for developing the strategy of the two teams, recruiting the necessary people, and leading the pitches to win major new projects.

Projects completed included: returning £1.3 billion to shareholders of Railtrack plc, including selling the property portfolio and mobile telecoms business; acting as Administrator of Drake Insurance plc, with assets of £125 million, 250,000 policyholders (all of whom were eligible for FSCS protection), and 2,000 brokers; advising a syndicate of banks on a US$ 850 million exposure to an international reinsurance company; advising the Department of Trade and Industry on its insurance needs in the nuclear industry; advising a syndicate of banks on their exposure to a £1 billion CDO vehicle.

Director and then Partner, Corporate Finance, Crawley
1992-1996

Duties Included
I led a completely new restructuring team to work in the South East of England, based in Crawley, recruiting the team, and leading the marketing effort to a large number of new contacts in the area.

Manager, Reorganisation Services, London
1985 – 1992

Trainee Chartered Accountant

1981 – 1985

1996-2006

A member of the Finance & Audit Committee of Care International UK, the UK branch of the world's third largest NGO.

Professional Qualifications

Fellow of The Institute of Chartered Accountants
Previous member of the General Technical Committee and the Education & Conferences Committee of The Association of Business Recovery Professionals

Appendix 2

Nova Building
118-128 Commercial Road
Bournemouth
BH2 5LT

Private & Confidential

Jamie Drummond-Smith
Flat 5,
51 Belsize Avenue,
London
NW3 4BN

3 August 2021

Dear Jamie

Appointment as Chairman of the creditors' committee (the *Committee*) formed in connection with the proposed scheme of arrangement of ALL Scheme Ltd (the *Scheme*)

On behalf of Amigo Loans Ltd (the ***Company***), I am writing to confirm your appointment as Chairman of the Committee (the ***Appointment***) on the terms set out below.

Appointment

1. With effect from the date of your countersigning this letter, you will be appointed as Chairman of the Committee.

2. The Appointment is in accordance with the terms of reference of the Committee (a copy of which is enclosed in the Schedule to this letter) (the ***Terms of Reference***).

3. Unless you cease to be the Chairman for any reason during the following period, the Appointment will be for such time as:

   (a) the Committee continues to sit in the performance of its functions (set out in the Terms of Reference in connection with the Scheme); and

   (b) you have performed your duties set out in this letter, including if necessary, attending and providing evidence to the High Court in connection with your role as Chairman at any hearing seeking the sanction of the Scheme.

Time Commitment

4. You will be expected to devote such time as is necessary for the proper performance of your duties. At this stage, the Company anticipates a reasonably significant time commitment but you are aware that the nature of the role makes it impossible to be specific about the time commitment required.

5. By accepting the Appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role.

Role and Responsibilities

6. In your role as Chairman of the Committee, you shall:

   (a) insofar as is necessary, review details of the applications/expressions of interest received from customers seeking to sit on the Committee for the purpose of randomly selecting the members of the Committee;

   (b) possess an understanding of the five options provided by the Company to the Financial Conduct Authority in its presentation dated 24 June 2021 (the ***Options***) (which understanding will also likely involve attending a meeting with the Company, PricewaterhouseCoopers and PJT Partners);

   (c) convene meetings of the Committee to be held in accordance with the Terms of Reference as required with between three and five meetings being anticipated as being necessary;

   (d) adequately explain the Options to the members of the Committee, and if appropriate, negotiate with respect to the terms of any of the Options;

   (e) explore with the Committee any other options not suggested by the Company (the ***Additional Options***);

   (f) assist the Committee with developing any of the Additional Options and provide guidance to the Committee in this respect, based on your previous experience, knowledge of the Company and of the consumer credit sector;

   (g) act as a liaison between the Committee and the Company, in particular with respect to raising queries on behalf of the Committee with the Company and assisting to deliver and explain the Company's responses to the Committee;

   (h) encourage the Committee to come to a firm conclusion on a preferred recommendation;

   (i) present at a webinar for those customers who applied for but who were not selected for membership of the Committee, with the exact content of that webinar to be agreed with the Company closer to the time of its delivery;

   (j) deliver a written report on the business of the Committee to be furnished to the High Court to include the following (the ***Report***):

      (i) details of the selection process for the Committee;

      (ii) details of the review process by the Committee of the Options;

      (iii) details of the consideration of the Additional Options by the Committee (if any);

      (iv) a high-level summary of the Committee meetings (e.g. number of meetings, attendees and key points discussed);

      (v) a high-level summary of the questions asked by Committee during the process and the responses provided by the Company; and

(vi) details of the conclusions of the Committee, including whether its conclusions were unanimous.

(k) provide a witness statement to the High Court detailing the findings of the Report, including exhibiting a copy of the Report to the witness statement, if required; and

(l) be available at Court to answer any queries relating to the Report.

7. In order to assist you in carrying out your role, you shall be able to obtain such legal and financial advice as you consider appropriate. Any fees incurred in obtaining such advice will be met by the Company.

Fees and expenses

8. You will be paid:

(a) an initial upfront fee of £15,000 plus VAT payable upon your countersigning this letter to commence your Appointment; plus

(b) a further fee of up to £15,000 plus VAT upon finalising your witness statement to be submitted to the High Court in connection with your Report, with the final amount to be agreed between you and the Company in due course.

9. The Company will reimburse out-of-pocket expenses reasonably and properly incurred by you as Chairman of the Committee in performing your roles and responsibilities.

Independence and outside interests

10. The Company acknowledges that you have business interests other than this Appointment and that you have declared any conflicts that are apparent at present. In the event that you become aware of any conflicts of interest that may arise, you must disclose these to the Company as soon as they become apparent.

Confidential and price sensitive information

11. You will not at any time (whether during the course of the Appointment or at any time after its termination) make use for your own benefit or for that of any party of information which is divulged to you in your capacity as Chairman of the Committee and which is described by the Company or the party divulging it as being of a confidential nature and/or which by reason of its nature or the circumstances or manner in which it comes to your knowledge is apparently of such a nature, or disclose such information to any other person, firm or company, other than with the authority of the Company or in compliance with any law or regulation, provided always that information shall not be or shall cease to be confidential if and to the extent that it comes to be in the public domain other than as a result of your act or default.

12. Your attention is drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Company.

Termination

13. Notwithstanding any other provision in this letter, the Appointment may be terminated at any time with immediate effect by you giving notice in writing to the Company, or the Company giving notice in writing to you. In the case of the latter, your attention is expressly drawn to the Terms of Reference and the ability for the Committee to propose your removal in place of a different Committee Chairman for the Company to consider.

14. On termination of the Appointment, you will if requested deliver up to the Company all books, documents, papers, information and other property belonging to the Company or any Group Company or relating to the business of the Company or any Group Company, which are in your possession, custody or power by virtue of your position as Chairman of the Committee, and you will not retain copies (other than where the Company permits this in writing).

Data Protection

15. By signing this letter, you consent to the Company holding and processing information about you for legal, personnel, administrative and management purposes.

16. You consent to the transfer of such personal information to other offices the Company may have or to a Group Company or to other third parties for administration purposes and other purposes in connection with your appointment, where it is necessary to do so.

Exclusion of liability and indemnity

17. To the extent permitted by law:

    (a) the Company acknowledges and agrees that it will not in any circumstances seek to argue that you be held liable or responsible for any losses, costs, damages or expenses which may result from anything done or omitted to be done by you in connection with your role as Chairman of the Committee, save for where such losses, costs, damages or expenses arise from or as a result of your gross negligence or fraud; and

    (b) the Company hereby indemnifies you against all claims, damages, losses and expenses reasonably incurred by you arising from or as a result of any claims or actions brought by third parties which are based upon or arising in connection with your role as Chairman of the Committee.

Miscellaneous

18. This letter may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this letter by email attachment or telecopy shall be an effective mode of delivery.

19. You must inform the Company promptly of any change in your address or telephone (including mobile telephone) contact details.

20. The construction, interpretation and performance of the terms of this letter will be governed by the laws of England to the exclusive jurisdiction of whose courts the parties agree to submit.

21. This appointment letter constitutes neither a contract for services nor a service contract.

22. For the purposes of this letter:

Group Company shall mean any subsidiary of the Company from time to time and if a new holding company for the Company is put in place pursuant to a group reorganisation then references to Group Company shall be read as including the new holding company and any subsidiary of that new holding company (other than the Company), and holding company and subsidiary shall be as defined in section 1159 Companies Act 2006.

Please confirm your agreement to the above by signing and returning to me the enclosed duplicate of this letter.

Yours sincerely

Nicholas Beal
For and on behalf of Amigo Loans Ltd

I have read, understood and agree to the above terms of my Appointment as Chairman of the Committee.

....	....
Jamie Drummond-Smith	Date:

Appendix 3

DRAFT

Amigo Loans Ltd "Amigo" or "we".
Customers' Committee ("Committee") terms of reference

These terms of reference are intended to provide redress creditors with:

- An understanding of the role of the Committee.
- Information on how the Committee will be formed.
- Guidance on what would be expected of a redress creditor who chooses to serve as a member of the Committee.
- Information regarding the operation and functions of the Committee.

Introduction

As you will probably be aware, we are facing serious financial challenges. Amigo has been overwhelmed with claims from customers claiming redress for unaffordable lending and unfortunately does not have enough money to pay all existing and expected claims in full. Amigo therefore proposed a scheme of arrangement ("Scheme") which was designed to provide redress creditors with a better return than they would receive in an insolvency. However, although the Scheme was approved by creditors, it was not sanctioned by the Court following opposition by our regulator, the Financial Conduct Authority. Amongst other matters, the Judge wanted creditors to be more involved in the negotiation of the Scheme and we are therefore setting up a Committee of redress creditors to do just that.

What is the role of the Committee?

The primary purpose of the Committee is to assist Amigo in promoting a fair and equitable Scheme to redress creditors. The Committee must represent the interests of redress creditors as a whole, as opposed to their individual interests.

How is the Committee formed?

We are proposing to form a Committee of 8 members plus the Financial Ombudsman Service ("FOS"), which is a typical number in restructurings. These should include both borrowers and guarantors and represent parties with current loans as well as those whose loans have been repaid. We will also endeavour to include a cross section of those who voted for or against the previous Scheme or who did not vote at all.

If more than 8 redress creditors express an interest in sitting on the Committee, the Committee adviser (see below), will choose at random the 8 customer members with, if possible, 1 guarantor and 3 borrowers with current loans and the same numbers with repaid loans.

Members have to agree in writing to sit on the Committee, so you cannot become a Committee member without your knowledge or agreement.

Who can sit on the Committee?

Any redress creditor may put themselves forward to sit on the Committee. FOS, as the largest creditor whose claim is related to the redress claims, will also be invited to join the Committee. However, we do not think it would be appropriate if a Committee member had another relationship with Amigo, so redress creditors who are also shareholders or employees will not be able to sit on the Committee.

To be a redress creditor a person must have an actual claim now, or may have one in the future, against Amigo either for unaffordable lending or some other claim.

No previous experience as a Committee member or special skills/knowledge are required.

Will I get paid for being a Committee member?
Committee membership is voluntary and you will not be paid to sit on the Committee. Reasonable expenses (for example, although it is unlikely that in person meetings will be required, travel costs to a meeting) will be reimbursed.

Can I cease to be a member of the Committee?
You can resign as a member at any time by giving written notice to the Committee adviser.

What does the Committee member role involve?
Amigo does not have enough money to pay all its creditors in full and is therefore insolvent. Some creditors have legal priority over others. We would like redress creditors to be involved in helping Amigo to come up with a Scheme which fairly and equitab ly compensates creditors given the situation Amigo is facing.

We know this is a complex problem, so we have agreed to appoint a Committee adviser, Jamie Drummond-Smith, to help the Committee to work through the options. His appointment letter and CV are attached. He acted as independent chairman to the creditors' meeting for the first Scheme so will be known to some of you.

Jamie will organise a number of ‘virtual’ meetings with the Committee. The Committee will decide with Jamie how often and when to meet but we would not expect this to be more than once a week, with around 5 meetings required. At least 5 members have to attend each meeting.

The Committee role is purely advisory. Members will not be responsible for making any decisions, which will remain the responsibility of Amigo’s directors. Members will also not be liable for anything which happens as a result of Committee participation.

We expect to update redress creditors on the views of the Committee members as regards any new proposed Scheme.

How long will the Committee role last?

Amigo anticipates that the Committee's principal work should be completed by the end of August when the new Scheme is due to be launched.

