

Amigo's proposals for people who have borrowed money from Amigo or guaranteed a loan from Amigo

These proposals may affect your legal rights

WORDS AND PHRASES USED IN THIS DOCUMENT

Amigo uses some technical words and phrases throughout this document; you can tell which words they are because they have capital letters. You can find explanations for each of these words and phrases in the [glossary](#).

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Key facts about Amigo's proposals

What is this document?

This document provides you with the information you need so that you can decide whether you agree with Amigo's proposals to enter into a legal process called a scheme of arrangement. Amigo is required by law to give you this information and this document is called an 'explanatory statement'.

This document includes a lot of information. The most important things it covers are dealt with in the first 9 pages. There are then a further 63 pages of supporting detail.

What is being proposed?

A legal process called a scheme of arrangement is being proposed because Amigo cannot pay all of the compensation that it owes to customers, for example who took out loans or became guarantors before 21 December 2020 when they couldn't afford to. In this document these are the loans Amigo means when it mentions 'loans' or 'existing loan book'. The reason a scheme of arrangement is being proposed is because Amigo is likely to go into administration if a scheme of arrangement is not approved by the Court. If Amigo goes into administration, its customers who are owed compensation are likely to get less money than they would if Amigo went ahead with a scheme of arrangement.

The directors of Amigo's parent company, Holdings PLC (who were not involved with Amigo when it issued the loans which are the basis for customer complaints) are legally obliged to act in creditors' best interests and believe that this would be achieved by entering into a scheme of arrangement.

Two schemes of arrangement are being proposed.

The first scheme being proposed is called the New Business Scheme and has **two potential outcomes**. The main terms of the New Business Scheme were shaped through speaking to a committee of Amigo's customers who represented their interests (the 'Customers' Committee').

- First, the 'Preferred Solution' – Amigo will try to raise new funds by selling shares and to start lending again. Amigo believes this will provide more compensation than would be available in other outcomes (which are discussed below). Customer Creditors (which in this document means Amigo's customers who have a right to compensation and also includes the Financial Ombudsman Service (the 'FOS')) will not be paid in full. Also, because Amigo might not be able to restart lending or raise money, this option might not go ahead.
- Second, the 'Fallback Solution' – if the Preferred Solution does not go ahead, Amigo's business will be wound down, with no new money to pay Customer Creditors who are owed compensation and Amigo will be 'liquidated'. This means that Amigo will stop trading and go out of business. Amigo will still collect money owed from the loans which it has already made, and this money (but not any new money) will be paid to Customer Creditors it owes money to.

However, Customer Creditors will not be paid in full and they are likely to receive less than they would under the Preferred Solution.

The second, standalone scheme being proposed **at the same time** is called the Wind-Down Scheme, which is essentially the Fallback Solution on its own and does not involve trying the Preferred Solution first. The Wind-Down Scheme could be implemented if Customer Creditors or the Court do not approve the New Business Scheme. Together, the New Business Scheme and the Wind-Down Scheme are called the ‘Schemes’.

Under the Schemes, Customer Creditors are likely to receive significantly less compensation than the amount they are owed. But Customer Creditors are likely to receive more compensation than they would in administration.

What would Customer Creditors receive under the Schemes?

Amigo has made estimates of the levels of compensation Customer Creditors would receive using its knowledge and understanding of its business. The reasonableness of those estimates has been reviewed by an independent firm of accountants, Ernst & Young LLP (‘EY’). These are Amigo’s best estimates, but they may turn out not to be accurate. These estimates are set out in the table below.

Estimated levels of compensation for Customer Creditors

	Pence per pound¹
<i>Preferred Solution (New Business Scheme)</i>	41p
<i>Fallback Solution (New Business Scheme)</i>	Between 33p and 37p
<i>Wind-Down Scheme</i>	33p
<i>Administration</i>	31p

Under the Preferred Solution,

If the New Business Scheme goes ahead, Amigo estimates that under the Preferred Solution Amigo will have approximately £116 million in cash to pay Customer Creditors with a valid claim. This figure is made of three elements which are discussed in more detail from paragraph 5.25.

When Amigo sent out its ‘Practice Statement Letter’ in December 2021 it said it would have £112 million to pay out as compensation. The scheme has taken slightly longer to propose than was expected when the Practice Statement Letter was sent, and there has therefore been an extra month of collections. As a result, the estimate of the total amount available to pay Customer Creditors is now higher. However, the total amount of compensation that Amigo owes is also estimated to be higher, because a greater amount

¹ Pence per pound is the percentage of your claim you will receive. 41 pence per pound is 41%. This is also expressed as 41 p/£.

of compensatory interest is payable to Customer Creditors. ‘Compensatory interest’ is simple interest of 8% per year applied to each repayment made from the time you made the repayment until 28 February 2022. For this reason, it is now estimated that Customer Creditors will be paid 41 pence in the pound, compared to the estimate of 42 pence in the pound in the Practice Statement Letter.

If Amigo collects more money on its existing loan book than is estimated, or is able to contribute more than £15 million from an issuance of shares, Amigo will pay more than £116 million in compensation to Customer Creditors with valid claims (in this document claims for compensation, along with the FOS’ claim for unpaid fees, are together called ‘Scheme Claims’). Amigo will not pay less than £112 million in compensation. Amigo cannot say exactly how much compensation Customer Creditors will receive because this depends on a number of factors, including the value of Scheme Claims which are accepted.

Under the Fallback Solution

If the Preferred Solution cannot be implemented, for example if the Financial Conduct Authority (the ‘FCA’), Amigo’s regulator, does not allow Amigo to restart lending, Amigo’s business will be wound down and it will be liquidated – this is the Fallback Solution. Amigo estimates that this Fallback Solution would produce enough cash to pay between approximately 33 and 37 pence for every pound of compensation due.

If the Wind-Down Scheme goes ahead

If the Wind-Down Scheme goes ahead, Amigo estimates that it would produce enough cash to pay approximately 33 pence for every pound of compensation due. This amount is at the lower end of the range of the compensation that Amigo estimates would be payable under the Fallback Solution.

If Amigo goes into administration

If neither Scheme goes ahead, Amigo is likely to go into administration. In administration Amigo estimates that Customer Creditors will receive approximately 31 pence per pound of compensation due. Amigo estimates this figure will be slightly smaller than under the Wind-Down Scheme because it would collect less money on its existing loan book.

What are the main questions to consider when you decide how to vote?

While Amigo recommends you read the rest of this document in full, it has identified two main questions which it suggests may help you to decide how to vote, depending on your priorities. They are set out in the left-hand column in the table below and voting suggestions are included in the right-hand column.

Question	Answer
How should I vote if my priority is to receive the most cash compensation and / or receive compensation as quickly as possible?	Vote for the New Business Scheme (and the Wind-Down Scheme)

How should I vote if my priority is to stop Amigo from returning to lending and I want Amigo to go out of business?	<p>If you want Amigo to go out of business but want that process to be managed in an orderly way without entering a formal insolvency process (which could be less orderly), vote for the Wind-Down Scheme. In this scenario you are likely to receive more compensation than in administration (see below)</p> <p>If you want Amigo to go out of business and want that process to be managed by an independent insolvency professional, vote against both Schemes. In this scenario, Amigo would enter administration and you are likely to receive a lower amount of cash compensation</p>
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What is Amigo asking you to do?

If you are a customer of Amigo and you think you took out a loan or became a guarantor when you (or the borrower) couldn't afford it, or had any other claim against Amigo before 21 December 2020, Amigo would like you to vote on its proposals.

You can vote online at www.amigoscheme.co.uk (the 'Website') until 5pm on Tuesday 10 May 2022.

You can also vote online during the Creditors' Meeting starting at 1pm on Thursday 12 May 2022 if you have registered in advance to attend it. Please visit the Website for more information on how to register.

If you will be unable to access the information we have prepared electronically, please call 01202 629798 and we will help you to access the information in a more suitable way.

Amigo's new management team recommends that you vote for both the New Business Scheme and the Wind-Down Scheme. This way you have the best chance of receiving more compensation than if Amigo goes into administration.

After the votes, if a Scheme is approved by the Court, Amigo will contact you and ask you to submit a claim for compensation. You will have six months from when the Court approves the Scheme to submit a claim. If you have already made a complaint to Amigo you will not need to make another claim, although you may be asked to provide more information or evidence about your complaint.

Under the New Business Scheme and the Wind-Down Scheme, Amigo estimates that Customer Creditors are likely to receive an initial compensation payment in approximately September 2023. In administration, Customer Creditors are likely to receive a first compensation payment in approximately February 2024.

Why is it important for you to vote?

The voting process is a way for you to voice your opinion and be heard. If you do not like the proposals being put forward you can either vote against them or you can object. More detail on how to object is set out at section 10 of this document.

What happens to claims after you have voted?

If enough Customer Creditors vote for both Schemes, Amigo will ask the Court to approve the New Business Scheme first.² This is because Amigo believes it represents the best deal for Customer Creditors. If the Court then approves the New Business Scheme, it will go ahead. If the Court does not approve the New Business Scheme, Amigo will ask the Court to approve the Wind-Down Scheme. If the Court then approves the Wind-Down Scheme, it will go ahead.

If enough Customer Creditors vote for only one of the Schemes, Amigo will ask the Court to approve that Scheme. If the Court approves that Scheme, it will go ahead.

Amigo will then contact you and you will then have six months to submit a claim for compensation.

If Customer Creditors vote against the Schemes or the Court does not approve them, Amigo is likely to go into administration. In administration it is likely there will be a similar kind of process for you to submit your claim but Amigo estimates you will get paid less compensation (although if, for whatever reason, it became the case that Customer Creditors would be better off in administration, the Scheme Supervisors would terminate the Scheme). It is also likely that it will take longer for you to receive any compensation.

What compensation does Amigo owe?

Many people borrowed or guaranteed an Amigo loan that they (or the borrower) could not afford. For those borrowers, Amigo owes them compensation for the interest and charges on these loans. For guarantors in this position, Amigo owes them the full amount of all payments they have made on these loans. The Schemes also cover any other claim that a Customer Creditor may have in relation to taking out or guaranteeing an Amigo loan.

Borrowers always need to repay the amount they initially borrowed, that is, the amount they were originally lent before any interest was added. Some people are owed cash compensation. Others, who have an outstanding loan, will receive a reduction in the total amount they owe Amigo.

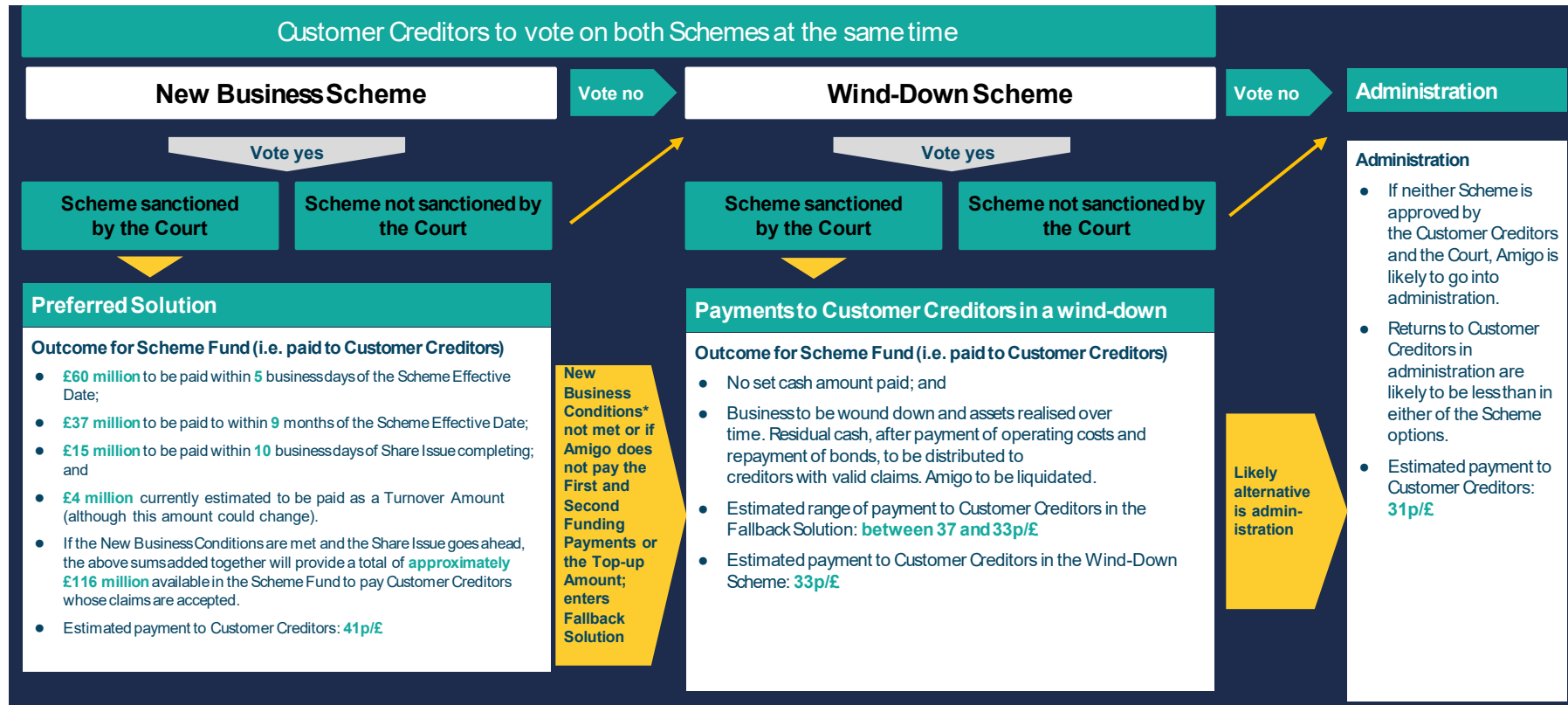
Similarly, guarantors should continue to repay the amounts which they initially guaranteed and are required to repay. Some guarantors will be owed cash compensation. Others, who have outstanding guaranteed amounts, will have their obligations as a guarantor cancelled.

² A scheme can only go ahead if a majority in number representing 75% in value of those who vote at the meeting agree to it.

Below is a diagram that sets out the how the two Schemes work together. This diagram gives you an overview, so you can see the whole picture on one page. Section 5 provides more detail on how each Scheme would work.

If you have any questions about this document or on how to vote, you can contact Amigo by calling 01202 629798 or emailing amigoscheme@amigoloans.co.uk. Amigo has also compiled a list of [FAQs](#) on the Website which you might find helpful.

Figure 1: The Two Schemes together



***New Business Conditions:**

- 1 The FCA allows Amigo to restart lending within 9 months of the Scheme Effective Date.
- 2 Within 12 months of the Scheme Effective Date, Holdings PLC will issue and sell at least 19 ordinary shares for every 1 ordinary share in issue immediately beforehand

N.B. The Scheme Supervisors will terminate the Scheme on the occurrence of a Trigger Event which the Scheme Supervisors determine would probably result in a worse outcome for Customer Creditors under the Scheme than in an administration.

The New Business Scheme – things to be aware of



You should be aware of these important points when deciding whether or not to vote for the New Business Scheme:

1. If the New Business Scheme succeeds, Amigo will start lending again. It may make profits in the future for its shareholders despite Customer Creditors receiving significantly less than the compensation they are owed.
2. Amigo has designed the New Business Scheme to pay more compensation to Customer Creditors than would reasonably be possible in any other scenario. However, the benefits of Amigo's future business would mainly go to new investors, and a small proportion would go to current shareholders. There are two important points to understand about this:
 - (a) It is unusual for current shareholders of an insolvent company to retain any value in their shares. Amigo's current shareholders would own a small proportion of the shares in Holdings PLC if the New Business Scheme succeeds, but their proportion would reduce from 100% to 5% or less, unless they buy more shares.
 - (b) In order to raise money so that Amigo can implement the New Business Scheme, Holdings PLC will need to sell shares. At least £15 million from this Share Issue will go to Customer Creditors. If selling these shares raises more money than is needed to make the New Business Scheme viable any excess amount will be paid to Customer Creditors.
3. Amigo can only restart lending if the FCA allows it to. Amigo is discussing this with the FCA and believes it can run a responsible and compliant lending business, but the FCA is not yet satisfied that it should permit Amigo to start lending again. This means that Amigo may not succeed in implementing the Preferred Solution.
4. Amigo believes that investors will only be willing to buy its shares if the FCA's current investigation into Amigo is resolved and Amigo does not receive a material fine or it is clear that no fine will be imposed on Amigo. It may not be possible to resolve these issues within 12 months of the Scheme going ahead, and this is another reason why Amigo may not succeed in implementing the Preferred Solution. Nevertheless, Amigo believes there is at least a realistic chance that the investigation will be resolved and Amigo will not receive a material fine.
5. Even if Amigo does not succeed in implementing the Preferred Solution, Amigo believes that Customer Creditors will still benefit from Amigo trying to launch a new business compared to winding it down immediately. That is because Amigo's financial estimates (which have been tested by EY) indicate that Amigo will collect more money from its loan book while it is trying to implement the Preferred Solution. This is why Amigo believes Customer Creditors may be better off under the Fallback Solution than under the Wind-

Down Scheme. As with all estimates, there is a risk that this may not happen in practice.

6. Finally, there are some people who Amigo owes money to who would be paid in full, unlike Customer Creditors. They are 'secured' creditors who are entitled to get paid in full before other creditors receive anything, because they have legal rights which are similar to the rights a bank has over a person's house when they lend money on a mortgage. These are investors who have lent money to Amigo through legal agreements called bonds, and those investors are called Bondholders. Bondholders are likely to be paid in full under the New Business Scheme (as well as under the Wind-Down Scheme and administration). So they have no reason to agree to receiving any smaller payment. For this reason, Amigo believes it would have been a waste of time and money to try and negotiate with them to agree a smaller payment so that the amount saved could be paid to Customer Creditors.

Timeline of events

 Time and date	 Event
December 2021	The ‘Practice Statement Letter’ was made available. You may have received an email or text telling you how to access this or seen the advertisement.
8 March 2022	First Court Hearing We asked for the Court’s permission to hold a meeting so that you can consider and vote on both the New Business Scheme and Wind-Down Scheme proposals.
After 8 March 2022	This document was made available Please consider this document and ask us questions if you have any. You can do this by visiting the Website, emailing amigoscheme@amigoloans.co.uk or calling 01202 629798.
By or before 5pm on 10 May 2022	Voting Period If you think you have a claim, you can vote on both of the Schemes through an online platform either before or at the online Creditors’ Meeting.
12 May 2022	Online Creditors’ Meeting You can vote during the meeting if you have registered with Amigo beforehand. You can join the meeting to hear and, if you wish, participate in discussions about the new proposals. You can also raise any concerns you have.
23 and 24 May 2022	Second Court Hearing If one or both of our proposals receives enough votes, Amigo will go back to the Court and ask for its approval to go ahead. You can also object to our proposals at this hearing.
Late May 2022	Scheme Effective Date If the Court approves one of the two proposals, Amigo expects the Scheme to become effective at some point in late May. It could take longer, however.

1. Introduction and summary³

Who do these proposals affect?

1.1 These proposals affect

- (a) anyone who:
 - (i) borrowed money from Amigo that should not have been borrowed because they could not afford to repay it; or
 - (ii) guaranteed an Amigo loan that should not have been made, or who should not have been accepted as a guarantor because they could not afford to make repayments; or
 - (iii) borrowed or guaranteed an Amigo loan and has any other claim that might arise out of, or in relation to, an Amigo loan; and
- (b) the FOS.

As mentioned above, these are the Customer Creditors.

1.2 There are a small number of Customer Creditors whose claims will not be affected by the Schemes if either Scheme goes ahead. Details about these Customer Creditors' claims are set out at paragraph 5.3.

Outline of the new proposals

1.3 Amigo and its directors have one priority: doing what is best for everyone who Amigo owes money to, including Customer Creditors. They have designed the proposal set out below with input from the Customers' Committee. More detail about the Customers' Committee can be found at paragraphs 3.29 to 3.34.

1.4 This section first explains the different **outcomes** which Customer Creditors can vote for.

1.5 At this stage, Amigo's directors believe there are only three outcomes that are realistically available:

- (a) the first outcome is that Amigo starts lending again and raises new money. Amigo could then pay Customer Creditors more than it would be able to in any other outcome.

This outcome would be achieved through the Preferred Solution of the New Business Scheme;

- (b) the second outcome is that Amigo does not restart lending or raise new finance, and manages the wind-down of its business. Amigo will then pay Customer Creditors less than if it had restarted lending and raised new money but more than it would be able to in administration (which is the third outcome explained in the next paragraph).

³ You can find more detail on the background to the proposals in Part 3 of this document from page 23.