What are the Committee's powers?
The Committee will have the following powers:

- The right to review and be consulted on the options presented by Amigo as well as the Scheme to be proposed to redress creditors.
- To be consulted on any matter which the Committee, acting reasonably, considers appropriate.
- To remove Jamie and to propose a different Committee adviser for the Company to consider if this is considered appropriate.

Confidentiality and trading restrictions
Committee members are likely to receive confidential commercial information about Amigo and the group. Committee members will need to sign a confidentiality agreement as this information should only be disclosed in an orderly fashion and should be kept confidential until then. Committee members will also not be allowed to buy or sell Amigo shares whilst the information they receive remains confidential.

Exclusion of liability
To the extent permitted by law, Amigo acknowledges and agrees that it will not in any circumstances seek to argue that you be held liable or responsible for any losses, costs, damages or expenses which may result from anything done or omitted to be done by you in connection with your role as members of the Committee, save for where such losses, costs, damages or expenses arise from or as a result of your gross negligence or fraud.

Appendix 4

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PROJECT CONDOR – OPTIONS FOR DISCUSSION
24 JUNE 2021

Contents

Introduction

As per our letter of 14 June we have now refined potential options which we would like to debate further with the FCA, in advance of discussing preferred options with Redress Creditors and their independent advisers.

1. Stakeholders want stability and certainty	**1. Customers**: Our recent customer survey was of a broad selection of those who voted yes, no and did not vote, and provided us with useful feedback. Customers indicated a desire for certainty. **2. Employees**: Understandably very concerned about their future. We are losing employees who are important and are struggling to replace them. This harms the business and recoveries. **3. Investors**: The large Senior Secured Notes (SSNs) claim ranks ahead of unsecured creditors' claims. They are keen to ensure their collateral (today's and future cash) is protected. A Shareholder Action Group has formed and is seeking advice to call an EGM to hold the Board accountable.
2. Amigo 2.0	To generate most value for all stakeholders we will need to fund Amigo 2.0 which means: 1. FCA support is critical, as it will be a gating item for new equity or debt funding; and 2. Resolving the ongoing enforcement proceedings, which make fundraising unlikely.
3. Options Selection	1. We are keen to make progress as quickly as possible. Ideally we want to launch a proposal by August and implement it in September–October time. 2. We continue to agree with you that Redress Creditors are likely to want a simple, easily understood proposal and this document tries to assess each option on that basis, plus also assessing timeline, cost and complexity issues. Note that some options are constrained by funding market issues (e.g. issuing equity in the absence of Amigo 2.0 approval will be unlikely). 3. We outline a potential consultation process with Redress Creditors.
4. Feedback requested	1. Narrowing down options where appropriate 2. Amigo 2.0 lending parameters and timing 3. Broader regulatory position – Moratorium, enforcement actions and set-off 4. Support for early redemption of bonds

Summary of alternatives

	Amigo 2.0 not approved	Amigo 2.0 approved by the FCA			
	Scheme 2.1: Wind-Down Scheme	Scheme 2.2: Amendments to Scheme 1	Scheme 2.3: Rights Issue to Crystallise Profit Share in Amended Scheme 1 and fund Amigo 2.0	Scheme 2.4: Rights Issue / Equity Raise to Benefit Scheme Creditors	Scheme 2.5: Pure Equity under a Restructuring Plan
Description	▪ Back book collected and distributed down waterfall ▪ SSNs recover first, then Scheme Creditors and other unsecured	▪ Changes to Initial Cash Contribution and Profit Share	▪ As Scheme 2.2, but Profit Share replaced with future Rights Issue	▪ Rights Issue; if it fails then Scheme Creditors receive equity directly	▪ Substantially all equity provided to Redress Creditors in consideration for haircut
Scheme Creditors outcome range	▪ Estimated nil to £40m	▪ £25-50m ▪ Of which £25m upfront cash	▪ £25-50m ▪ Of which £25m upfront cash	▪ 7.5-20% of post 2.0 equity value ▪ (estimated £12-36m)	▪ 10-25% of post 2.0 equity value ▪ (estimated £16-45m)
Upfront cash payment?	▪ No	▪ Yes in part	▪ Yes	▪ Some potential, but limited	▪ No
Scheme Creditors payout timing	▪ After confirmation that SSNs are paid in full ▪ Potential for early redemption (H1 2023)	▪ Initial Cash Contribution late 2022 ▪ Profit Share expected in FY25-26	▪ Initial Cash Contribution late 2022 ▪ Rights Issue proceeds on same timing	▪ Receive rights issue proceeds and/or equity (early 2023) ▪ Any subsequent value through equity (market sale or dividends)	▪ Receive equity early 2023 ▪ Any subsequent value through equity (market sale or dividends)
Amigo 2.0 Funding	▪ Not needed	▪ Standalone rights issue ▪ Debt funding	▪ Subsequent rights issue; proceeds shared with Scheme Creditors ▪ Debt funding	▪ Subsequent rights issue diluting Redress Creditors ▪ Debt funding	▪ Subsequent rights issue diluting Redress Creditors ▪ Debt funding
Scheme Creditors benefit from Amigo 2.0?	▪ No ▪ Wind-down only, no Amigo 2.0 ▪ Back-book recoveries likely worse without Amigo 2.0	▪ Yes ▪ Through Profit Share	▪ Yes ▪ Through receipt of rights issue proceeds	▪ Yes ▪ Through equity ownership	▪ Yes ▪ Through equity ownership
Shareholder contribution	▪ Zero recovery	▪ Profit Share	▪ Rights Issue	▪ Equity dilution ▪ Rights Issue	▪ Substantially all equity
SSN Considerations	▪ None	▪ Initial Cash Contribution will be reviewed carefully by SSNs	▪ Initial Cash Contribution will be reviewed carefully by SSNs	▪ None if cash proceeds from shareholders	▪ None if cash proceeds from shareholders
Simple, easily understood proposal?	▪ Yes	▪ Yes ▪ Outcome depends on profit share	▪ Yes ▪ Outcome depends on equity raise	▪ No	▪ Simple structure, hard to value
Implementation Timing / Cost	▪ On Scheme completion ▪ Incremental costs TBD	▪ On Scheme completion and subsequent rights issue ▪ ~£6.4m Incremental Scheme costs	▪ On Scheme completion and subsequent rights issue ▪ ~£6.4m Incremental Scheme costs plus rights issue costs	▪ On Scheme completion and subsequent rights issue ▪ ~£6.4m Incremental Scheme costs plus ~£5m costs of equitising Redress Creditors claims plus rights issue costs	▪ On Restructuring Plan completion and subsequent rights issue ▪ ~£6.4m Incremental Scheme costs plus ~£5m costs of equitising Redress Creditors claims plus rights issue costs
Preliminary conclusions	▪ The fall-back providing Redress Creditors with uncertain recovery	▪ Simple upfront cash based solution, with Amigo 2.0 upside if funded	▪ Upfront cash based solution, but with uncertainty of rights issue	▪ Complex alternative which will take longer to crystallise	▪ Complex alternative which will take longer to crystallise

Scheme 2.1: Wind-Down Scheme

Description

- Scheme Creditors vote on a scheme to allow run-off of the existing book
- Existing loan book is collected until end of life
- Any excess value, after meeting operating costs and senior secured liabilities, is distributed to unsecured creditors (incl. Scheme Creditors)
- No Amigo 2.0; no return to re-lending or continuing business

Pros / Cons for Redress Creditors

✓ Orderly collection of the existing loan book resulting in better recoveries for Scheme Creditors compared to insolvency

✓ Respects claims seniority in the value waterfall: Scheme Creditors get paid out ahead of shareholders

✓ Potential for higher Scheme Creditor recoveries if loan book collections exceed forecasts or costs are reduced

✗ Scheme Creditor recoveries are uncertain and long dated - recoveries will only flow after confirmation that SSNs are paid in full

✗ No opportunity for Scheme Creditors to obtain value from Amigo 2.0 continued business

✗ Costs of recovery may be higher absent Amigo 2.0 given diseconomies of scale; potential for recoveries to be lower

Expected Financial Outcome

	High Case	Low Case
Secured Creditors	Par	93%
Unsecured Creditors, including Redress Creditors	£40m[(1)]	None[(1)]
Existing Shareholders	None	None

Note: Expected Redress Creditor recoveries shown exclude balance adjustments

(1) See Appendix for calculations for high and low case assumptions on back-book.

Implementation timing, risks and costs

- Developed as a fall-back alongside other alternatives
- Incremental costs TBD
- Scheme of arrangement would be launched in August, implemented in September - October
- If the wind-down scheme was not supported by creditors or sanctioned, working assumption that liquidation alternatives would be pursued to preserve value for secured creditors
  - Bondholders have indicated willingness to negotiate some form of pre-packaged solution - form to be determined

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Scheme 2.2: Amendments to Scheme 1

Description

- Terms of Scheme 1 revised following negotiation with a representative committee of Redress Creditors
- Potential to increase the Initial Cash Contribution is under review; working assumption for these materials that it is increased to £25m
  - However, we expect SSN holders will review any cash contribution very carefully and may argue it dilutes their collateral
  - Balance Adjustments Contribution reduced to £10m and mechanism updated accordingly
- Potential to increase the quantum and tenor of Profit Share is under review; working assumption for these materials that it is increased to 20% (from 15%) and by one additional year to five (from four) but there is a limit as the Profit Share makes new funding less profitable

Pros / Cons for Redress Creditors

- ✓ Amigo 2.0 continued business benefits all stakeholders including Redress Creditors and customers
- ✓ Guaranteed Day-1 cash recovery to Scheme Creditors
- ✓ Clear improvement vs. Scheme 1; compromise agreed with Scheme Creditors
- ✓ Shared upside through profit share
- ✓ Shareholders contribute to Scheme Creditors recovery through profit share
- ✓ Secured creditors contribute by permitting Initial Cash Contribution; some potential to tender for bonds at a discount
- ✓ Lower Scheme implementation costs as work done for Scheme 1 can be leveraged
- ✓ Speed of implementation
- ✗ Profit Share timing and quantum would depend on ability to fund Amigo 2.0 and its performance

Expected Financial Outcome

Secured Creditors	Par
Scheme Creditors	£25m Initial Cash £15m 20% 5-year profit share Up to £10m Balance Adjustments Contribution **£25–50m TOTAL**
Amigo 2.0 equity investors*	Equity value commensurate with investment
Existing Shareholders*	Equity diluted by profit share and Amigo 2.0 equity subscription

Implementation timing, risks and costs

- Engagement with Scheme Creditors' committee with 4-6 week consultation process
- £6.4m estimated additional direct costs of the scheme (legal and process costs, costs of advisers for Scheme Creditors, etc.)
- Risk of challenge from SSNs on the basis that their collateral is being diluted
- Updated fairness opinion will be required
- Amigo 2.0 relending starts July 2021 with clarity from FCA on regulatory approach
- Aim to launch new scheme by August and implement by October with renewed approvals from a sufficient majority of Redress Creditors
- Redress creditors receive Initial Cash Contribution on completion in late 2022

Note *: Profit share and equity only have value if Amigo 2.0 is investable

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Scheme 2.3: Rights Issue to Crystallise Profit Share in Amended Scheme 1 and fund Amigo 2.0

Description

- Terms of Scheme 1 revised following negotiation with a representative committee of Redress Creditors
- Potential to increase the Initial Cash Contribution is under review as in Scheme 2.2; assumed £25m
  - Balance Adjustments Contribution also updated in line with Scheme 2.2
- On approval of Amigo 2.0, rights issue to fund the new business and also contribute a fixed cash amount to 'the Scheme pot'
  - Aim to offer Redress Creditors 'crystallised value equivalent' of profit share – quicker monetisation of Amigo 2.0 upside
  - Funded by shareholders who see value in Amigo 2.0 continuation
- As part of any Rights Issue process, the company would first identify whether any stakeholders would be willing to underwrite the issue

Pros / Cons for Redress Creditors

- ✓ Amigo 2.0 continued business benefits all stakeholders including Redress Creditors and customers
- ✓ Guaranteed Day-1 cash recovery to Scheme Creditors
- ✓ Potential for additional return for Scheme Creditors from Rights Issue Contribution
- ✓ Shareholders contribute to Scheme Creditors recovery through Rights Issue Contribution / resulting dilution
- ✓ Secured creditors contribute by permitting Initial Cash Contribution
- ✗ Rights Issue Contribution unlikely if Amigo 2.0 is not approved
- ✗ Execution risk of equity raise to fund Redress Creditors as compared with profit share
- ✗ SSN Change of Control waiver potentially required
- ✗ Uncertainty if rights issue fails