This outcome would be achieved either through the Fallback Solution of the New Business Scheme or the Wind-Down Scheme; and

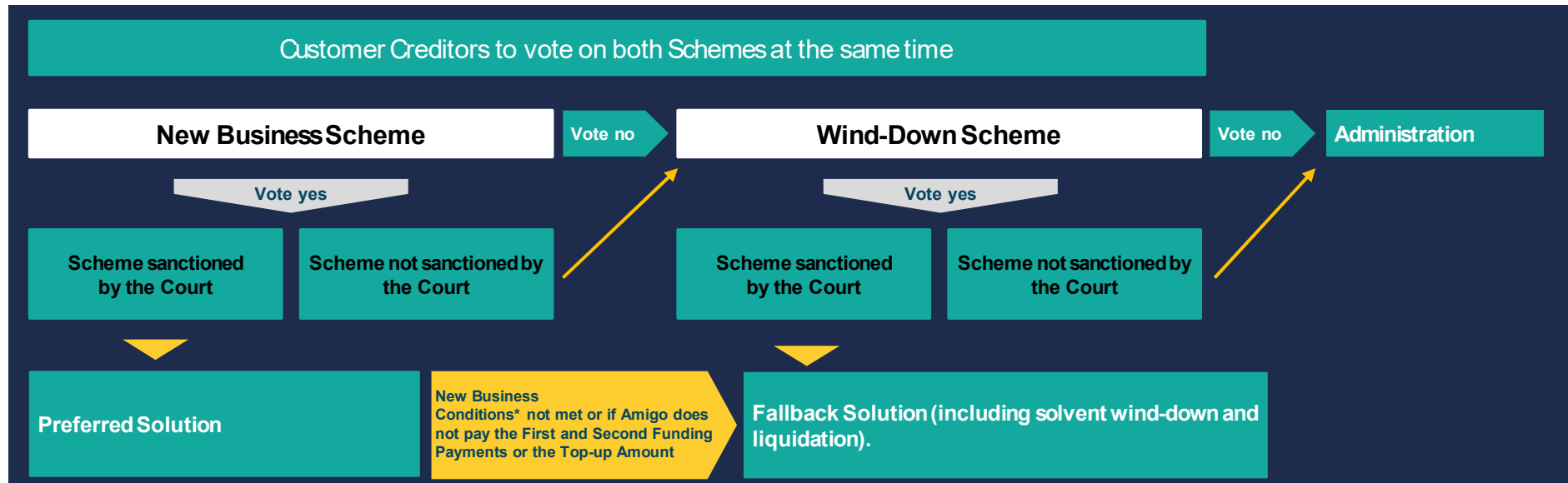
- (c) the third outcome is that an administrator is appointed to Amigo to manage the wind-down of Amigo and pay Customer Creditors' claims. However, any payments will be smaller than if Amigo had restarted lending (the first outcome) or had itself managed its wind-down (the second outcome).

This outcome will take place if Amigo goes into administration.

- 1.6 The first and second outcomes can be achieved through the Schemes which are being proposed. These are explained after Figure 2.

Figure 2: Two separate schemes of arrangement

This diagram sets out, at very high level, the decisions that could lead to each potential outcome.



***New Business Conditions**

- 1 The FCA allows Amigo to restart lending within 9 months of the Scheme Effective Date.
- 2 Within 12 months of the Scheme Effective Date, Holdings PLC will issue and sell at least 19 ordinary shares for every 1 ordinary share in issue immediately beforehand

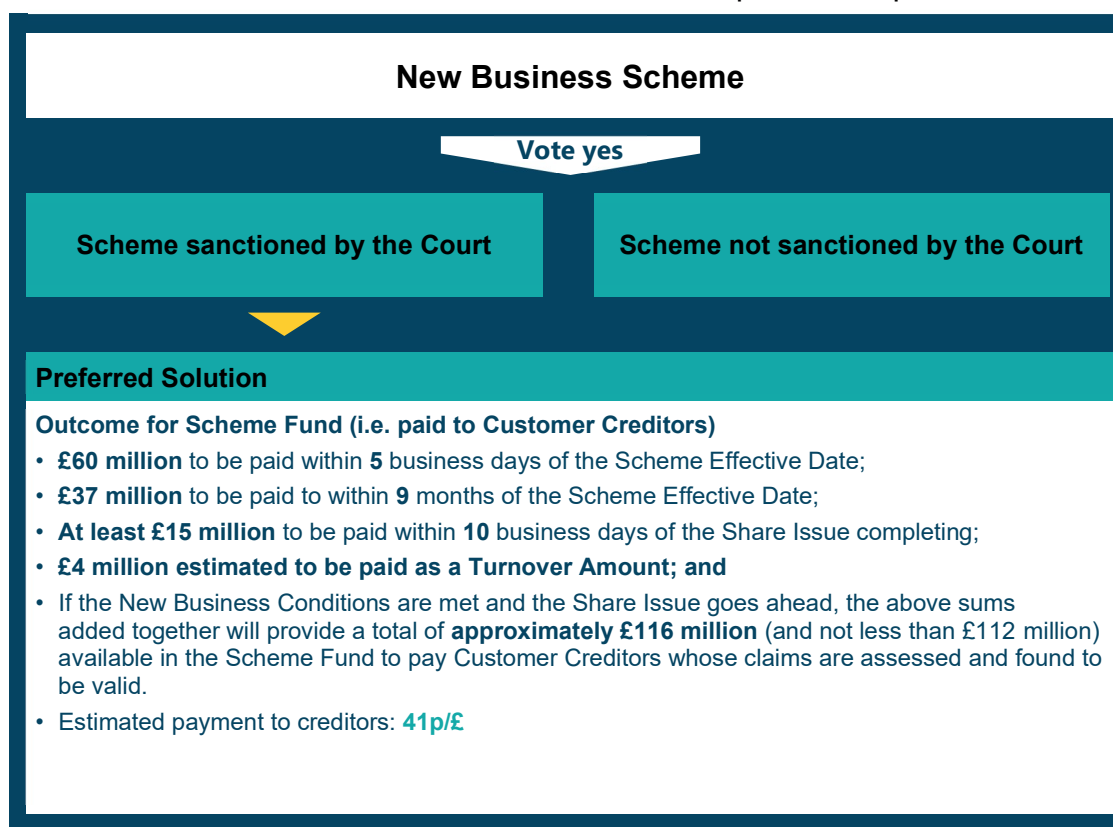
N.B. The Scheme Supervisors will terminate the Scheme on the occurrence of a Trigger Event which the Scheme Supervisors determine would probably result in a worse outcome for Customer Creditors under the Scheme than in an administration.

The New Business Scheme

- 1.7 Amigo believes that the best outcome available for the Customer Creditors is if Amigo can implement a ‘new business’ outcome. This is the ‘Preferred Solution’ mentioned above, and it would be implemented using a scheme of arrangement (the ‘New Business Scheme’).

Figure 3: New Business Scheme - the Preferred Solution

This diagram sets out the Preferred Solution under the New Business Scheme and the decisions required to implement it.



***New Business Conditions:**

- 1 The FCA allows Amigo to restart lending within 9 months of the Scheme Effective Date.
- 2 Within 12 months of the Scheme Effective Date, Holdings PLC will issue and sell at least 19 ordinary shares for every 1 ordinary share in issue immediately beforehand.

- 1.8 There are two stages that need to be completed for the New Business Scheme to go ahead:
- (a) First, the New Business Scheme must receive sufficient support from Customer Creditors at the Creditors’ Meeting.
 - (b) Second, the Court must decide to sanction the New Business Scheme at the sanction hearing, which Amigo expects to take place on 23 and 24 May 2022.

If both of these things happen, Amigo will go ahead with implementing the Preferred Solution.

- 1.9 For the Preferred Solution to be implemented, there are two further conditions which need to be met. These are called the ‘New Business Conditions’. These are that:
- (a) within nine months of the Scheme Effective Date Amigo starts lending again; and
 - (b) within 12 months of the Scheme Effective Date, Holdings PLC issues at least 19 ordinary shares for every 1 ordinary share in issue immediately beforehand (the Share Issue).
- 1.10 The New Business Scheme will switch to the Fallback Solution if:
- (a) either of the New Business Conditions is not met; or
 - (b) Amigo does not pay the First Funding Payment or the Second Funding Payment or the Top-up Amount.
- 1.11 It is possible that the Preferred Solution will not go ahead. Even if the New Business Scheme receives enough votes, and the Court sanctions it, there are three main areas of uncertainty that could affect the New Business Scheme:
- (a) The FCA may not be satisfied that Amigo should be allowed to restart lending.
 - (b) The Share Issue may not succeed in raising enough money to make the new business viable, for example if the FCA’s ongoing enforcement investigation into Amigo’s behaviour affects the viability of the New Business Scheme, e.g., by deterring investors from participating in the Share Issue.
 - (c) Additional regulatory action may be taken by the FCA (although Amigo has not received any indication that this is intended).
- 1.12 It is estimated that approximately £116 million would be made available to pay Customer Creditors in the Preferred Solution. This figure is based on the following estimates:
- (a) £101 million will be collected from Amigo’s existing loan book and other realisable assets (see paragraphs 5.25 and 5.28-5.29 below); and
 - (b) at least £15 million will be paid into the Scheme Fund after the Share Issue (see paragraph 5.26).
- 1.13 If Amigo manages to raise more money than it needs to make its new business viable, or its existing business does better than planned, it would pay more than £116 million to Customer Creditors.
- 1.14 You can find some key points to be aware of about the New Business Scheme and particularly the Preferred Solution on pages 7 and 8 above and, in greater detail, at section 5 below.

Figure 4: The New Business Scheme (Preferred Solution and Fallback Solution)

This diagram shows how the Preferred Solution leads to the Fallback Solution if the New Business Conditions are not met.

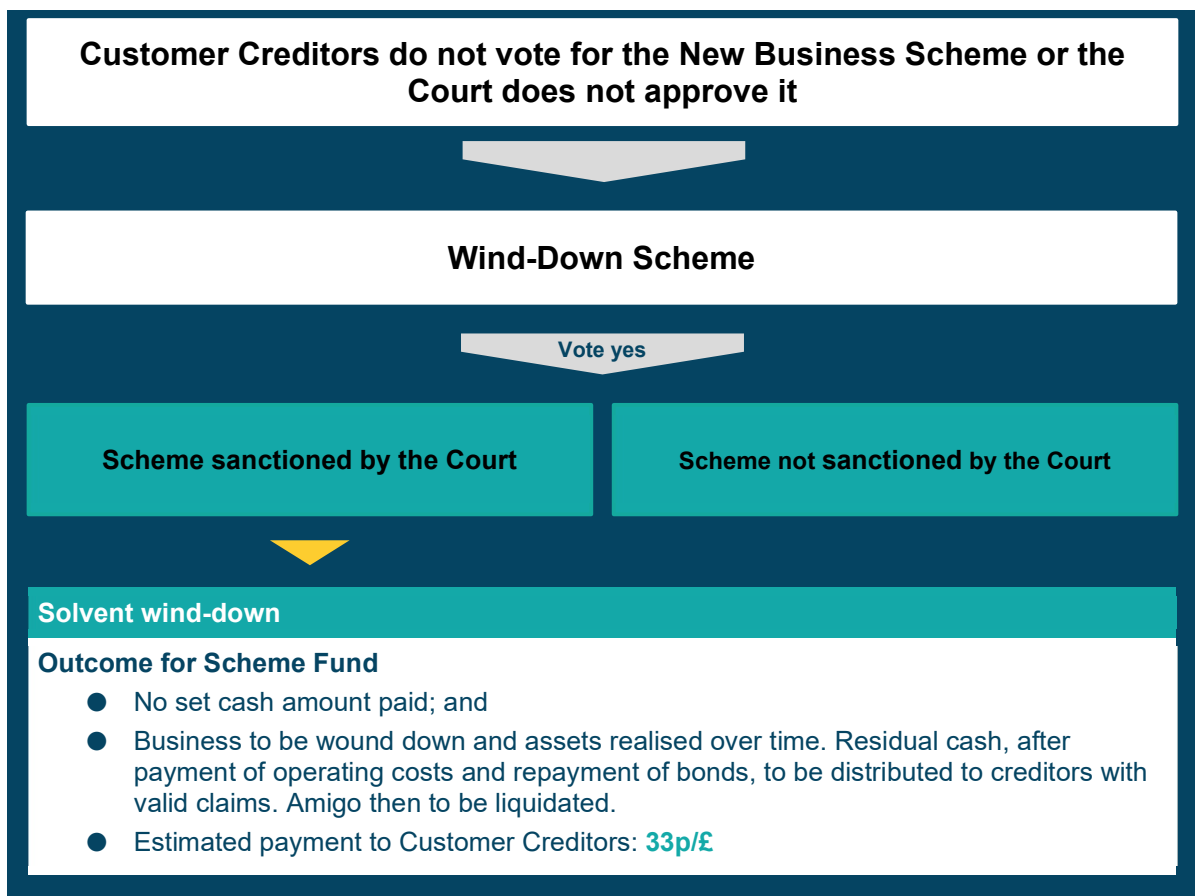


Winding down Amigo's business

- 1.15 If Amigo cannot restart lending or raise enough money to make the new business viable, the next best outcome would be for Amigo to manage the wind-down of its business as it is likely to lead to the next largest amount of compensation being paid to Customer Creditors. This is because if Amigo manages its own wind-down, without going into administration, Amigo expects to be able to collect more of the amounts owed to it under outstanding loans than it could collect in administration. A 'wind-down' outcome would happen in two circumstances:
- (a) if the New Business Scheme goes ahead but Amigo is unable to complete the Preferred Solution, then Amigo will go ahead with the Fallback Solution; or
 - (b) if the New Business Scheme has not gone ahead, either because not enough Customer Creditors voted for it, or because the Court did not approve it, and the Wind-Down Scheme has gone ahead.

Figure 5: The Wind-Down Scheme

This diagram shows the Wind-Down Scheme and the decisions which would lead to it being implemented.



- 1.16 Under either the Fallback Solution or the Wind-Down Scheme, Amigo will:
- (a) wind-down its business;
 - (b) collect the remaining amount on outstanding loans;
 - (c) pay out Amigo's money to all the people it owes money to; and
 - (d) ultimately be liquidated and dissolved (i.e., Amigo will cease to exist).
- 1.17 Amigo believes that a wind-down would lead to less compensation being paid than under the Preferred Solution. That is because Amigo's lending activities will stop permanently, even if there may be some new lending which takes place before the Fallback Solution is implemented, and there would be no Share Issue to make additional money available for paying Customer Creditors.
- 1.18 Although the Fallback Solution and the Wind-Down Scheme are similar, one key difference is that Amigo estimates that Customer Creditors are likely to receive more compensation under the Fallback Solution than the Wind-Down Scheme. This is because Amigo expects to collect more amounts owed to it while it has an ongoing business than when it is being wound down. Although the Fallback Solution involves winding down Amigo's business, the Fallback Solution would involve at least some time during which Amigo is trying to implement the Preferred Solution, and for that period of time Amigo would expect to benefit from better collections.
- 1.19 More information about the operation of the Fallback Solution and the Wind-Down Scheme can be found at section 5.

What are the main differences between the Schemes?

- 1.20 Under either Scheme, Customer Creditors will not receive all of the compensation they are entitled to, however:
- (a) They are likely to get most compensation under the New Business Scheme if the Preferred Solution goes ahead, at approximately 41 pence per pound of the compensation that they are owed.
 - (b) Under the Fallback Solution Amigo estimates they will receive between 33 and 37 pence per pound.
 - (c) Under the Wind-Down Scheme the approximate figure is 33 pence per pound.
 - (d) In administration the figure would be approximately 31 pence per pound.
- 1.21 If the Preferred Solution goes ahead, Amigo will try to restart lending to customers. Under the Fallback Solution or the Wind-Down Scheme Amigo will wind its business up (i.e., stop its business over time) and enter a members' voluntary liquidation or an insolvency process.

- 1.22 Under the New Business Scheme and the Wind-Down Scheme, Amigo estimates that Customer Creditors are likely to receive an initial compensation payment in approximately September 2023. In administration, Customer Creditors are likely to receive a first compensation payment in approximately February 2024.
- 1.23 If either Scheme is implemented and an event occurs which would make Customer Creditors worse off than in administration, the Scheme will be terminated and Customer Creditors will become creditors of Amigo in relation to their claims.
- 1.24 If you have any questions about this document or on how to vote, you can contact Amigo by calling 01202 629798 or emailing amigoscheme@amigoloans.co.uk. Amigo has also compiled a list of [FAQs](#) on the Website which you might find helpful.

NEXT STEPS

If you are reading this because Amigo has contacted you directly or you have seen an advertisement about the proposals and think you may have a claim against Amigo, then:

1. Read this document and consider whether you believe you are entitled to compensation from Amigo.
2. Consider whether or not you want either of the proposed Schemes to go ahead.
3. Once you have decided whether or not you would like one or both proposed Schemes to go ahead, please vote accordingly. Please do that online by no later than 5pm on Tuesday 10 May 2022. You can also appoint another person to vote for you as your 'proxy'. More detail on voting can be found at section 8 below.
4. If you need more information or support, please contact Amigo by email at amigoscheme@amigoloans.co.uk. You may also contact our customer service team on 01202 629798 between 9am and 6pm from Monday to Thursday and 9am to 5pm on Fridays.
5. Alternatively, you may vote online during the meeting of Customer Creditors starting at 1pm on Thursday 12 May 2022 to consider the Schemes if you have registered to attend. You can also appoint another person to attend the meeting as your 'proxy'.
6. If you would like more information on how to register, or how to appoint a person as your proxy, please visit the Website.
7. If you object to either of the proposed Schemes, for example because you think they are unfair, and you want the Court to consider that objection, you can contact the Customer Advocate at jy@amigoca.co.uk by no later than six Business Days before the sanction hearing.
8. You are also entitled to attend and speak at the court hearing to consider whether the Court approves the proposals. Amigo currently expects that hearing to take place on 23 May 2022. Amigo will provide updated details on the Website at www.amigoscheme.co.uk nearer the time.

There are also some more documents which provide more information:

Additional document	What you can learn from this
<u>Glossary</u>	Definitions (that is, explanations) of technical words and phrases used in this document.
<u>New Business Scheme</u>	The legal terms and conditions of the New Business Scheme.
<u>Wind-Down Scheme</u>	The legal terms and conditions of the Wind-Down Scheme.
<u>Summary Claims Assessment Methodology</u>	A summary explanation of how Amigo will assess Scheme Claims.
<u>Customers' Committee independent chairperson's report</u>	Summary of the work done by the Customers' Committee to consider the proposals and their conclusions about the Schemes (see page 2 for an executive summary). This also includes Mr Drummond-Smith's CV at page 19 and terms of reference at page 30.
<u>Customer Advocate's report</u>	The Customer Advocate's summary of comments and objections they have received (see pages 15-16 for the report's conclusions). The report contains Jon Yorke's CV at page 17 and his terms of reference at pages 19-29.
<u>Deed Poll</u>	The detailed text of the document that SchemeCo used to take on Amigo's liabilities (its obligations to pay debts) so that SchemeCo could enter into the Schemes.
<u>EY Report</u>	An independent review of financial position and estimated outcomes for Amigo (see pages 12-15 for an executive summary).

2. Key questions and answers about the proposals

2.1 What is the deadline for voting?

You can vote online until 5pm on Tuesday 10 May 2022 and you can vote online during the Creditors' Meeting starting at 1pm on Thursday 12 May 2022 if you have registered to attend it. For more details on voting see Part 8 below. If you will be unable to access the information we have prepared electronically, please call 01202 629798 and we will help you to access the information in a more suitable way.

2.2 What is the deadline for making a claim?

If you want to make a claim under the Schemes, then you must do so by the 'Claims Submission Deadline'. It is not yet certain when that will be, but Amigo currently expects around the end of November 2022. This will be confirmed on the Website after the Scheme Effective Date.

If you miss the Claims Submission Deadline then Amigo will not be able to consider your claim and you will not receive any cash payment or have your current balance reduced for a claim you could have submitted.

2.3 Am I certain to receive a cash payment if I have a valid claim and one of the Schemes goes ahead?

No. In some cases Customer Creditors' claims will be 'set-off' against the amounts that the relevant individuals owe to Amigo. You can find more detail about this at paragraph 6.27 below.

2.4 How can I contact Amigo about the Schemes?

You can find more information about the Schemes on the Website. If you have a general question about the Schemes, you can email us at amigoscheme@amigoloans.co.uk or call us on 01202 629798.

2.5 What should I do if I think the Court should not approve either of the Schemes?

- You can vote against the Schemes.
- If you think the Court should not approve the proposals, even if one or both Schemes has received the required Customer Creditor votes, then you can make that point to the Court. You can attend the court hearing when Amigo asks the Court to approve one of the Schemes and explain your objection to the Court yourself.
- You can send your questions or objections to Jon Yorke at jy@amigoca.co.uk and he will bring your objection (if any) to the Court's attention. Jon Yorke is an experienced solicitor and is the Customer Advocate appointed by Amigo. The Customer Advocate's role is to consider Customer Creditors' views on the Schemes and present those views to the Court at the court hearings.
- You should still continue to make payments on your loans or under your guarantees if required to.

You can find more detail on your options for objecting to these proposals at Part 10 below.