Expected Financial Outcome

Secured Creditors	Par
Scheme Creditors	£25m Initial Cash £15m Rights Issue Proceeds Up to £10m Balance Adjustments Contribution **£25–50m TOTAL**
Amigo 2.0 equity investors*	Equity value commensurate with investment
Existing Shareholders*	Equity diluted by rights issue and Amigo 2.0 equity subscriptions

Note *: Equity only has value if Amigo 2.0 is investable

Implementation timing, risks and costs

- Engagement with Scheme Creditors as per Scheme 2.2
- £6.4m estimated additional direct costs of the scheme (legal and process costs, costs of advisers for Scheme Creditors, etc.). Further costs of rights issue of ~3% of the amount raised
- Risk of challenge from SSNs on the basis that their collateral is being diluted
- Updated fairness opinion required as in Scheme 2.2
- Amigo 2.0 relending starts July 2021 with clarity from FCA on regulatory approach
  - Amigo has been advised that a Rights Issue is unlikely to be executable without new lending, so this assumes Amigo 2.0 is approved
- Redress creditors receive Initial Cash Contribution on completion in late 2022
- Rights Issue timing either upfront or post-scheme
  - Could potentially be done in parallel with Redress Creditor engagement and scheme, but introduces more complexity
- Possible to bring in large institutional investors to underwrite, but again this involves additional parties which go to timing

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Scheme 2.4: Rights Issue / Equity Raise to Benefit Scheme Creditors

Description

- New Scheme agreed following negotiation with a representative committee of Redress Creditors
- Amigo binds itself to do a Rights Issue for 75% of its equity for as soon as practicable after (i) the Scheme is effective, and (ii) Amigo 2.0 has been approved/launched
  - Quantum to be raised equal to Scheme Creditors' claims
- New shares offered to current shareholders on a pre-emptive basis. Cash (if any) paid into 'the Scheme pot'
- After the rights issue period has ended, any shares not taken up in the offer will be offered to institutional investors (the rump placing) with cash (if any) paid into 'the Scheme pot'
- Any shares not placed in the rump placing go to Scheme Creditors in consideration for the release of the liability that PLC owes to the Redress Creditors and FOS
  - Creditor Shares will be held in a trust. It may be possible to achieve earlier monetisation of shares through an organised sell-down

Pros / Cons for Redress Creditors

- ✓ Amigo 2.0 continued business benefits all stakeholders including Redress Creditors and customers
- ✓ Equity upside to Scheme Creditors; potential to benefit from Amigo 2.0
- ✓ Shareholders contribute to meeting the claims of Scheme Creditors through Rights Issue Contribution and dilution
- ✗ No guaranteed cash return to Scheme Creditors
- ✗ Timing / extent of equity return to Scheme Creditors uncertain
- ✗ Complicated structure: Scheme Creditors may struggle to understand the terms / may not want to hold equity
- ✗ Additional costs, timing and execution risk of equity raise approach
- ✗ Dilution of Scheme Creditors' equity on equity raise for Amigo 2.0
- ✗ Potential for zero recovery to Redress Creditors in the event of no Amigo 2.0 investment and weak back-book collections performance
- ✗ SSN Change of Control waiver potentially required

Expected Financial Outcome

Secured Creditors	Par
Scheme Creditors	Assumes no take up in initial rights issue such that Scheme Creditors receive 75% of equity prior to dilution through Amigo 2.0 fundraising 7.5-20% of equity value (after dilution from Amigo 2.0 fundraising) – estimated £12-36m
Amigo 2.0 equity investors*	75-90% of equity value (which would be commensurate with investment)
Existing Shareholders*	2.5-5% equity (after dilution from Amigo 2.0 fundraising)

Note *: Equity only has value if Amigo 2.0 is investable

Implementation timing, risks and costs

- Engagement with Scheme Creditors as per Scheme 2.2
- £11.4m estimated costs being ~£6.4m estimated additional direct costs of the scheme (legal and process costs, costs of advisers for Scheme Creditors, etc.) plus £5m additional cost to reflect structural complexity. Further costs of rights issue of ~3% of the amount raised
- Complexity of issuing listed equity to tens/hundreds of thousands of Scheme Creditors in exchange for debt relief
  - Complex interaction between corporate law, insolvency law and the listing rules
  - As PLC is listed, the FCA Listing Transactions Dept will need to be involved
  - Trust structures to be considered
- Early 2023 estimated completion

Scheme 2.5: Pure Equity under a Restructuring Plan

Description

- New Scheme agreed following negotiation with a representative committee of Redress Creditors
- Substantially all equity (e.g. 95% is typical for restructurings) is transferred to Redress Creditors in consideration for impairing their claims
- Restructuring Plan used for implementation
  - Redress Creditors requested to vote in favour of plan
  - Process broadly similar to Scheme (and so on this page we call this a 'Scheme' for consistency with 2.1–2.4, even though technically this is a Restructuring Plan)
  - No shareholder consent assumed required
- Following approval of Amigo 2.0, we anticipate additional equity will be raised diluting Redress Creditors' shareholdings
  - New investors will seek a return for their investment; initial calculations imply a resulting holding of 75-90% of equity with the expectation that the upper end of that range may be needed

Pros / Cons for Redress Creditors

- ✓ Amigo 2.0 continued business benefits all stakeholders including Redress Creditors and customers
- ✓ Equity upside to Scheme Creditors; potential to benefit from Amigo 2.0
- ✗ No guaranteed cash return to Scheme Creditors
- ✗ Timing of equity return to Scheme Creditors uncertain and would depend on size, profitability and funding of Amigo 2.0
- ✗ Complicated implementation: Scheme Creditors may struggle to understand the terms / may not want to hold equity
- ✗ Would likely require shareholder consent if not achieved with a Restructuring Plan
- ✗ Additional costs and timing of Restructuring Plan
- ✗ Dilution of Scheme Creditors' equity on equity raise for Amigo 2.0
- ✗ Potential for zero recovery to Redress Creditors in the event of no Amigo 2.0 investment and weak back-book collections performance
- ✗ SSN Change of Control waiver required

Expected Financial Outcome

Secured Creditors	Par
Scheme Creditors	10-25% of equity value (after dilution from Amigo 2.0 fundraising) - estimated £16-45m
Amigo 2.0 equity investors*	75-90% of equity value (which would be commensurate with investment)
Existing Shareholders*	~1% of equity value (after dilution from Amigo 2.0 fundraising)

Implementation timing, risks and costs

- Engagement with Scheme Creditors as per Scheme 2.2
- £11.4m estimated costs being ~£6.4m estimated additional direct costs of the restructuring plan (legal and process costs, costs of advisers for Scheme Creditors, etc.) plus £5m additional cost to reflect structural complexity.
- A UK Restructuring Plan ("RP") would organise stakeholders by class
  - This is a new (Summer 2020) legal process used in a number of high profile cases that allows transactions to be implemented with different voting mechanics than a Scheme
  - Redress Creditors would need to vote in favour of the plan
  - In this instance we expect Redress Creditors would vote on a plan to grant them equity, and limit the rights of shareholders to object
- Derogation of Listing Rules may be required
- Early 2023 estimated completion

Note *: Equity only has value if Amigo 2.0 is investable

Issues list from Court's Judgment - Addressing the Court's concerns

<table>
<tr><th></th><th>Scheme 2.1: Wind-Down Scheme</th><th>Scheme 2.2: Amendments to Scheme 1</th><th>Scheme 2.3: Rights Issue to Crystallise Profit Share in Amended Scheme 1 and fund Amigo 2.0</th><th>Scheme 2.4: Rights Issue / Equity Raise to Benefit Scheme Creditors</th><th>Scheme 2.5: Pure Equity under a Restructuring Plan</th></tr>
<tr><td>Scheme not explained properly / presented as binary
(¶ 97, 118-136)</td><td>▪ Consistent with binary approach</td><td colspan="4">▪ Will reflect negotiation with a representative committee of Redress Creditors
▪ Redress Creditors to be represented by a committee with professional advice funded by the company
▪ Potential to package options as a choice
▪ Revised explanatory statement will explain process to reach proposed terms of scheme</td></tr>
<tr><td>Comparator is not correct
(¶ 82-84)</td><td>▪ Consistent with insolvency alternative</td><td colspan="4">▪ Wind-Down Scheme / liquidation is benchmark
▪ Benchmark will inform dialogue with creditor representatives</td></tr>
<tr><td>Redress creditors not represented
(¶ 101, 105-107, 109)</td><td>▪ Limited value in offering representation to Scheme Creditors</td><td colspan="4">▪ Redress Creditors to be represented by a committee with professional advice funded by the company</td></tr>
<tr><td>Low creditor turnout
(¶ 113-117)</td><td colspan="5">▪ We will continue our stakeholder engagement to try to drive turnout
▪ Some risk that customers may disengage after Scheme 1
▪ As anticipated, a significant proportion of the relevant population have identified that they do not have an eligible claim, and therefore are not eligible to vote</td></tr>
<tr><td>No discussions with shareholders
(¶ 93)</td><td>▪ Existing shareholder engagement / consent not required</td><td>▪ Existing shareholder engagement / consent not required</td><td>▪ Shareholder engagement on Rights Issue</td><td>▪ Shareholder engagement on Rights Issue</td><td>▪ Shareholder engagement not required if implement Restructuring Plan</td></tr>
<tr><td>No discussions with secured creditors
(¶ 108)</td><td>▪ Discussions with creditors (incl. retention of FA and LA) needed for the purpose of contingency planning, but may be limited</td><td colspan="2">▪ SSNs will review any upfront cash contribution very carefully</td><td>▪ Creditor consent requirement in case of change of control</td><td>▪ Creditor consent requirement in case of change of control</td></tr>
<tr><td>Unable to conclude on Initial and Future Business Contribution (¶ 91)</td><td>▪ N.A.</td><td colspan="2">▪ Will reflect negotiations with representative committees of stakeholders</td><td>▪ N.A.</td><td>▪ N.A.</td></tr>
<tr><td>Redress Creditors not offered equity (¶ 92)</td><td>▪ Equivalent to giving all equity</td><td colspan="4">▪ Potential to package options as a choice</td></tr>
</table>

Engagement with Redress Creditors

Suggested framework for establishing a representative committee of Scheme Creditors and the consultation process is outlined below.

1 Establishing the Committee

- As soon as possible after this meeting, outreach to Redress Creditors to elicit interest in joining the Committee
  - This could be done by contacting customers by email in the same manner as Scheme communications were sent
  - In addition, a notice could be placed on the website informing customers of the intention to create the Committee in connection with the revised Scheme
- Select [6-10] representatives
  - If possible, the Committee will be spread between (i) borrowers and guarantors, (ii) past and present customers
  - FOS will be invited to join the Committee

2 Advisers appointment

- As soon as possible after this meeting, appoint professional advisers to facilitate the consultation process

3 Consultation process

- Committee and its advisers provided with relevant information
- [4-6] weeks would be offered to the Committee and their advisers to consider the options, discuss them with the company and express their views

Engagement with Redress Creditors is constrained by timing and cost requirements. We expect SSN holders will insist on limiting the costs of establishing the Committee and the consultation process to limit dilution of their collateral

Timetable and Next Steps

Proposed Milestones

	Milestones	Timing
1	Continuous interaction and liaison with the FCA in order to consider and agree the Scheme 2 terms and the initial draft Scheme 2 documentation Formation of creditors' committee and engagement	Throughout June – July
2	Board meeting to formally launch Scheme 2	End of July
3	Liaising with the FCA to finalise the PSL; Issue the PSL(1)	Early/Mid August
4	Liaising with the FCA in relation to the Explanatory Statement and the scheme document	In the weeks following the issuance of the PSL
5	Convening Hearing	End of August (subject to Court availability)
6	Creditors' Meeting	Mid-to-late September
7	Sanction Hearing	Late September/early October

(1) Assumes Scheme 2.2 or 2.3 implemented. Scheme 2.4 or 2.5 would have additional process steps and a longer timetable.