3. Why Amigo is making these proposals

Amigo's financial position

3.1 The past two years have presented significant challenges for Amigo which have made it insolvent. There are three main causes, discussed below:

- (a) The main cause of this insolvency has been liabilities that relate to complaints from Customer Creditors.

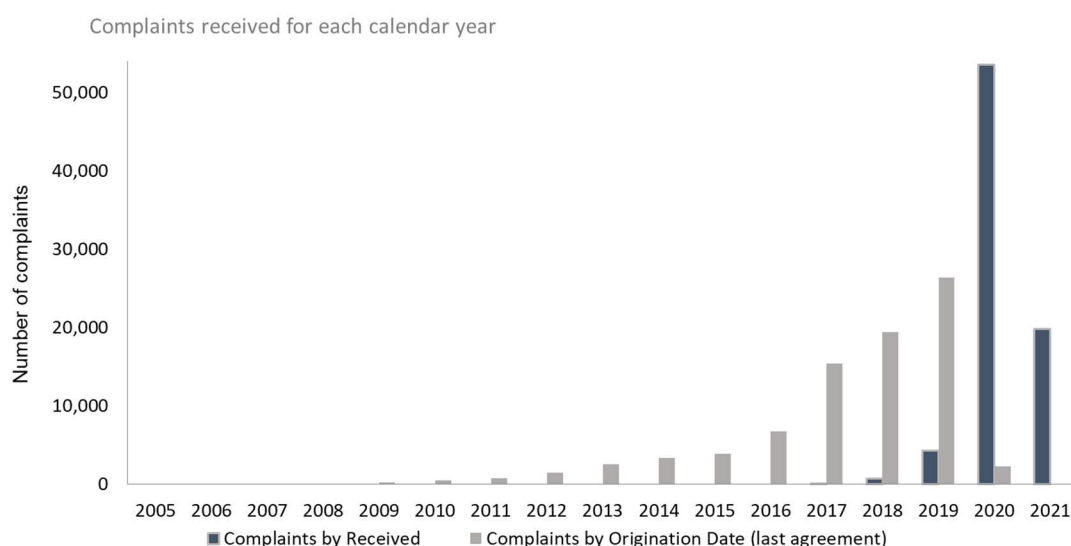
Note: 'Liabilities' are legal obligations to pay money.

- (b) Amigo also has to pay case fees to the FOS in relation to complaints that have been referred to the FOS. Amigo's incurred liability to the FOS for cases which had been referred to FOS and for which a case fee had become chargeable is estimated to be at least £12.5 million, based on the FOS's claim in the previous scheme.

- (c) Covid-19 has also affected Amigo's finances.

Increased complaints

3.2 Amigo has had a significant increase in the number of customer complaints related to its historical lending activities. When Amigo prepares its financial statements, it must say how much money it anticipates it may need to pay as compensation in relation to complaints. This number is a 'provision'. As at 31 December 2021, the provision for complaints was £347 million. That was an increase of 130% from the figure of £151 million as at 31 December 2020. The following graph shows the increase in complaints received over time (the blue bars) and the dates the relevant loans were taken out (the grey bars).



3.3 As at 31 December 2021, Amigo's total liabilities were £596 million and its assets were £473 million. Consequently, Amigo's net liabilities as at 31 December 2021 were £123 million. That means Amigo is 'balance sheet insolvent'. Below is a summary of the balance sheet for Amigo.

Financial Position - December

December 2021 Summary Amigo Balance Sheet

£m

Non-current assets

Amounts receivable from customers 42

Other non-current assets -

42

Current assets

Amounts receivable from customers 142

Intercompany balances - assets 9

Other current assets 3

Cash and cash equivalents (restricted) 3

Cash and cash equivalents 274

431

Total Assets 473

Liabilities

Complaints provision (estimate) (348)

Intercompany balances - liabilities (246)

Other current liabilities (3)

Total liabilities (597)

Net liabilities (123)

£184 million of the £274 million of cash shown in Amigo's financial position as of 31 December 2021 was used to pay down the Bonds in January 2022. This repayment has no substantial net effect on the above balance sheet position because the cash payment has reduced the liability on the Bonds by the same amount. In all the circumstances and having considered the matter carefully, Amigo determined that this sum was the largest payment it could have made to reduce future interest payments on the Bonds, while allowing Amigo to meet its cash commitments, including the First and Second Funding Payments. Amigo will continue to review whether it is possible to repay further amounts under the Bonds before they are due to be redeemed. To the extent that it is possible to do that, additional funds may be available to pay to the Scheme Fund as a Turnover Amount (see paragraph 5.28). This would be because Amigo does not need to make further interest payments on any further amounts which are repaid.

FOS case fees

- 3.4 If a Customer Creditor makes a complaint and they are not satisfied with Amigo's response to it, then in certain circumstances they can refer the complaint to the FOS to be considered. If the FOS considers a complaint then, whatever the outcome of the FOS's determination, Amigo must pay the FOS a case fee. As from 1 April 2021 the FOS case fee was increased from £650 to £750 per case. The big increase in complaints detailed above has led to an increase in cases where a Customer Creditor refers a complaint to the FOS, and therefore to an increase in the case fees that Amigo has to pay the FOS. The FOS submitted a claim for voting purposes in the previous scheme of arrangement of £12.5 million. This figure was for fees incurred for cases which had been referred to FOS and for which a case fee had become chargeable. Amigo anticipates that the FOS will submit a claim for a similar or larger amount in any successful Scheme. Any claim submitted would be for fees for cases which had been referred to FOS and for which a case fee had become chargeable.

Covid-19

- 3.5 Like many businesses, Covid-19 had a serious impact on Amigo's finances. From March 2020, Amigo offered Covid-19 related payment holidays for those affected by the pandemic. Payment holidays involved pausing both repayment obligations for up to six months and interest for up to three months, with no increase in monthly instalments when payments resumed. If customers were not able to recommence payments the interest was paused for the whole period. At the same time Amigo stopped most lending (making exceptions for certain key workers).
- 3.6 Amigo gave over 66,000 payment holidays to its customers. This was reflected in a £289 million after-tax loss in Holdings PLC's annual income statement for the year ended 31 March 2021.

Amigo's previous proposal of a scheme of arrangement

- 3.7 In late 2020, the directors decided the best option for resolving Amigo's financial position was to apply to the Court to implement a scheme of arrangement. Key aspects of that previous scheme were:
- (a) Customer Creditors' claims against Amigo, AMSL and Holdings PLC would have been released. That meant Amigo, AMSL and Holdings PLC would no longer be legally required to pay the claims.
 - (b) Customer Creditors would have a claim in the scheme of arrangement and, where they were entitled to cash redress, were projected to receive approximately 10% of the cash value of their claims.
 - (c) Holdings PLC's shareholders, secured creditors and certain other creditors would not have been affected by the previous scheme of arrangement. For comparison, detail is provided at 7.8 – 7.13 on how Holdings PLC's shareholders will be affected by the New Business Scheme.

- 3.8 The Court gave Amigo permission to hold a meeting of affected creditors, which was held virtually by webinar on 12 May 2021. 78,740 creditors voted at the meeting, representing 8.7% of all of those people who could have voted if every single Amigo customer had a complaint. Of the creditors who voted:
- (a) 95.1% voted in favour of the scheme, and they represented 95.7% of the value of the claims of those who voted; and
 - (b) 4.9% voted against the scheme, and they represented 4.3% of the value of the claims of those who voted.
- 3.9 The FCA did not support the previous scheme, mainly because of concerns about its fairness. One significant concern was that the scheme did not affect Holdings PLC's shareholders. In an administration of Amigo, shareholders would rank below Customer Creditors, which means they would not receive any money from Amigo unless Customer Creditors had been paid in full (which would be unlikely to happen). However, under the scheme Holdings PLC's shareholders would have kept their financial interest in the Amigo Group, while Customer Creditors would be paid only about 10% of what they were owed. The FCA ultimately decided to oppose the scheme.
- 3.10 On 19 May 2021, the Court decided not to approve the scheme. The table below identifies the Court's key concerns. Amigo has addressed them in preparing the Schemes. The table indicates where you can read about what Amigo has done to address each concern.

Concern identified by the Court about the previous proposed scheme	Where you can read about this issue in this document
Amigo did not make it clear enough that shareholders would keep a financial interest in Amigo under the proposals, and that this would have been unusual – when a company is insolvent its shareholders generally lose all their investment.	Page 8, paragraph 2; paragraphs 7.8 to 7.10
The financial interest which shareholders would keep appeared to be substantial – not a very small or token amount. Amigo did not make it clear why the allocation of losses and the division of benefits among stakeholders was appropriate and fair.	Paragraphs 7.11 to 7.12
Amigo did not make clear enough why the initial amount that would be contributed to pay creditors under the scheme was £15 million rather than any higher amount and it did not provide sufficient justification that the total amount of contributions could not have been further increased.	Paragraphs 7.15 to 7.19
Amigo did not make clear enough why the comparator to the proposed scheme was administration and not, for example, an alternative	Paragraphs 7.4 to 7.7

scheme on improved terms or a broader restructuring including a transfer of a share of the equity to Customer Creditors.	
Amigo did not do enough to obtain input on the proposal from people who would be affected by the scheme.	Paragraphs 3.29 to 3.34
Amigo did not include any analysis showing when it would no longer be able to trade or address the prospects of agreeing with the FCA a continuation of the informal moratorium of Scheme Claims.	Paragraph 7.4(b)(i)

The Court also expressed a general concern that Customer Creditors lack familiarity with processes like schemes of arrangement, which could undermine the vote by casting doubt on the weight that can be placed on their views. Amigo has addressed that concern by making efforts to explain the Schemes as clearly as is realistic in this document and elsewhere.

Current financial position

- 3.11 Amigo is ‘balance sheet insolvent’, for the reasons explained at paragraph 3.3 above.
- 3.12 If Amigo entered administration on 1 June 2022 (i.e., around the time that Amigo intends to be the Scheme Effective Date), Amigo’s main assets would be (a) money that it holds at the time and (b) its rights to receive repayment of loans that are outstanding. The estimated ‘total realisable value’ of Amigo’s assets in administration available to creditors, taking into account the likely cost of realising that value, the funds held under the Escrow Agreement, and the cost of repaying the Bonds is approximately £88 million. This reflects the fact that in order to turn Amigo’s assets into money that can be paid to creditors, it may take some time and there will be costs involved in doing that.
- 3.13 Amigo’s main liabilities will be:
- (a) amounts due under the Bonds;
 - (b) claims by borrowers and guarantors;
 - (c) claims by the FOS for its case fees; and
 - (d) other debts including audit fees and (possibly) a preferential claim from HMRC relating to VAT.
- 3.14 Holdings PLC’s [interim results](#) for the nine-month period ended 31 December 2021 concluded:

Going concern

[...]