Immediate Next Steps

The FCA's guidance is sought, at its first convenience, on:

1. Narrowing down options
   a) Focus on deliverable options only
   b) Reduce process cost and duplication
2. Amigo 2.0 relending parameters and timing
3. Broader regulatory position
   a) Moratorium
   b) Enforcement actions
   c) Set-off
4. Support for early redemption of bonds

All parties are aware of the urgency of the situation and the need to quickly reach resolution. Clarity regarding the regulatory position is critical to enable further progress with stakeholders

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APPENDIX

Appendix 1a: Bond Buyback - Overview

Using cash to purchase or repay SSN bonds could generate interest savings and crystallise a discount and therefore increase value available for distribution to Scheme Creditors across all options considered.

- Our SSN bonds are currently quoted at a price in the mid-to-high 80s and pay 7.625% coupon, therefore using excess cash to repay bonds can save substantial interest. If we can purchase below par that generates an additional gain, that could be contributed into the Scheme, albeit we would need to test appetite for large volumes to sell below par
- The bonds are organised and have hired legal and financial representation to protect their interests, which include a secured claim on all of our assets
- FCA approval will be required prior to any bond buyback or redemption (VReq requirement)
- There are multiple options that Amigo are considering for buyback / prepayment, along with our investment banking advisers:

	Prepayment / Early Redemption	Open Market Purchase	Tender Offer or Modified Dutch Auction
Description	▪ Company redeems a portion of outstanding bonds before maturity	▪ Broker is hired to purchase bonds on behalf of the company in the open market at the prevailing market price	▪ Company launches public offer to all bondholders ▪ Purchase price either specified (Tender Offer) or based on the lowest price to satisfy the size of the offer (Modified Dutch Auction)
Discount captured	▪ No ▪ Redemption at 101.91c (i.e. at premium) before January 2022 or at 100c (i.e. at par) after January 2022	▪ Yes ▪ Discount depends on acquisition price achieved by the broker ▪ Limited value of discount given 87c current bond price	▪ Yes ▪ Discount depends on specified price ▪ Limited value of discount given 87c current bond price
Interest savings	▪ Yes	▪ Yes	▪ Yes
Implementation considerations	▪ Straightforward implementation ▪ Pays all holders pro rata	▪ Discrete / quick repurchase with limited or no documentation ▪ Unlikely to be sizeable given limited market liquidity ▪ Repurchase of more than 20% of the float requires announcement of bond repurchase program	▪ Organised process with higher associated costs and limited speed of execution ▪ Tender Offers involve some fees and expenses which we would expect at £0.5m-£2m which depend on complexity of price plus a fee to consenting SSN Holders ▪ Requires additional disclosure and related documentation ▪ Premium to current trading price required

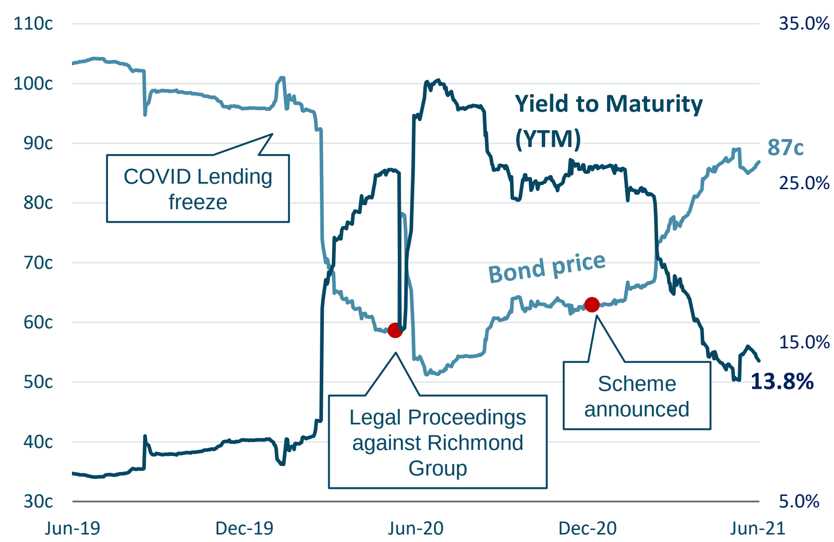
Appendix 1b: Bond Buyback – Illustrative Calculations

Bond Buyback Analysis

Redemption as % of principal outstanding	10%	30%	50%
Principal bought back (£m)	23.4	70.2	117.0
Redemption cost (£m)			
@90c	21.1	63.2	105.3
@95c	22.2	66.7	111.2
@100c	23.4	70.2	117.0
@101.91c	23.8	71.5	119.2
Redemption discount / (premium) (£m)			
@90c	2.3	7.0	11.7
@95c	1.2	3.5	5.8
@100c	–	–	–
@101.91c	(0.4)	(1.3)	(2.2)
Interest saved through to maturity[1]	**4.4**	**13.2**	**22.0**
Net benefit (£m)			
@90c	6.7	20.2	33.7
@95c	5.6	16.7	27.8
@100c	4.4	13.2	22.0
@101.91c	4.0	11.9	19.8

- Buyback price ranges between 90c and 101.91c reflecting
  - Potential buyback discount if executed through open market purchases / tender offer (90-95c, at a premium to current trading price of 87c)
  - Redemption at par (after non-call expiry in January 2022)
  - Redemption at 101.91c (prior to non-call expiry in January 2022)
  - Tender costs could reduce net proceeds and potentially be uneconomic in low take-up scenarios
- 1.91% premium on voluntary prepayment is equivalent to 3 months interest (i.e. early prepayment generates interest savings in excess of the premium after 3 months)

Bond Price and YTM Over Time[2]



- Bond price dropped significantly following the freeze in lending as a result of the COVID-19 pandemic, further impacted by the legal proceedings against Richmond Group Limited
- **Current price and YTM at 87c and 13.8%**

(1) Interest savings estimated based on 5 semi-annual coupon payments saved on the principal bought back

(2) Source: Bloomberg as at 14 June 2021.

Appendix 2a: Perspectives on Equity Value

There is inconsistency between positive equity market capitalisation and the fact that the group's bonds have traded at a discount to par from late 2019 onwards.

- The Group's 'most likely' forecast implies up to £40m of value would remain for unsecured creditors (whose cash redress claims are estimated to be £200-300m) after the secured claims are met
  - There is unlikely to be any equity value for shareholders
  - Equity investment by shareholders is accordingly unlikely
- The Group's bonds have traded at a discount to par since late 2019
  - While at times the Group's equity market capitalisation has been in excess of £100m, at no point has the Group's debt traded at or around par
  - The market price of the company's debt has been more closely in alignment with the company's forecasts than the market price of the company's equity
- The Group's bond investors are, generally speaking, a more institutional and sophisticated investor base than the Group's shareholders
  - Equity analyst coverage of the Group has declined along with its market capitalisation; throughout the period, the only equity analyst covering the Group maintained a 10p target price

(1) Source: Capital IQ as at 18 June 2021.

Appendix 2b: Estimated Outcome in Wind-Down Scheme

As outlined in the Balance Sheet Solvency Analysis dated 7 June 2021, and summarised below, net realised assets available for unsecured creditors are estimated at £40m in High Case and nil in Low Case.

High Case

Mar-21 Balance Sheet Position	£'m	£'m
Net Liabilities	(116.1)	
Add back: Full claims provision	334.2	
Net assets (ex. Claims provision)		**218.1**
Less: Balance adjustments on loan book	(100.2)	
Less: Overlap with impairment	21.2	
Less: Complaints handling costs	(6.1)	
Less: Scheme costs	(8.9)	
Less: Other liabilities (CCJ / Debt sale buy back)	(3.6)	
Less: Pre-scheme complaints	(2.2)	
Net assets (ex. Claims cash liability)		**118.2**

Unaccrued income and expenditure	£'m	£'m
Unearned income		
Revenue	96.6	
Impairment	(55.0)	
Total future realised income		**41.6**
Unaccrued costs		
Future overheads	(71.6)	
Future finance costs	(48.0)	
Total future costs		**(119.6)**
Net unaccrued expenditure		**(77.9)**

Unaccrued income and expenditure	£'m	£'m
Net assets (ex. Claims cash liability)		118.2
Net unaccrued expenditure		(77.9)
Net realised assets available for unsecured creditors		**40.3**

Net realised assets available for unsecured creditors	£'m
10% Collections Sensitivity	9.5
20% Collections Sensitivity	(21.3)
30% Collections Sensitivity	(52.0)
40% Collections Sensitivity	(82.8)
50% Collections Sensitivity	(113.5)

Low Case

Mar-21 Balance Sheet Position	£'m	£'m
Net Liabilities	(296.7)	
Add back: Full claims provision	514.8	
Net assets (ex. Claims provision)		**218.1**
Less: Balance adjustments on loan book	(158.3)	
Less: Overlap with impairment	33.4	
Less: Complaints handling costs	(7.1)	
Less: Scheme costs	(8.9)	
Less: Other liabilities (CCJ / Debt sale buy back)	(5.6)	
Less: Pre-scheme complaints	(2.2)	
Net assets (ex. Claims cash liability)		**69.3**

Unaccrued income and expenditure	£'m	£'m
Unearned income		
Revenue	79.1	
Impairment	(45.8)	
Total future realised income		**33.3**
Unaccrued costs		
Future overheads	(71.6)	
Future finance costs	(48.3)	
Total future costs		**(119.8)**
Net unaccrued expenditure		**(86.5)**

Unaccrued income and expenditure	£'m	£'m
Net assets (ex. Claims cash liability)		69.3
Net unaccrued expenditure		(86.5)
Net realised assets available for unsecured creditors		**(17.2)**

Net realised assets available for unsecured creditors	£'m
10% Collections Sensitivity	(41.4)
20% Collections Sensitivity	(65.7)
30% Collections Sensitivity	(90.0)
40% Collections Sensitivity	(114.2)
50% Collections Sensitivity	(138.5)

Assumptions

High Case

- 20% Application Rate
- 60% Uphold Rate

Low Case

- 25% Application Rate
- 80% Uphold Rate

Please refer to Balance Sheet Solvency Analysis dated 7 June 2021 for details on assumptions and approach to the analysis

- This estimate reflects numerous uncertainties and the Group is continuing to review it; a wind-down case would not differ significantly from this
- By way of example, were collections in a wind-down case to be 10% worse than in a going concern case, this could potentially be offset by the possibility of redeeming bonds early and thereby reducing finance costs

Appendix 2c: Draft Consolidated Balance Sheet as at 31-March-2021

High Case	£m
Non-current assets	
Amounts receivable from customers	132.2
Property, plant and equipment	1.1
IFRS 16 Right of use asset	1.0
	134.3
Current assets	
Amounts receivable from customers	210.8
Other receivables	1.6
Hedging asset	0.1
Cash and cash equivalents (restricted)	6.3
Cash and cash equivalents	177.9
	396.7
Total Assets	531.0
Current liabilities	
Trade and other payables	(13.4)
IFRS 16 lease liability	(0.3)
Provisions	(335.2)
Current tax liabilities	(0.8)
	(349.7)
Non-current liabilities	
Borrowings	(296.5)
IFRS 16 lease liability	(0.9)
	(297.4)
Total liabilities	(647.1)
Net assets / (liabilities)	(116.1)

Low Case	£m
Non-current assets	
Amounts receivable from customers	132.2
Property, plant and equipment	1.1
IFRS 16 Right of use asset	1.0
	134.3
Current assets	
Amounts receivable from customers	210.8
Other receivables	1.6
Hedging asset	0.1
Cash and cash equivalents (restricted)	6.3
Cash and cash equivalents	177.9
	396.7
Total Assets	531.0
Current liabilities	
Trade and other payables	(13.4)
IFRS 16 lease liability	(0.3)
Provisions	(515.8)
Current tax liabilities	(0.8)
	(530.3)
Non-current liabilities	
Borrowings	(296.5)
IFRS 16 lease liability	(0.9)
	(297.4)
Total liabilities	(827.7)
Net assets / (liabilities)	(296.7)

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Appendix 3a: Illustrative funding of Amigo 2.0

In order to continue lending, Amigo 2.0 needs equity funding. We illustrate current thinking showing ~£140m of new equity that will require a return on investment

Illustrative financials and funding

£m, y/e 31 Mar	FY22	FY23	FY24	FY25	FY26
Profit before tax	3.5	(31.8)	(2.8)	33.6	41.2
Tax	(0.7)	--	--	(8.4)	(10.3)
Profit after tax	2.8	(31.8)	(2.8)	25.2	30.9
Assumed P/E on exit					10.0x
Implied equity value before profit share					**308.9**
2026 Net loan book					343.8
Assumed LTV					60%
Assumed debt funding					206.3
Implied Amigo 2.0 net equity funding requirement (assumed funded in FY22)					137.5
Assumed equity raise gross of fees					**140.0**

Implied IRR to equity investor by extent of profit share [1]:

Zero profit share	18.7%
15% profit share for five years	**17.4%**
20% profit share for five years	**16.9%**
25% profit share for five years	16.5%

Observations

- Key inputs to the analysis include:
  - 10x price / earnings ratio on exit, consistent with Amigo's post-IPO experience and historical peers' trading levels
  - 60% LTV debt can be raised against the Amigo 2.0 loan book
- The analysis indicates an equity funding requirement of around £140m gross of fees
- At this size returns to equity investors would be around the mid-to-high teens, at the low end of a customarily investible range for equity investment
  - In this context the scope for enhancing Redress Creditor recoveries through the profit share feature (in Scheme 2.2) or an upsized rights issue (in Scheme 2.3) is clearly limited
  - A profit share mechanism set at too high a rate has the potential to make funding Amigo 2.0 uneconomic
- The group is monitoring ongoing equity market activity and will update assumptions as new information is available

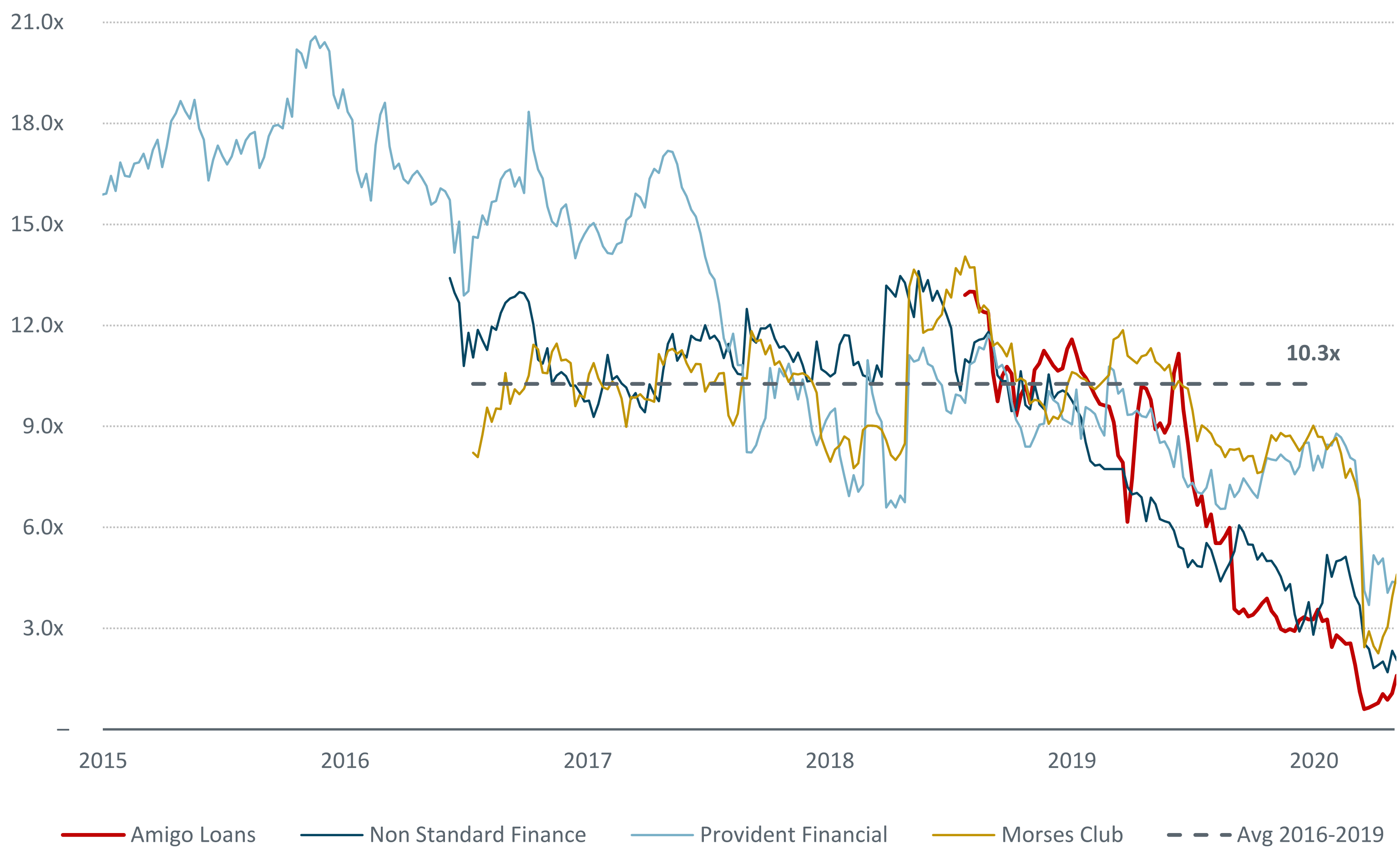
Note: Current estimates being reviewed with our advisers.

(1) For the purposes of this illustration, new Amigo 2.0 investors are assumed to subscribe for 90% of pro forma equity

Appendix 3b: Valuation Considerations

Our 10x P/E estimate is consistent with prior experience.

Historical P/E Multiple Evolution



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Appendix 3c: Estimated Profit Share in Scheme 2.2

The value of the Profit Share is uncertain and will depend on Amigo 2.0 size, profitability and funding. If the Profit Share is too large it will be hard to attract investment.

Estimated profit share

£m, y/e 31 Mar	FY22	FY23	FY24	FY25	FY26	Total
Profit before tax	3.5	(31.8)	(2.8)	33.6	41.2	43.7
Unwind of complaints provision	(23.6)	--	--	--	--	(23.6)
Adjusted profit before tax	(20.2)	(31.8)	(2.8)	33.6	41.2	20.0
15% Profit share	--	--	--	5.0	6.2	11.2
20% Profit share	--	--	--	6.7	8.2	15.0
25% Profit share	--	--	--	8.4	10.3	18.7

- As proposed in Scheme 1, Profit Share was calculated on Profit Before Tax (PBT) excluding impact of complaints provisions
  - This pays out money to Redress Creditors before shareholders get a return
  - Which means that in future if shareholders (or new investors) invested funding, their return would be diluted by the Profit Share
- The Scheme 1 proposal was for 15% PBT to be paid to Redress Creditors for 4 years, with total payments estimated at ~£5m as per the table opposite
- The balance would be available for shareholders. Current thinking is that £100-150m of investment would be needed to fund Amigo 2.0
  - Without this investment, and compromise of unsecured claims, there would be no equity value as per our wind-down forecasts
  - This investment makes more value for all stakeholders including Redress Creditors
- **There is a balance to be struck between the profit share and raising investment**
  - As an example: if we take the example of a 20% profit share illustrated here, this gives total profits of £15m paid to the profit share by FY26 and £5m remaining for shareholders (£3.8m net of tax) who would have contributed c.£140m - effectively ~80% of cumulative after tax profits at that point would have been distributed to Scheme Creditors

Appendix 4: Comparison of previous Scheme 1 and amended Scheme 2.2

Estimated financial outcomes

	Scheme 1	Illustrative Scheme 2.2
Secured Creditors	Par	Par
Unsecured Creditors, including Redress Creditors	£15m Initial Cash £5m 15% 4-year profit share Up to £20m Balance Adjustments Contribution **£15–40m TOTAL**	£25m Initial Cash £15m 20% 5-year profit share Up to £10m Balance Adjustments Contribution **£25–50m TOTAL**
Amigo 2.0 equity investors	Equity value commensurate with investment	Equity value commensurate with investment
Existing Shareholders	Equity diluted by profit share and Amigo 2.0 equity subscription	Equity diluted by profit share and Amigo 2.0 equity subscription

Observations

- As compared with Scheme 1, the scheme 2.2 illustrated in these materials increases expected recoveries for Scheme Creditors as follows:
  - Increases Initial Cash Contribution by £10m
  - Balance Adjustments Contribution commensurately adjusted
  - Profit share increased from 15% to 20% and an additional year added, from four to five

Appendix 5: Takeaways from Customer Survey

Background

- Amigo has surveyed via email **140,000 customers past and present** to hear their thoughts on the outcome of Amigo's proposed Scheme of Arrangement, which was rejected by the High Court in May 2021.
- This is in line with the suggestion of the High Court Judge and forms part of its **ongoing commitment to open and honest engagement with customers.**
  - Amigo surveyed all customers who voted both for and against the Scheme. It also reached out to a representative sample of all other customers, who did not vote.

Key Findings

1. The majority of respondents, comprised of 'for' voters, are **"disappointed" and "frustrated" by the outcome**.
2. More than three times the number of 'for' voters who responded believe another Scheme is the best outcome (28.6%) than do not believe so (8.7%), although **the majority are "not sure yet" (63.4%).**
3. Of those that did not vote, almost **a third didn't feel they had a claim (32%), a large group did not understand the process (36%)** and others backed the role of guarantor loans in rebuilding financial prospects.
4. Amigo also canvassed the views of customers who did not support the Scheme with feedback indicating that they wanted a better deal.

Customer Survey Summary

Group	No. contacted	No. responses	% response rate
Customers who voted **FOR** the scheme	58,881	6,978	12%
Customers who voted **AGAINST** the scheme	3,797	971	26%
Customers who **DID NOT VOTE** at all	79,397 (statistically representative sample)	2,913	4%

Source: Company Press Release.

Appendix 5

Amigo Holdings Plc ("The Company" or "Amigo")

Independent Customers' Committee ("the Committee") Response to The Company's 5 alternate schemes to find a solution for those customers affected to receive compensation.

- The Committee recognises that Scheme 2.1 is a fall-back option if the Company does not receive permission from the FCA to commence lending again or is unable to raise funding to recommence lending. The Committee would support this option over a formal insolvency as it is more likely to result in a return to unsecured creditors:
- Only one member of the Committee would support Scheme Options 2.4 and 2.5 where customers affected would receive equity. We note that the Financial Ombudsman Service, whilst not being able to join the Committee, have indicated that they could not hold equity;
- The remaining seven members of the Committee would prefer more certainty both in terms of receiving money up front and also receiving money from a rights issue rather than a share of future profits;
- The Committee would therefor support Scheme 2.3 but with the up front payment being £50 million rather than £25 million;
- In addition, if Amigo remains a public company the Committee would like to set two trigger points in the share price which would see further contributions of £10 million at each trigger point.

Appendix 6

Amigo Customers' Committee response to Amigo's email of 18 August

- The Committee is disappointed with the response which adds very little to the original proposals;
- Amigo have accepted the Committee's preference for Scheme 2.1 above an insolvency but have not made a substantive response on anything else;
- The Committee would like to understand the possible ranges of dividend to redress creditors. The mid-range for Scheme 2.1 is estimated by Amigo to be £31m and for Schemes 2.2 and 2.3 to be £48m and £45m. That is an extra £14-£17m. If the projected claims are £100m then that is a significant difference but if the claims were £500m then that would amount to an extra 2.8-3.4 p/£ and the total dividend being less than 10p/£;
- The return to redress creditors needs to be a substantial uplift on Scheme 2.1 and it is not accetable for Amigo to say that it is looking at increasing the £25m without a concrete proposal. To make it clear, the Committee is very focussed on money up front and so it has accepted no change to the balance adjustments or the rights issue;
- The share price mechanism is a suggestion from the Committee as a way of protecting redress creditors from possibly accepting a limited dividend whilst Amigo 2.0 is very successful and equity holders make a very substantial return. The Committee is confident that the Company and its advisors can produce a workable solution to meet the Committee's requirements.
- Please confirm that the professional and operational costs of all the Scheme options except 2.1 will be met by Amigo 2.0.

Appendix 7

Project Condor: 6 September 2021; 1000 - 1230

PwC Embankment Place office

Discussion notes of meeting with Customers' Committee Chair

Attendees

Gary Jennison (*GJ*) - Company
Mike Corcoran (*MC*) - Company
Nick Beal (*NB*) - Company
Jamie Drummond-Smith (*JDS*) – Customers' Committee Chair
Mike Wilcox (*MW*) – PJT Partners
Jamie Bolden (*JB*) – PJT Partners
Dan Schwarzmann (*DS*) - PwC
Matt Hann (*MH*) - PwC

Customers' Committee views regarding wind-down Scheme vs 30 June results

JDS: opened the discussion, seeking to understand further detail around the assumptions underlying the Company's Scheme modelling. To JDS' reading, for an upfront contribution cost into the Scheme of £25m, there is a significant net asset upside to the Company in the form of a provision write-off. In addition, for each month that passes, the Company continues to accrue interest and collect from customers with live loans. Focusing particularly on the settled customer cohort, how does the Company end up at the mid-point of £31m?