The Board believes that under all reasonably possible scenarios, without an appropriate Scheme of Arrangement to deal with the complaints, the expected volumes of complaints from current and past customers would exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current borrowings as they fall due in January 2024.

Holdings PLC's Board published an [RNS announcement](#) on 24 January 2022 that concluded:

If the New Business Scheme is not sanctioned (or if the Company's shareholders do not vote to approve the equity raise contemplated) Amigo Loans Ltd will enter a wind down Scheme or insolvency. In such a scenario, Redress Creditors will receive less than under the New Business Scheme, and the Company's shareholders would receive nothing in respect of Amigo Loans Ltd.

Estimated outcomes under the Schemes and in administration

Summary of estimated outcomes in the Schemes and in administration

	Total amount available for Scheme Creditors	Estimated pence per pound to be paid to Customer Creditors
<i>Preferred Solution (New Business Scheme)</i>	£116 million	41p
<i>Fallback Solution (New Business Scheme)</i>	At least £95 million	Between 33 and 37p
<i>Wind-Down Scheme</i>	£95 million	33p
<i>Administration</i>	£88.1 million	31p

3.15 Amigo has engaged EY to produce an independent report which considers:

- (a) Amigo's current financial situation;
- (b) the likelihood that Amigo will go into administration if neither Scheme is implemented; and
- (c) Amigo's estimates of outcomes from the Schemes and administration, including whether Amigo's assumptions are reasonable.

3.16 EY did not consider the likelihood of the FCA permitting Amigo to restart lending, or the Share Issue required for the New Business Scheme succeeding, and they did not consider whether it is reasonable to assume that these things will happen. These issues are addressed at paragraphs 3.16 and 7.19, respectively.

- 3.17 The EY Report, which can be found [here](#)⁴, concludes that Amigo's material assumptions and calculations appear reasonable. Specifically:
- (a) The estimated return under the Preferred Solution appears reasonable.
 - (b) The estimated return of between 33 and 37 pence per pound under the Fallback Solution appears reasonable.
 - (c) The assumption that the Fallback Solution is likely to give a better outcome for Customer Creditors than the Wind-Down Scheme appears reasonable, although the extent of this depends on external factors, particularly whether Amigo has started lending again before the Fallback Date and, if so, for how long Amigo has been doing new lending.
 - (d) The estimated return of 33 pence per pound under the Wind-Down Scheme appears reasonable.
 - (e) If neither Scheme is implemented, it is reasonable to assume Amigo may shortly apply to go into administration.
 - (f) The estimated return of 31 pence per pound in an insolvency process appears reasonable.
 - (g) A total complaints provision of £347.5 million appears reasonable, bearing in mind that it is informed by the following assumptions:
 - (i) 20% of eligible Customer Creditors making complaints (of Customer Creditors who have not yet made complaints).
 - (ii) A 65% rate of complaints being upheld.
 - (iii) An average amount of compensation being paid to Customer Creditors of approximately £4,600.
 - (h) The Fallback Solution potentially resulting in higher returns to Customer Creditors, because Amigo considers that the rate of collections would be higher if the New Business Scheme went ahead than under the Wind-Down Scheme, appears reasonable.
- 3.18 The EY Report states that it is likely that administration would result in less compensation being paid to Customer Creditors because loan collections in administration are estimated to be lower than in any other outcome.⁵
- 3.19 The estimates have been prepared carefully and reviewed by expert accountants at EY – as confirmed in the EY Report.⁶ However, they are estimates, and the outcomes described may vary materially depending on a number of factors, including:

⁴ Page 13.

⁵ Page 32.

⁶ Page 2.

The total value of Scheme Claims	If the total value of Scheme Claims submitted is lower than anticipated, each Customer Creditor with a valid Scheme Claim would receive more compensation than anticipated (or vice versa).
The proportion of claims which are accepted	If a lower proportion of claims are accepted than anticipated, the Scheme Fund will need to be divided between a smaller number of claims. More compensation than anticipated will therefore be paid in respect of each claim (or vice versa).
The proportion of claims between current and past customers (including the extent of set-off applied)	Scheme Claims submitted by current customers are more likely to be subject to set-off rather than payments of cash, whereas claims from past customers are more likely to result in payments of cash compensation. If a greater proportion of customers than anticipated are eligible for cash compensation payments this will reduce estimated returns per customer (or vice versa).
The proportion of claims between borrowers and guarantors	Because of the nature of guarantors' claims (i.e., set-off is very unlikely to apply), if a lower proportion of guarantor claims is accepted, this will result in cash compensation being paid to a smaller proportion of Customer Creditors than anticipated. This would result in each Customer Creditor receiving more compensation than anticipated (or vice versa).
The proportion of Customer Creditors who are subject to the escrow arrangement and have had their claim accepted	If you are a Customer Creditor who has an outstanding complaint and you are continuing to make payments on your loan or under your guarantee, a portion of your payments from 30 November 2021 will be paid into the Escrow Agreement. See paragraph 6.33 for more detail. Payments into the escrow are held on trust and if your claim is upheld you will be paid out in full for all funds held in escrow. If the proportion of Customer Creditors who are subject to the escrow who have their Scheme Claim accepted is lower than expected, the escrow might be overfunded. In that scenario, those excess funds would contribute to the Turnover Amount.

Engagement with the FCA: investigation into Amigo's previous practices

3.20 The FCA has carried out several reviews of the entire non-standard finance sector (which is made up of lenders who lend money to customers with a similar profile to Amigo's customers). This includes reviews of affordability, repeat lending and the treatment of vulnerable customers. Specific to guarantor lending, the FCA's reviews have focused on:

- (a) whether loans are affordable;

- (b) payments made by guarantors;
 - (c) whether guarantors understand their obligations; and
 - (d) ‘forbearance’ (that is, circumstances in which lenders permit payments to be made on a different schedule to what was originally agreed).
- 3.21 The FCA is investigating Amigo, with a focus on Amigo’s affordability checks and the way Amigo managed and monitored that process. The investigation covers the period from 1 November 2018. The FCA has extended that investigation to include considering whether Amigo handled complaints appropriately after 20 May 2020, and whether Amigo used sufficient resources to handle certain complaints. The FCA investigation is considering whether customers have been treated fairly in accordance with Principle 6 of the FCA’s Principles for Business.
- 3.22 The FCA’s investigation could result in a fine being imposed on Amigo. Amigo believes it has strong grounds to ask the FCA not to impose a material fine given the severe impact this would have on Amigo’s ability to deliver value from the New Business Scheme to Customer Creditors. In a letter dated 4 March 2022, the FCA indicated that if, at completion of the enforcement investigation, the FCA considers a financial penalty to be appropriate, it will take into account the priority of Customer Creditors to ensure any fine does not impact the amounts payable to Customer Creditors under the Schemes.
- 3.23 It is possible that the investigation will conclude before the sanction hearing in May 2022. It also remains possible that the FCA will impose a material fine, or it may continue to be uncertain whether a fine will be imposed, or how big that fine might be. Any of these outcomes could affect the Schemes, for the following reasons:
- (a) If the New Business Scheme goes ahead, Amigo may be unable to meet the New Business Conditions or the First Funding Payment, Second Funding Payment, and Top-Up Amount may not be made, and so the Fallback Solution may be implemented instead of the Preferred Solution. This might happen, for example, because a fine or ongoing uncertainty means that investors do not want to buy shares in the Share Issue.
 - (b) If a fine is imposed, Customer Creditors may be worse off under either of the Schemes than they would be in administration. This is because in administration Amigo would not be required to pay the fine before paying compensation to Customer Creditors, whereas under the Schemes Amigo would be required to pay any fine imposed in full before paying anything to Customer Creditors. For this reason a material fine under the Schemes could be a ‘Trigger Event’ which would lead to the Scheme Supervisors terminating the Scheme (see paragraph 5.12).
- 3.24 The FCA has engaged closely with Amigo in relation to its Scheme proposals. On 28 January 2022, the FCA outlined a number of concerns it had and gaps in the draft materials it had reviewed. In its letter of 4 March 2022, the FCA provided an update on its position having received the final Scheme documents.

- 3.25 The FCA confirmed that it did not intend to attend through counsel the Court hearing on 8 March 2022 and did not anticipate, at this stage, that it will oppose the Schemes or have further direct engagement with the Court at that hearing. However, the FCA has reserve its position on the Schemes and it may yet decide to object to either or both of them.
- 3.26 The FCA's 4 March 2022 letter also addressed Amigo's proposed future lending. The FCA explained that it did not expect Amigo to resume lending until it had provided satisfactory evidence and demonstrated to the FCA that its revised approach to lending was compliant with FCA rules and principles and that Amigo is able to meet all its broader regulatory obligations. Amigo understands and accepts that it is its responsibility to demonstrate to the FCA that it is satisfying these conditions. The FCA's letter indicates that Amigo could return to lending if the following conditions are met:
- (a) the Court sanctions the New Business Scheme;
 - (b) the FCA is satisfied that Amigo meets FCA threshold conditions;
 - (c) the FCA is satisfied by testing of Amigo's new lending system; and
 - (d) Amigo deals with any other issues that may arise to the FCA's satisfaction.
- 3.27 Because of the further analysis that the FCA can be expected to complete, there is a risk that the FCA may impose a requirement on Amigo's regulatory permissions which restricts Amigo from continuing its business and which affects SchemeCo's ability to implement either of the Schemes.
- 3.28 If the FCA decides to object to either of the Schemes or take any other action, the board of Amigo will consider the viability of either or both of the Schemes and the Amigo Group (including SchemeCo) will consider its options at that stage.

The Customers' Committee

- 3.29 As mentioned above, the Court decided not to approve the scheme of arrangement that Amigo proposed last year. One point that the Court made was that Amigo had not done enough to obtain input on the proposal from people who would be affected by the scheme. Amigo has taken that on board and has arranged for a group of Amigo's borrowers and guarantors who would be affected by the Schemes (the Customers' Committee) to meet and consider Amigo's new proposals. Amigo has arranged for Jamie Drummond-Smith to act as an independent chairperson of the Customers' Committee. Mr Drummond-Smith is an experienced financial services sector professional with a background in insolvency and restructuring, and you can find his CV at page 19 of his [report](#).
- 3.30 Amigo emailed borrowers and guarantors in July 2021 to ask for volunteers to join the Customers' Committee. Approximately 4,600 people responded volunteering to be on the committee. They were required to confirm that they were not shareholders of Amigo as part of the self-nomination process. Mr Drummond-Smith selected eight past and present borrowers and guarantors randomly from that group of people.

- 3.31 Amigo offered to pay for the Customers' Committee to receive independent legal and financial advice to assist it with considering Amigo's proposals. The Customers' Committee took up the offer to receive legal advice but determined that it was not necessary to receive financial advice.
- 3.32 The Customers' Committee has considered a wide range of issues, and its input has shaped the terms of the Schemes. Its work has included:
- (a) providing feedback on a range of differently structured proposals, including one in which Customer Creditors would have received all of the equity of Holdings PLC;
 - (b) expressing a preference between those proposals;
 - (c) considering whether it wishes to suggest additional or alternative proposals; and
 - (d) reviewing, considering, and providing feedback on the Schemes' commercial terms.
- 3.33 Mr Drummond-Smith has produced a report summarising his and the Customers' Committee's work and conclusions. The report identifies the steps that Mr Drummond-Smith and the Customers' Committee took to work with Amigo. You can find a copy of Mr Drummond-Smith's report on the Website. In particular it highlights:
- (a) that of the various proposals being considered "*there was a unanimous view that the members wanted as much certainty as possible (whilst understanding that any scheme beyond the wind-down scheme depended on other factors)*";⁷
 - (b) this was demonstrated when on 4 August 2021, in response to a presentation from Amigo on new business options, the Customers' Committee decided that a funding package which included £15 million from the Share Issue would be preferable to receiving a share of Amigo's future profits; and
 - (c) the Customers' Committee had a clear preference to avoid any restructuring solutions which involved Customer Creditors taking shares in Holdings PLC.⁸
- 3.34 Mr Drummond-Smith has prepared a video which provides a short summary of the makeup of the Customers' Committee and the work it has undertaken. This video can be found [here](#).

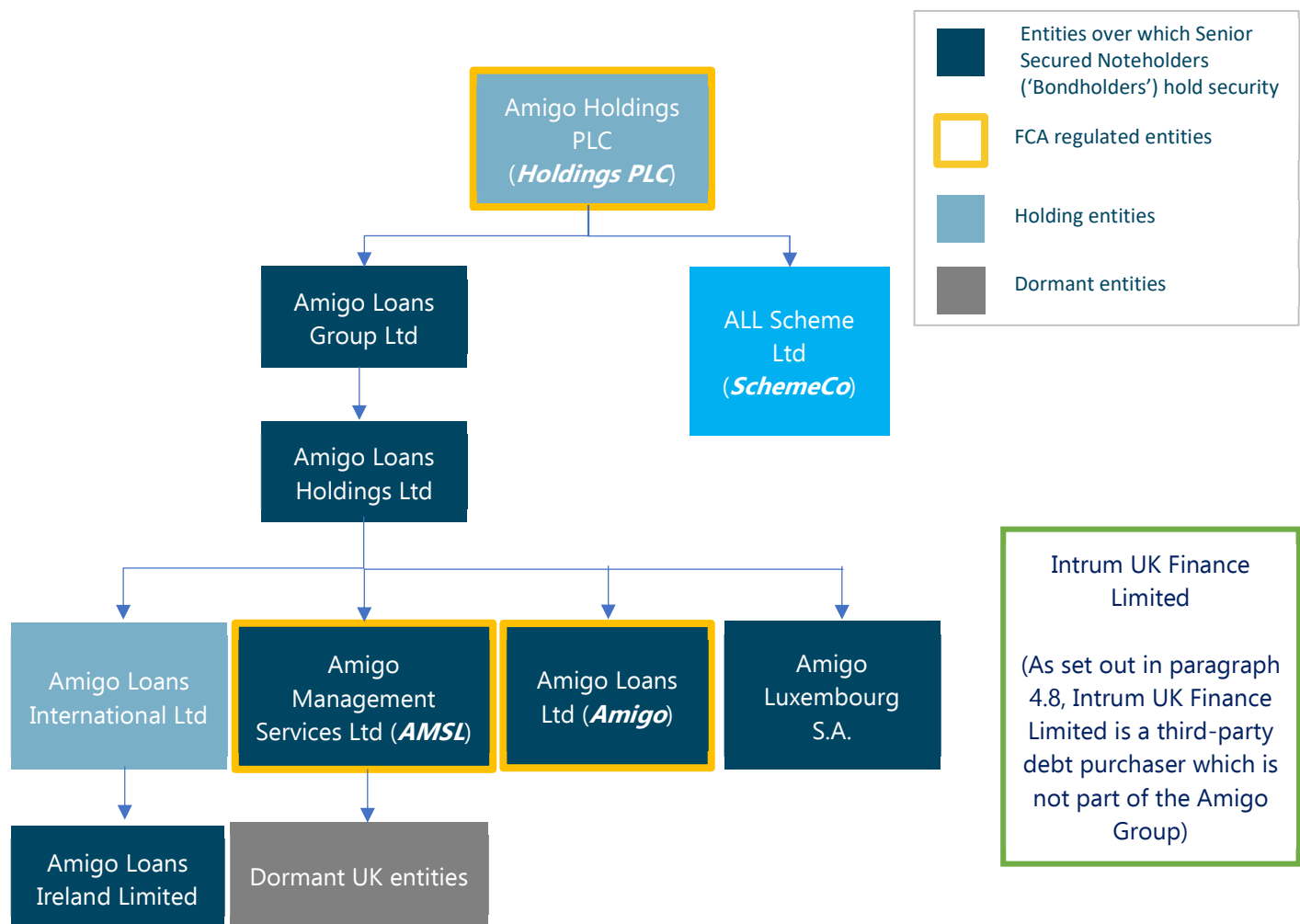
⁷ Paragraph 4.3.6; page 9.

⁸ Paragraph 1.3; page 2.

4. The companies involved in these proposals

- 4.1 This section explains which companies are involved in Amigo's proposals, and also explains some of the contracts that are in place between those companies.

Simplified Amigo structure chart



The Amigo Group

- 4.2 The main companies involved in these proposals are Amigo Holdings PLC (Holdings PLC) and certain of its subsidiaries.
- 4.3 **Holdings PLC** was incorporated in 2016 and became a public limited company in 2018. Its shares are listed on the Official List of the London Stock Exchange. Its registered address, along with Amigo, AMSL and SchemeCo, is Nova Building, 118–128 Commercial Road, Bournemouth, BH2 5LT.
- 4.4 **Amigo** was incorporated in 2003. Over time it has been called 1st Choice Party Hire Limited, Loan Line Ltd, Financial Processing UK Ltd (when it traded as ‘FLM’ and ‘FLM Quick’) and finally, since 2012, Amigo Loans Ltd.
- 4.5 Amigo provides guarantor loans in the UK. Guarantor loans offer mid-cost credit to those who, because of their credit histories, cannot borrow from mainstream lenders. Guarantor loans include a second individual as well as the borrower – typically a family member or friend with a stronger credit profile than the borrower. This individual acts as guarantor, promising to make loan payments if the borrower does not. Amigo is authorised and regulated by the FCA, with reference number 708284. Amigo is a fully owned subsidiary of Holdings PLC and Amigo has entered into approximately 927,000 agreements with customers since 28 January 2005, which are made up of credit agreements with borrowers and guarantee agreements with guarantors.
- 4.6 **AMSL** provides management services to Amigo (this means that it is the entity that employs the staff that collect the loans). AMSL is also authorised and regulated by the FCA, with reference number 708378. AMSL was incorporated in 2005 and over time it has been called FLM 001 Ltd, and FLM Management Services Limited, before being renamed Amigo Management Services Ltd on 20 June 2013. AMSL is a fully owned subsidiary of Holdings PLC.
- 4.7 **SchemeCo** is a direct subsidiary of Holdings PLC. It was incorporated on 6 January 2021 and its full name is ALL Scheme Ltd. SchemeCo is not a trading company. Its sole purpose is to promote a scheme of arrangement that maximises the returns available to Customer Creditors. Under the proposals, it would do that through one of the Schemes.

Other companies

- 4.8 Amigo has sold and transferred its rights and interests in approximately 8,500 loans to a third-party debt purchaser called Intrum UK Finance Limited (formerly known as 1st Credit (Finance) Limited) (‘Intrum’). Intrum is not a subsidiary of Holdings PLC and is not part of the Amigo Group.

Note: a ‘third-party debt purchaser’ means a company that specialises in buying loans from the companies that originally made them.

Contracts which support the proposals

- 4.9 The Schemes require several companies in the Amigo Group to work together, and there are certain contracts in place to make sure that happens and to define how it will happen. These are:

- (a) the Deed Poll;
- (b) the Contribution and Co-operation Agreements; and
- (c) the Escrow Agreement.

These contracts are explained briefly below.

The Deed Poll

- 4.10 For legal reasons that relate to the Bonds, it would cause problems if Amigo were to enter into a scheme of arrangement directly. However, Amigo can still make use of a scheme of arrangement. It can do that by getting a separate company to take on all of Amigo's liabilities, and then that separate company will enter into a scheme of arrangement: this is quite a common approach in this situation. That is what Amigo is doing here and, if there are sufficient votes in favour of the Schemes and if the Court approves then SchemeCo will enter into one of the Schemes.
- 4.11 SchemeCo signed a document called a 'deed poll' dated 14 March 2022 – you can see the [Deed Poll](#) on the Website. Under the Deed Poll, SchemeCo agreed to take on the liabilities of Amigo, Holdings PLC, and AMSL in relation to any loan that Amigo made between 28 January 2005 and 21 December 2020 and FOS case fees. In this document when Amigo mentions 'Amigo loans' Amigo is referring to these loans.
- 4.12 The Deed Poll makes SchemeCo jointly legally responsible for paying compensation to any Customer Creditor who has a valid claim against Amigo, AMSL or Holdings PLC. That allows SchemeCo to propose the Schemes and then pay compensation to Customer Creditors in accordance with the Schemes.
- 4.13 SchemeCo will use the Scheme Fund to pay Customer Creditors if one of the Schemes becomes effective. However, SchemeCo will only receive the Scheme Fund if one of the Schemes become effective. Unless and until that happens, SchemeCo has no assets (that is, no property or money). It also has no liabilities apart from the liabilities it has taken on under the Deed Poll.
- 4.14 If either of the Schemes is approved, Customer Creditors will only have claims against SchemeCo. The only cash payments that Customer Creditors receive will come from the money SchemeCo has in the Scheme Fund (although a substantial amount of compensation will be paid by 'set-off' – this is explained at paragraph 6.27). Customer Creditors will no longer have any claims against Amigo, AMSL or Holdings PLC for any amount owed to them under the Schemes, except:
 - (a) for any claims that might arise from enforcing any of the Scheme's terms should that become necessary; or
 - (b) if a 'Trigger Event' takes place, meaning Customer Creditors would be worse off under the Scheme than in administration, in which case the Scheme would terminate (as set out in paragraph 5.12).