MC: the forecasts of both the wind-down and Scheme scenario projections have improved since the June 2021 numbers. A key driver of this has been the two months of cash collections since 30 June being greater than was expected.

JDS: noted understanding of the improvements and is aware of the uncertainties which have been considered and which impact the projections. However, in the Committee's mind, the £25m initial cash contribution is not a significant enough commitment in Scheme 2.3's design to provide the certainty that the Committee is seeking. What improvements can the Company make, in terms of contributions, which will deliver increased certainty of return for redress creditors?

MC: one element which may be able to be increased is the upfront cash contribution. The second is the future profit contribution - improvements to which have already been made. A separate point of note on the modelling, which has driven projections, is that it assumes a redress claim uphold rate of 65%. This is higher than has been seen by the Company to date, but not as high as FCA and other parties think that it may be.

GJ: FOS (and hence FCA) think the uphold rate may be 88%, based on historical FOS experience.

NB: the Grant Thornton s.166 looked at this and showed the uphold rate to be lower than 65%. The reason the FOS rate is greater is: if a customer has 5 loans, the Company rejects the claim on all loans, the customer goes to FOS, and FOS upholds the claim only on the last of the loans, FOS records this as a 100% uphold rather than 20%.

The discussion turned to the slides produced by MC/MW. MC talked through wind-down Scheme slides 3 and 4. These illustrate the relationship between the 30 June 2021 balance sheet roll-off and the projected post-Scheme net assets of £58.6m, and the projected post-Scheme net assets with updated assumptions of £65.0m. In particular, it was highlighted that the claims provision cannot be added back in full to net liabilities, as the provision contains claims settled via balance adjustments and some Scheme and complaints costs.

ACTION JDS requested that the Company provides a reconciliation between the numbers explained and discussed in the slides, and the Excel file.

JDS: queried whether PJT has reviewed the underlying numbers within the modelling.

MW: responded that the numbers had not been audited and that PJT's work has focused on the modeling.

MC: further noted that the roll-off model assumes that the bonds continue to be used for financing of ongoing business and are not repaid. Compared to the wind-down model, a major driver of the potential upside shown in the wind-down view is a reduction in finance costs. This arises from a significant assumed bond pay-off in January 2022 which would reduce the future finance costs by c.£35m.

MC: the wind-down is solely for ALL, whereas the 30 June balance sheet relates to the Group. There are therefore some other Group assets, including £6m of cash held in AMSL, and a number of intercompany balances which would need to be unwound in a wind down. The wind-down model also includes an assumption regarding collections stress. This is modelled as a 10% reduction of forecast collections from customers, following the announcement of a wind-down. This reduction may result from customer action, but also from reduced collections effectiveness due to the erosion of skilled and experienced staff.

GJ: the staff concern is a potentially serious problem for the business. The Company has lost 36/250 staff since the Court hearing in March, this despite there being a retention scheme in place in the form of financial incentives. The Company needs the right quality of staff to continue to collect the remainder of the loan book at the current levels.

MC: the models remain subject to variability in assumptions. They do not include the potential cash impact from possible regulatory fines, nor from the possibility of escrowing an estimate of equitable set-off which remains under discussion with the FCA.

NB: ALL will respect rights to equitable set off where they arise. This action will impact future cash balances but would also rebound onto guarantors.

JDS: queried whether the Company has experienced an accelerated rate of borrower late payment deterioration?

MC: responded that deterioration is happening at a faster rate, but the greatest difference within the book is being driven by those borrowers that have received Covid payment holidays versus those borrowers which have not received a holiday. With more loans moving into IFRS9 stage 2 or stage 3 at a greater percentage than at March 2021, and with 50% of the live book having taken Covid payment holidays, the Covid effect is significant in terms of contributing to the increasing delinquency.

ACTION Company to provide further detail regarding the contributions which will be made in Scheme 2.3.

ACTION Company to provide further detail on equitable set-off and the impact which this may have on the cash assets potentially available to the Scheme as contributions.

ACTION Company to provide further detail on the impact of balance adjustments on the cash assets potentially available to the Scheme as contributions.

Scheme 2.3

JDS: the wind-down Scheme (2.1) starting point has improved. However, what does this do to Scheme 2.3?

MC: responded that it will also be better and greater than the £25m previously communicated as the initial contribution. However, more time is required for the Company to model how much will be possible to be contributed.

JDS: stressed that the major concern for the creditors is to secure certainty. Presently, the lowest risk to redress creditors is the wind-down Scheme. Therefore Scheme 2.3 needs to be a significantly better proposition than the wind-down Scheme for the Committee to support it.

NB: whilst timing may not be a Committee issue, in Scheme 2.1 vs Scheme 2.3, there will be different payout timings, which should also be borne in mind. Payout will be sooner in Scheme 2.3.

JDS; the benefit offered by a non-wind-down Scheme in terms of speed of redress payment carries little weight in comparison to certainty. However, JDS requires the remodelled numbers for 2.3 to take back to the Committee.

MC: the Company may be able to increase cash contribution. In terms of a balance adjustment contribution, this may be in a range of £0-30m but will likely be based on modified redress claim uphold rates (65%, rather than the blended 45% included in the original Scheme) with a range of balance adjustments of c.£45m to c.£125m. That £80m spread would equate to approximately an additional £30m cash.

JDS: as an alternative, and in addition to the increased upfront cash, could the balance adjustment cash be contributed to the Scheme at staged times (e.g. an additional £[10]m at +[3]m, £[10]m at +[6]m and £[10]m at +[9]m)? This would provide the creditors with more certainty than the balance adjustment mechanism, which the Committee is also uncomfortable that the FCA may resist.

JDS: in JDS view, a realistic estimate of Scheme 2.1 is c.£45m which provides a baseline for assessing Scheme 2.3. Currently, the proposal is for £35m of initial contribution, plus £15m from a rights issue, plus the balance adjustment contribution. This results in Scheme 2.3 being a little more than 10% better than Scheme 2.1 (£35m + £15m - £45m / £45m) but in JDS view, this 10% is insufficient for the Committee to recommend Scheme 2.3, although JDS noted that this contribution structure would provide greater certainty than under the wind-down Scheme 2.1. As an alternative proposal, JDS suggested £35m initial contribution, plus £15m contribution (as a replacement for the balance adjustment contribution and therefore provide greater certainty around the contribution value) nine months after the Scheme effective date, plus £15-20m from a rights issue. This would provide a range of certain contributions of £65-70m which would be a good starting point. And in addition, if Amigo 2.0 is successful, there would be further contribution in the form of a share price kicker or profit share. In JDS' view, the Committee may be seeking c.£20m above the base Scheme model (2.1) for Scheme 2.3 to be supported by the Committee. The Committee recognises that there is a balance to be struck between the value of cash contribution and keeping the Company viable so that the crystallisation of future profits through a rights issue is feasible. However, the Committee's major goal remains the certainty that cash contributions would provide.

Next steps

JDS: queried whether the Company could complete its revised modelling by close of business on Wednesday if he seeks to convene a Committee meeting on Thursday? JDS suggested that the Company attends this meeting to present the changes to the models to the Committee. An aim may then be to finalise the contribution negotiations in the week commencing 13 September?

[JDS left the room for 25 mins to allow consultation between the Company and advisers.]

NB: the feedback from the Committee via JDS presents challenges for the Company but the Company is appreciative of JDS' time for the discussion. The Company will undertake the work needed to provide the required information on Wednesday and present this to the Committee on Thursday. Initial thoughts are that the Company can contribute £55m, however there will need to be further conversations with bondholders. The Company also needs to have further discussions with the FCA. The Company agrees with JDS that the objective should be, following any further Committee questions, to try to finalise the position next week.

JDS: a £10m movement (from Scheme 2.1 being c.£45m to Scheme 2.3m being £55m) is tight and the Committee will be unable to make a final response until a final offer from the Company is received. In JDS view, the £55m would not be acceptable. On top of the £55m, there will also need to be something in the Scheme such that, if Amigo 2.0 is successful and the share price or profits rise, Scheme creditors are able to share in this success.

ACTION For inclusion in the Company pack for presentation to the Committee on Thursday, an illustration of how the shareprice kicker mechanism would work.

MC: the Company will continue to work the numbers.

The meeting closed at 12:30.

Appendix 8

The Scheme Options

Scheme outcome - new funding

This option proposes that scheme creditors will receive the following:

- A) An upfront payment of £50m which is paid into an escrow on Day 1.
- B) A second payment – either (i) a range of cash between £0-30m based on actual balance adjustments; or (ii) a fixed sum of £15m being the mid-point of the range. To be paid 9 months after sanction into escrow.
- C) A further payment of £15m from "external capital" once the equity capital raise has been completed. Funds from escrow released to scheme creditors at this point.
- It is expected that the external capital raise will substantially dilute existing equity.
- Cash payments of this size would need to be discussed with bondholders

Scheme outcome - wind-down

- If new funding or FCA approval is not achieved the sums in escrow will be released to SSN holders.
- The projected wind-down of the business envisages value being available for unsecured redress creditors once all assets realised and costs paid.
- However, the inherent uncertainty associated with the recovery of the loan book in a wind-down, means the actual outcome of the scheme and payments to creditors cannot be guaranteed.
- Scheme creditors will bear the risk of any future deterioration of financial position.
- Equity holders will receive no distributions.
- The date of set-off of balance adjustments within the wind-down scheme will impact funds available for scheme creditors.

Appendix 9

Draft Report on the revised proposal from Amigo Loans to the Customer Committee

Introduction

Amigo proposed a scheme of arrangement in March of this year which was approved at a meeting of creditors but was not approved by the Court. I will call this scheme the "**Original Scheme**".

Amigo are proposing a new scheme of arrangement to redress creditors to avoid a formal insolvency and, if possible, start lending again. In order to meet some objections to the Original Scheme and schemes proposed by other companies, Amigo decided to set up a Customers' Committee comprising three live borrowers, one guarantor of a live loan, three borrowers who had settled their loans and one guarantor of a settled loan. The members of the Committee were chosen randomly from over 4,000 current or previous borrowers and their guarantors who offered to sit on the Committee. I was appointed to chair this Committee.

In August, the Company prepared a document which they presented to some of the Committee, and I followed up with those members who could not attend the presentation. In that document they proposed 5 options from which the Committee could choose one option, or a combination of options, or propose their own suggestion. At the meeting and in subsequent discussions the Committee (by a majority of 7-1) stated that they preferred more certainty with a possible lower return rather than holding equity which comprised two of the five options. They understood that option 2.1 was a wind-down scheme and was the fallback option. The two remaining options were broadly the same with the only difference being that, in addition to £25 million up front and up to £15 million of balance adjustments, Scheme 2.2 offered a future profit share and Scheme 2.3 offered £15 million from a rights issue. The Committee preferred the greater certainty of the rights issue.

On 11 August I sent a response to the Company which every member of the Committee approved. In it, the Committee voted for Scheme 2.3 with the exception that the upfront payment should be £50 million rather than £25 million. In addition, the Committee asked that two further payments be made if the share price exceeded two thresholds.

I met with the Company and its financial advisors on 6 September where, amongst other things, I said that any proposal from the Company for a scheme other than scheme 2.1 needs to show a significant improvement over the estimated outcome from scheme 2.1. At that meeting, the Company thought that they could offer a contribution of approximately £55 million (little change from the Original Proposal).

Amigo Loans have now sent what they call a "term sheet" containing a revised proposal (what I call the "**New Proposal**") to the Customers' Committee which I attach. This is quite a legal document and so I set out the main points below. It should be noted that if Amigo does not start lending again or raise new funds then the scheme offering the New Proposal fails and Amigo will go into wind-down (or possibly insolvency) and redress creditors who are not entitled to set-off will receive whatever is left, after the bond holders have been paid, alongside other unsecured creditors.

Any proposal needs to balance the rights of all of Amigo's creditors. The company has significant cash at bank but there are bond holders who have a legal right to this cash first. If the company offers too much cash to redress creditors, then the bond holders might try to oppose the scheme.

In the same way, some of the funds that Amigo propose to pay to creditors come from new money they are hoping to raise for future lending. Anyone lending new money will want something in return which will come from future lending rather than paying historic creditors and so it may not be possible to raise those funds if too much is paid to redress creditors rather than being used to fund future lending. It is very difficult to say what the maximum amount could be paid to customers with redress claims in advance of any discussions with possible funders

As the Committee, we will not be able to say that we have negotiated the best deal possible because we do not know how much the bond holders might be prepared to give up nor the amount that new providers of funds might be prepared to see being paid to creditors from the past. We also do not know to what extent the current loans will be paid back if the Company was to go into wind-down. What we can say is that we have negotiated a much better deal than the Original Scheme proposed and the original option 2.3 offered under the current scheme proposals.

The Committee comprises those representing borrowers with live loans and their guarantors and those representing borrowers with settled loans and their guarantors. For live loans, if redress is due, then set-off will be available and balances will be adjusted and that should be available, to some extent, in an insolvency or in a scheme of arrangement although the set-off date is uncertain at the moment. The proposals below largely affect those due redress from settled loans. The point I am making is that the total redress will comprise set-off for those with live loans and the proposals below for those with settled loans.

The New Proposal

- Amigo will pay £50 million into a separate account within 5 days of the Scheme becoming "effective" after being approved by the Court;
- Amigo will either (and this is a choice the Committee will need to make):
    - Pay a further £15 million into the Scheme within 9 months of the Scheme becoming effective; or
    - Pay an amount depending on the level of "balance adjustments" (which are the redress amounts which are set off against outstanding loans) of between £0 and £30 million;
- Amigo will pay £15 million within 10 days of Amigo both lending again and continuing to lend **and** raising at least £70 million of funds, which might take up to a year.
- The New Proposal does not include any further payments if the share price reaches a threshold. The Company's advisors think this is difficult. The Committee needs to decide if we press this point.

Comparison

In the Original Scheme the payment into the separate account was £15 million, the amount in respect of balance adjustments was up to a maximum of £20 million and there was to be a payment in respect of future profits which was uncertain. The New proposal is a significant improvement on the Original Scheme.

The original proposal to the Customers' Committee offered 5 options and the Committee chose option 2.3 which offered more certainty of funds being received. This proposal was a payment into a separate account of £25 million, up to £15 million in respect of balance adjustments, and £15 million from a rights issue. The New Proposal is also a significant improvement on the original proposal which is a result of the Committee negotiating with Amigo.

The New Proposal also needs to be compared to the run-off scheme and an insolvency. Amigo have now estimated outcomes from a run-off scheme as being funds available for unsecured creditors of £60.2 million (this is higher than originally thought due to higher collections) and from an insolvency as being between £33 and £35 million. These estimates are uncertain as it depends largely on how and to what extent customers (and their guarantors) with existing loans continue to pay.

This compares to a possible recovery of between £80 and £95 million from the new proposal.

Risks

I see the risks as being:

- Scheme 2.3 is not approved by the Court or the Creditors;
- Amigo does not start lending again for any reason;
- Amigo does not manage to raise sufficient money to lend again at a sufficient volume to make money;
- The set-off date for balance adjustments is a date other than 1 September 2021;
- If the Scheme is approved something happens between the approval date and raising external funds which means that those funds cannot be raised.
- On a wind-down, borrowers pay more than is currently anticipated and the costs of collecting those loans is lower than estimated which means the return under Scheme 2.1 would be much higher. We might never know the answer to this. The Company also think that it will take over two years to collect the outstanding loans to the extent they can be collected which is a longer timescale than under scheme 2.3.

Conclusion

The Committee can never say it has achieved the best deal. The New Proposal is much better than the Original Scheme and the original proposal for scheme 2.3 and we can say that. The Committee needs to decide whether the New Proposal is acceptable, whether we should accept a fixed sum for balance adjustments or go with a mechanism that might offer more but with the risk that it will be less, and whether we want to insist on a mechanism that might offer more if profits are more than expected or the share price was to exceed certain thresholds.

JDS 12 October 2021

Appendix 10

Balance Sheet	FY22 BUD	FY22 BUD	FY22 BUD	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR	FY23 FOR
£'000	**Jan-22**	**Feb-22**	**Mar-22**	**Apr-22**	**May-22**	**Jun-22**	**Jul-22**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Jan-23**
PPE	1,378,914	1,348,245	1,317,229	1,282,880	1,248,530	1,214,181	1,179,831	1,145,482	1,111,133	1,076,783	1,042,434	1,008,085	973,735
Deferred Tax	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Non-Current Assets	**1,378,916**	**1,348,247**	**1,317,231**	**1,282,882**	**1,248,532**	**1,214,183**	**1,179,833**	**1,145,484**	**1,111,135**	**1,076,785**	**1,042,436**	**1,008,087**	**973,737**
Stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Debtors	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103	3,646,103
Broker Commissions	4,356,945	3,978,433	3,626,446	3,240,320	2,865,876	2,520,536	2,201,911	1,909,722	1,641,940	1,400,389	1,183,067	986,904	812,114
Related Party	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270	8,933,270
Other Creditors	(8,689,595)	(8,769,927)	(8,393,471)	(7,780,983)	(7,261,079)	(7,125,889)	(6,854,015)	(6,744,045)	(6,906,565)	(6,748,978)	(6,806,164)	(6,695,178)	(6,638,194)
Complaints Provision	(6,531,841)	(3,265,920)	0	0	0	0	0	0	0	0	0	0	0
Working Captial	**1,714,883**	**4,521,958**	**7,812,348**	**8,038,710**	**8,184,169**	**7,974,019**	**7,927,270**	**7,745,050**	**7,314,748**	**7,230,784**	**6,956,275**	**6,871,099**	**6,753,292**
Gross Loan Book	145,691,843	134,768,538	120,910,958	107,566,571	94,852,628	82,686,611	71,174,224	61,514,019	52,349,637	44,748,423	37,615,305	31,322,194	25,204,783
Impairment Provision	(27,885,609)	(26,062,529)	(23,676,844)	(21,322,033)	(19,121,769)	(16,958,259)	(14,851,080)	(13,003,354)	(11,313,688)	(9,851,017)	(8,351,895)	(7,125,756)	(5,885,039)
Loan Book	**117,806,234**	**108,706,009**	**97,234,114**	**86,244,538**	**75,730,859**	**65,728,352**	**56,323,144**	**48,510,664**	**41,035,948**	**34,897,406**	**29,263,411**	**24,196,437**	**19,319,745**
Cash	139,435,680	146,890,819	153,472,869	162,802,006	171,904,771	180,943,244	184,969,019	191,858,683	198,537,804	203,478,741	208,268,824	211,710,877	210,453,645
Accrued Interest	(759,924)	(1,503,679)	(2,247,434)	(2,991,189)	(3,734,945)	(4,478,700)	(759,924)	(1,503,679)	(2,247,434)	(2,991,189)	(3,734,945)	(4,478,700)	(759,924)
Unamortised bond fees	647,380	586,325	525,271	464,216	403,162	342,107	281,053	219,998	158,944	97,889	36,835	(24,220)	(85,274)
RCF	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)	(117,050,000)
Securitisation borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholder Loan Notes	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding	**22,273,136**	**28,923,465**	**34,700,706**	**43,225,032**	**51,522,988**	**59,756,652**	**67,440,148**	**73,525,003**	**79,399,313**	**83,535,440**	**87,520,714**	**90,157,957**	**92,558,447**
Corporation Tax	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382	1,001,382
Net Assets	**144,174,551**	**144,501,062**	**142,065,780**	**139,792,544**	**137,687,930**	**135,674,588**	**133,871,777**	**131,927,583**	**129,862,527**	**127,741,798**	**125,784,218**	**123,234,962**	**120,606,603**
Share Capital	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073	1,199,073
Share Premium	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111	207,905,111
Merger Reserve	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)	(295,280,738)
P&L Reserve	230,351,104	230,677,615	228,242,334	225,969,097	223,864,484	221,851,141	220,048,330	218,104,136	216,039,080	213,918,352	211,960,771	209,411,515	206,783,156
Equity	**144,174,551**	**144,501,062**	**142,065,780**	**139,792,544**	**137,687,930**	**135,674,588**	**133,871,777**	**131,927,583**	**129,862,527**	**127,741,798**	**125,784,218**	**123,234,962**	**120,606,603**

Appendix 11

Subject to Negotiation

Scheme A

Date	12 November 2021.
Company	Amigo Loans Ltd.
Scheme Co	ALL Scheme Ltd.
Purpose	Scheme of Arrangement under Part 26 of the Companies Act 2006.
Redress Creditors	Borrowers or guarantors (past or present) who have a valid claim for Redress Liability against the Company.
Redress Liability	In the case of a borrower, if under the terms of the Scheme claims review and adjudication process it is concluded that the original loans should not have been made, 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 by the borrower after the 'Principal' has been repaid. (The 'Principal' refers to the amount of money originally lent to a customer by Amigo.) In the case of a guarantor, if under the terms of the Scheme claims review and adjudication process it is concluded 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 by the guarantor; less (iii) any amounts reimbursed by the borrower to the guarantor. In addition, the guarantee will not be enforced against the guarantor where the guarantor's claim for Redress Liability is found to be valid.

Scheme Creditors	Redress Creditors, and the Financial Ombudsman Service (FOS), in relation to the FOS fees due from the Company to FOS.
Upfront Payment	£60,000.000 to be paid to Scheme Co in sterling within 5 business days of the Scheme Effective Date and a second payment of £37,000,000 to be paid to Scheme Co within 9 months of the Scheme Effective Date[1].
New Funding Payment	£15,000,000 to be paid to Scheme Co in sterling within 10 business days of the Conditions Precedent having been satisfied.
Set-off Date	Scheme Effective Date[2].
Funding Period	12 months from date of Scheme Effective Date.
Scheme Effective Date	Date that a copy of the order of the Court sanctioning (approves) the Purpose (scheme of arrangement) is delivered to the Registrar of Companies for registration.
Scheme Fallback Date	Any date during the Funding Period on which Amigo decides (acting reasonably) that it has not met or is not likely to meet the Conditions Precedent.
Scheme Fallback	On the Scheme Fallback Date, the Effect of the Scheme Fallback will occur, and the business will be wound-down with surplus monies, after repayment of the bond, costs and expenses, being paid to the Scheme Creditors.
Conditions Precedent	(1) Amigo recommences lending within 9 months of the Scheme Effective Date and management reasonably believe that the business plan is capable of being met over the next 18 months. (2) Amigo raises from external sources at least £70m of finance within 12 months of the Scheme Effective Date which dilutes existing equity by at least ●[3]%.
Effect of Conditions Precedent Satisfaction	Until the Conditions Precedent are satisfied or the Scheme Fallback occurs, the Upfront Payment shall be held in escrow.

[1] Any FCA fine imposed on the business in relation to the current Investigations will be deducted from the Upfront Payment. The Upfront Payment amount is conditional on the escrow for live loans with existing complaints start date being 30 November 2021

[2] The impact of any earlier date would need to be considered as to whether there should be an overall reduction (equal to the total additional cost of set-off due to the earlier date) in the Upfront Payment, and New Funding Payment (applied to the relevant payments in that order).

[3] Percentage still subject to discussions with PJT and FCA.

	Within 10 business days of both the Conditions Precedent being satisfied, the funds held in escrow shall be released to Scheme Co to pay to Scheme Creditors.
Effect of Scheme Fallback	If the Scheme Fallback occurs, the Upfront Payment shall be repaid in full (plus any accrued interest) to the Company.
Costs	All legal and other fees, costs and expenses (plus VAT) incurred by the Company and Scheme Co in connection with the negotiation, preparation, and execution of the Purpose are for the account of the Company.
Governing law	Laws of England and Wales.
Jurisdiction	Courts of England and Wales.
Other	All other terms and conditions shall be included in the Scheme Document and explained in the Explanatory Statement.

Scheme B

Date	12 November 2021.
Company	Amigo Loans Ltd.
Scheme Co	ALL Scheme Ltd.
Purpose	Scheme of Arrangement under Part 26 of the Companies Act 2006 only to be proposed to be sanctioned in the event that Scheme A is withdrawn or not sanctioned.
Redress Creditors	Borrowers or guarantors (past or present) who have a valid claim for Redress Liability against the Company.
Redress Liability	In the case of a borrower, if under the terms of the Scheme claims review and adjudication process it is concluded that the original loans should not have been made, 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 by the borrower after the 'Principal' has been repaid. (The 'Principal' refers to the amount of money originally lent to a customer by Amigo.) In the case of a guarantor, if under the terms of the Scheme claims review and adjudication process it is concluded 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 by the guarantor; less (iii) any amounts reimbursed by the borrower to the guarantor. In addition, the guarantee will not be enforced against the guarantor where the guarantor's claim for Redress Liability is found to be valid.
Scheme Creditors	Redress Creditors, and the Financial Ombudsman Service (FOS), in relation to the FOS fees due from the Company to FOS.

Upfront Payment	None
New Funding Payment	None
Set-off Date	Scheme Effective Date[4].
Scheme Effective Date	Date that a copy of the order of the Court sanctioning (approves) the Purpose (scheme of arrangement) is delivered to the Registrar of Companies for registration.
Interrelationship with Scheme A	Scheme B shall only take effect if (i) the Court refuses to sanction Scheme A, or (ii) prior to such refusal, Scheme A is withdrawn by the Company/Scheme Co. Upon Scheme A becoming effective, the Company/Scheme Co will withdraw Scheme B.
Scheme Effect	On the Scheme Effective Date, the business will be wound-down with surplus monies, after repayment of the bond, costs and expenses, being paid to the Scheme Creditors.
Costs	All legal and other fees, costs and expenses (plus VAT) incurred by the Company and Scheme Co in connection with the negotiation, preparation, and execution of the Purpose are for the account of the Company.
Governing law	Laws of England and Wales.
Jurisdiction	Courts of England and Wales.
Other	All other terms and conditions shall be included in the Scheme Document and explained in the Explanatory Statement.

[4] The impact of any earlier date would need to be considered as to whether there should be an overall reduction (equal to the total additional cost of set-off due to the earlier date) in the Upfront Payment, and New Funding Payment (applied to the relevant payments in that order).

Appendix 12

Amigo Loans

Script for Video

Summary

Hello everyone. My name is Jamie Drummond Smith and I am the Chairman of the Customers' Committee for Amigo Loans. Where I talk about Amigo, this is Amigo Loans Limited. This is a short summary of the make up of the Committee and what it has done. The Committee was formed from representatives of current and former borrowers and guarantors of Amigo to negotiate the terms of a new scheme of arrangement. I will explain the history of the negotiations and many of the terms in this summary in much more detail but, in short, the Committee has reached agreement that Amigo will put £112 million into the Scheme Company for the benefit of redress creditors subject to certain conditions being met in the future. In that case Amigo would be able to continue trading. If those conditions are not met, then it is likely Amigo will go into a wind-down scheme.

The £112 million can be compared to approximately £35 million in the original scheme proposed by Amigo last year and the original proposal from Amigo for this revised scheme of a maximum of £55 million. The Company currently estimates that the agreement will result in a payment of 42 pence in the £ for any successful claims if the scheme goes ahead.

Whilst it is not possible to say this agreement is the best agreement that could have been reached as some of the elements are based on estimates and the deal also depends on the attitude of others such as the bond holders and future investors. However, it is a much better deal than proposed by last year's scheme and the original proposals for this new scheme. I have found Amigo to be transparent in its dealings with the Committee

In order to receive any compensation, you must make a claim if you think you have been given a loan that you could not afford to repay. For those borrowers with live loans whose claims succeed, there is a mechanism in place which means that you may receive more if you claim now. You can do this by going to the web address: https://www.amigoloans.co.uk/make-a-complaint

I cannot advise you on whether to vote for the schemes, you will need to make that decision for yourself depending on your own circumstances and your own views of the schemes proposed. The purpose of this video is to provide information to you to help you make your decision, and to encourage you to participate in the votes on the schemes so that your voice is heard".

If you want more detail on the history of the negotiations, the deal and many of the terms please watch the longer video.

Introduction

Firstly, I should give you a few words of background.

This video is prepared for those of you who are past or present customers of Amigo Loans- you may have borrowed money from Amigo yourself, or guaranteed the borrowing of someone else who did.

As you probably know, Amigo has been criticised for the way in which it sold loans to its borrowers and guarantors and, it is clear that the new management of Amigo consider that many borrowers and guarantors are owed compensation for loans which have been mis-sold. I shall call these “redress creditors”.

Amigo currently estimate the cash amount owed to redress creditors (and the Financial Ombudsman Service) is £270 million. Amigo does not have the money to be able to pay a debt of that size and, as a result, is insolvent.

If Amigo were to go into a formal insolvency process such as administration or liquidation, it is likely that redress creditors would see only a small proportion of their share of compensation paid to them once Amigo’s business has been wound up and its assets sold. As a result, Amigo has been looking for a way in which a greater and more certain sum can be paid to redress creditors.

Last year, Amigo put forward a proposal to avoid formal insolvency, known as a scheme of arrangement which included a maximum potential payment of £35 million plus a share of future profits. Under that scheme, it was proposed that Amigo would continue in business. Amigo creditors, including redress creditors, voted to approve it.

The High Court rejected the scheme because it felt that creditors, including the redress creditors, had not been consulted with sufficiently to enable them to form a view as to whether or not the scheme should be approved. As a result, the scheme could not be said to be fair to them. So, the scheme could not proceed.

Since then, the new management of Amigo has worked to present a new scheme to all creditors, including redress creditors. It has also tried to ensure that redress creditors are given more information about the scheme in a way which is easier to understand. Key to this new scheme is Amigo’s plan to start lending to customers again, this time striving to ensure that all regulations are complied with and that there is no risk of mis-selling claims.

As part of this the Customer Committee was formed to negotiate with Amigo the terms of a possible new scheme of arrangement to settle claims by redress creditors, in other words customers who had been given loans that they could not afford to repay. I was appointed to chair the Committee. I had no previous connection with Amigo before acting as Independent Chairman of the meeting to vote on the scheme proposed last year, although I have worked in the financial services industry for many years.

Amigo emailed past and present borrowers and guarantors asking for volunteers to serve on the Committee and there were more than 4,000 replies. I selected 8 members randomly, 3 from those who replied who had live loans and 3 from those with settled loans, and 1 guarantor from each category. 8 was believed to be a big enough number to obtain a clear view on any proposals but small enough to be able to manage. I would like to thank those who gave up their time to sit on the Committee.

Over a period of 3 months, the Committee has reached an agreement with Amigo that it believes is much better than the original scheme put forward in March 2021 and the original proposals for the new scheme that is now being proposed.

One important point to note is that, in addition to any money that Amigo owes to redress creditors, it also owes money to finance companies who have lent money to Amigo. These creditors, called bond creditors, must be repaid in full before ***any*** money can be paid to other creditors. This is because the bond creditors' debt is "secured"- like a mortgage on a house.

In August 2021, Amigo presented 5 possible options to the Committee to be considered but said it was also happy to look at any further option put forward by the Committee.

Two of the options proposed that redress creditors took shares in Amigo rather than receive any cash payments. The Committee rejected these options by a majority of 7 to 1, although the creditor who preferred the share options accepted the majority view and supported the response to Amigo. The Committee said they wanted greater certainty of cash payments rather than being given shares which might, or might not, be worth something in the future and they understood that Amigo would need to raise more money from external parties to make the scheme work.

Two further options both offered £25 million being paid into the scheme, up to £15 million depending on the level of live borrower entitlements to set off any successful claims against their loans (what I will refer to as balance adjustments) and then either £15 million raised from issuing shares in Amigo or a share of future profits. The Committee chose the option of funds from a share issue as it offered more certainty. However, the Committee did not think that the sum of £25 million was enough. Instead, they said that the £50 million should be paid into the scheme and they also wanted something which would offer more money if the new Amigo was very successful. **Amigo's first proposal was a maximum of £55 million to redress creditors.**

The Company issued a business plan at the end of September which met the Committee's request for more money being paid into the scheme. The plan also included either a balance adjustment mechanism that offered a possible further sum between £0 and £30 million depending on the level of set off or a fixed payment of £15 million to be paid 9 months after the scheme had become effective. Amigo offered a further £15 million to be paid from new money raised of at least £70 million from investors within 12 months of the scheme becoming effective. These payments would only happen if Amigo could start lending again and succeeded in raising at least £70 million from investors.

Amigo said their advisors had said it would be very complex to add a mechanism which would offer more money if the new Amigo was very successful. **This new, second, proposal offered a maximum of £80 million to redress creditors.**

The Committee wanted a fixed payment instead of the balance adjustment mechanism, and also wanted more than the £15 million from this element. The Committee also wanted to know how Amigo was going to use its existing cash between the date of the scheme and the making of the two delayed payments of £15 million each.

Amigo would need to lend some money to new customers to see if the new products that they have developed could be successful which would then allow them to raise money from investors. The Committee wanted the new lending to be restricted to a maximum amount in the scheme. The Committee was aware that a successful new scheme would allow Amigo to continue without paying existing creditors in full. However, a new scheme gave the chance of a better return to redress creditors than a wind-down or insolvency.

Amigo then reworked all its forecasts to make a final offer to the Committee which met the Committee's request for greater certainty. Amigo management also decided on a partial repayment of the bonds (which they announced on 4 January 2022). Collections from existing loans were also better than expected. Amigo had not been sure in the first half of 2021 how customers would repay through the pandemic and when furlough and other support was withdrawn. Balance adjustments were also less than forecast.

On 11 November Amigo made what it said was its final offer to the Committee. It comprised:

- £60 million to be paid into the scheme within 5 business days of the scheme becoming effective;
- £37 million to be paid into the scheme within 9 months of the scheme becoming effective;
- £15 million to be paid into the scheme within 12 months of the scheme becoming effective;

All these payments **totalling £112 million** are dependent on Amigo starting lending again and raising at least £70 million from investors within 12 months. We understand from Amigo that this additional fundraising will result in material dilution of existing shareholders which does not sound an unreasonable assumption.

All the members of the Committee agreed this offer on the basis that new net lending (new lending less any repayments on that lending) will not be more than £35 million before all the conditions are met and £112 million is paid into the scheme. Amigo agreed to this condition. I shall call this option the **preferred scheme.**

Whilst it is clear that there is likely to be sufficient money to pay the bond creditors in full, on a liquidation or administration there will not be enough to pay any other creditors what they are owed in full. Under the preferred Amigo scheme, redress creditors will still not be paid in full but they should get a much greater proportion of their compensation paid than they would on insolvency.

The preferred scheme has some conditions to be met in the future, even if the scheme was approved. What would happen if the conditions for the preferred option are not met? In that case, Amigo will not lend any further money, and Amigo will revert to a fallback option where the existing loans will be collected and the money raised will be paid first to the bond creditors and then any remaining funds to the redress creditors.

If redress creditors decide that they do not want the preferred scheme, an alternative option to insolvency will be provided by Amigo in the form of a wind down scheme (the fifth original option proposed). In a wind down scheme, similar to the fallback option, existing loans will be collected and the money raised will be paid first to the bond creditors and then any remaining funds to the redress creditors.

The Committee said that they would prefer the wind down scheme to a formal insolvency process for Amigo as it is very likely that more money would be available to redress creditors under it than would be paid if Amigo went into administration and liquidation. This is because formal insolvency process is expensive and the administrators' or liquidators' fees are paid ahead of any payments to unsecured creditors also repayments from existing loans are forecast to be less in a formal insolvency. The court will therefore also be asked to approve the wind-down scheme as an alternative to the preferred scheme.

Conclusion

In conclusion, the original scheme offered a maximum of £35 million plus a possible share of future profits (the level of which was uncertain). Through negotiation the Committee has increased the first proposal for a new scheme from Amigo from £55 million to £112 million in the preferred scheme. The company currently estimates that this will result in a payment of 42 pence in the £ for any successful claims. We cannot say that we have achieved the best deal possible as some of the elements are based on estimates and the deal also depends on the attitude of others such as the bond holders and future investors. What we can say is that the mechanism of the Customers' Committee has produced a much better offer to redress creditors.

For the preferred scheme to work, it must be approved by the court and sufficient creditors. Then Amigo needs to be allowed to start lending again and it needs to raise at least £70 million from investors. Otherwise, Amigo will go into the wind-down scheme (or possibly insolvency if the court or the creditors do not approve either the preferred scheme or the wind-down scheme).

Again, I repeat that I cannot advise you on whether to vote for the schemes. You will need to make that decision depending on your own circumstances and views of the schemes proposed. The purpose of this video is to provide information to help you make your decision, and to encourage you to participate in the votes on the schemes so that your voice is heard".

Finally, I must stress that if you think you have been given a live loan that you cannot afford you should make a claim as soon as possible. You do this by **going to the web address: https://www.amigoloans.co.uk/make-a-complaint. Any borrower or guarantor will also be able to make a claim through the scheme if it is approved by creditors and the Court.**