The Contribution and Co-operation Agreements

- 4.15 As SchemeCo itself has no income or assets, the money in the Scheme Fund will come from Amigo. As explained in more detail at paragraph 5.22 below, the Scheme Fund is the money which SchemeCo will use to make payments to Customer Creditors. The Contribution and Co-operation Agreements are the documents which require Amigo to provide the Scheme Fund.
- 4.16 Amigo, AMSL, Holdings PLC and SchemeCo have all entered into two Contribution and Co-operation Agreements (one for each of the Schemes). The payments Amigo would make into the Scheme Fund will depend on whether the Preferred Solution or the Fallback Solution is implemented. An explanation of the payments made to the Scheme Fund in the Preferred Solution is set out from paragraph 5.25, and an explanation of the payments made to the Scheme Fund in the Fallback Solution is at paragraphs 5.37 to 5.40. An explanation of the payments made to the Scheme Fund in the Wind-Down Scheme is at paragraphs 5.41 to 5.44.
- 4.17 The Contribution and Co-operation Agreements also require Amigo, AMSL and Holdings PLC (together, the ‘Amigo Companies’) to co-operate with SchemeCo and the Scheme Supervisors to ensure that the Schemes can be carried out. Under the Contribution and Co-operation Agreements, Amigo also agrees to cover the Scheme Costs within 10 Business Days of receiving notice from SchemeCo, the Scheme Supervisors or the Scheme Adjudicator of the incurrence of such costs, and provided that such costs have been properly evidenced.

Escrow Agreement – protection for Customer Creditors who are repaying their loans

- 4.18 Amigo has arranged to provide extra protection for individual Customer Creditors who have an outstanding complaint and who continue to make payments on their loan before the Scheme Effective Date. These arrangements are explained at paragraph 6.33 below.

5. How the Schemes work

- 5.1 This section is a more detailed explanation of how the Schemes will work if they go ahead. You can find the full legal texts of the Schemes on the Website.

Note: to a large extent the New Business Scheme would work in the same way as the Wind-Down Scheme. This section explains how both Schemes work. Where the Schemes work differently, we have explained them separately below.

What will the Schemes affect?

What claims do the Schemes apply to?

- 5.2 The Schemes will affect:
- (a) all of Amigo's liabilities to pay any amounts to any person in relation to making or administering an Amigo loan, although it will not affect:
 - (i) amounts owed between the Amigo Companies and/or SchemeCo; and
 - (ii) the Excluded Liabilities (as explained at 5.3 below); and
 - (b) all of Amigo's liabilities to pay case fees to the FOS.
- 5.3 There are some liabilities to pay amounts in relation to Amigo loans which are not covered by the Schemes and will be paid in full. These are called Excluded Liabilities, and they relate to the circumstances in which the previous scheme of arrangement was proposed, and are explained below.
- (a) Once the decision to pursue the previous scheme of arrangement was announced on 21 December 2020, it was no longer appropriate for Amigo to pay certain claims made by customers in full while other customers' claims would not be paid in full. Amigo therefore decided that any claims not accepted or agreed by 21 December 2020 would be covered by the previous scheme, where they would all be treated in the same way as each other.
 - (b) However, there are some claims which were an exception to this, where the customer might have had a reasonable expectation of a payment and may, in light of that, have changed their position. A customer will have an Excluded Liability if, before 21 December 2020, they had:
 - (i) their claim accepted by Amigo or had accepted a settlement offer from Amigo;
 - (ii) received a settlement offer from Amigo dated on or after 21 June 2020, which they did not accept or reject;
 - (iii) been told that Amigo had accepted an opinion issued by an adjudicator at the FOS in respect of their claim; or
 - (iv) obtained a final decision in their favour from the FOS and Amigo had not notified them that it intends to judicially review that decision.

The approximate value of the Excluded Liabilities is £300,000.

Who do the Schemes apply to?

5.4 The Schemes apply to:

- (a) Every Customer Creditor.
- (b) The Amigo Companies and SchemeCo.

Only SchemeCo and the Customer Creditors would be directly party to the Schemes, but there are contracts in place which make sure that the Amigo Companies are bound by the terms of the Schemes. (The reasons for this are explained at paragraphs 4.9 to 4.17 above.)

When will the Schemes come into force?

5.5 Only one of the Schemes would come into force, and that will only happen if that Scheme receives enough support in the Customer Creditor vote and if the Court approves it. If that happens for either Scheme then that Scheme will come into force within a few days after the Court approves the Scheme. Amigo currently expects the hearing at which that is decided to be around the end of May 2022, although it could be later.

Note: that does not mean that every aspect of the Scheme will take effect on that day – it just means that the Scheme will become binding from that day. The New Business Scheme or the Wind-Down Scheme will then take effect in a sequence of events, which are explained below.

The Amigo Companies will be ‘released’ from Scheme Claims

5.6 An important aspect of the Schemes is that they will release the Amigo Companies from Scheme Claims, in return for the compensation provided for under the Schemes.

Note: ‘release’ refers to a person (in this case the Amigo Companies) being released from a legal obligation.

5.7 Under both Schemes, all Customer Creditors would enter an agreement called the Release Agreement. Customer Creditors will not need to do anything to enter the agreement, because SchemeCo will sign it on their behalf. The Release Agreement will release the Amigo Companies from any obligations to Customer Creditors. That means the Amigo Companies will no longer be legally required to pay:

- (a) compensation to any person in relation to making or administering an Amigo loan; or
- (b) case fees to the FOS.

5.8 Instead, SchemeCo will be required to make payments under one of the Schemes.

5.9 These releases would not affect any new liabilities that might arise in relation to loans issued after 21 December 2020. The timing of the release will differ

depending on whether the New Business Scheme or the Wind-Down Scheme is implemented. The difference is explained below. As set out below at paragraph 5.12, the releases will also be unwound if a Trigger Event takes place.

If the New Business Scheme is implemented

- 5.10 If the New Business Scheme is implemented then the Amigo Companies will not be released from Scheme Claims until Amigo makes the First Funding Payment.
- 5.11 If Amigo enters administration after the Scheme Effective Date but before Amigo makes the First Funding Payment, the Scheme Liabilities will not be released. (Amigo does not expect this to happen – it is unlikely that Amigo would go into administration after one of the Schemes is implemented.)
- 5.12 If, however, an event takes place which would mean that Customer Creditors would be worse off under the New Business Scheme than in administration, the Scheme Supervisors would terminate the Scheme. Amigo calls this a ‘Trigger Event’. The most likely example of this would be if the FCA imposes a material fine on Amigo in respect of the investigation currently underway (see paragraphs 3.21-3.23). As well as terminating the Scheme:
- (a) the release of the Amigo Companies’ liabilities would be unwound – i.e. the Amigo Companies would have those liabilities again, as if they had never been released;
 - (b) SchemeCo would repay the Scheme Fund to Amigo;
 - (c) any Final Scheme Claims would be admitted as claims in Amigo’s administration;
 - (d) if a Customer Creditor had already received a compensation payment from SchemeCo, their claim against Amigo would be reduced by the size of the payment received;
 - (e) all decisions made by the Scheme Adjudicator would remain binding and so those decisions would determine whether a Customer Creditor has a claim in Amigo’s administration and (if so) the value of that claim; and
 - (f) Customer Creditors who had not received any payments from SchemeCo before the Scheme terminated would be paid before Customer Creditors who had received payment from SchemeCo. This would continue until they had ‘caught up’ in order that Customer Creditors who had not received a payment from SchemeCo will receive the same proportion of their Final Scheme Claim as the Customer Creditors who had already received payment from SchemeCo.
- 5.13 If the New Business Scheme is terminated before the Claims Submission Deadline, SchemeCo will owe each Customer Creditor an amount equal to their Scheme Liability, i.e., what they were owed by each Amigo Company (as applicable) immediately before claims against these companies were released.

- 5.14 If the New Business Scheme terminates after the Claims Submission Deadline, SchemeCo will owe each Customer Creditor the amount they were owed by each Amigo Company (as applicable) immediately before claims against these companies were released, minus any payment already made to the Customer Creditor under the New Business Scheme.
- 5.15 If either of the Schemes terminates, the Scheme Fund will still be held on trust by SchemeCo to pay to Customer Creditors.

If the Wind-Down Scheme is implemented

- 5.16 If the Wind-Down Scheme is implemented then the Amigo Companies will be released when the Scheme goes ahead (i.e., on the Scheme Effective Date). As with the New Business Scheme, if an event takes place which would mean that Customer Creditors would be worse off under the New Business Scheme than in administration, the Scheme Supervisors would terminate the Scheme. The most likely example of this would be if the FCA levies a material fine on Amigo in respect of the investigation currently underway (see paragraphs 3.21-3.23). If this were to occur then the Scheme would terminate, and the further effects of this are described at 5.12 above.

Submitting claims in the Schemes and the Claims Submission Deadline

- 5.17 SchemeCo will inform Customer Creditors that one of the Schemes has become effective by:
- (a) sending emails and/or SMS text messages to each known Customer Creditor for whom Amigo has an email address and/or mobile phone number;
 - (b) placing a notice on the Website; and
 - (c) placing adverts in the Daily Mirror and the Daily Mail; and
 - (d) posting on Amigo's social media.
- 5.18 Customer Creditors will not receive any payment under the Scheme unless they submit their claim by the Claims Submission Deadline. Customer Creditors will need to provide the information and any documents which are requested on the Website. Some Customer Creditors who have already complained to Amigo will not need to resubmit their claim in the Scheme but may need to provide information and/or evidence if requested. Please read paragraphs 6.1 and 6.2 to check whether this applies to you.
- 5.19 Customer Creditors who are borrowers or guarantors must submit their Scheme Claims on the Website. The FOS must submit its Scheme Claim, including details and supporting evidence, by email to SchemeCo.

- 5.20 SchemeCo may request further information and/or evidence from Customer Creditors.

IMPORTANT WARNING

Once one of the Schemes is approved, Amigo cannot change the Claims Submission Deadline. Every Customer Creditor who wishes to receive a payment under a Scheme MUST submit their claim on the Website by the deadline. We currently expect this to be around the end of November 2022, but the final date will be confirmed and shown on the Website after the Scheme Effective Date. Amigo strongly recommends that Customer Creditors submit their claims before the Claims Submission Deadline so that, if there is some technical or other delay when they visit the Website, they do not miss the deadline.

- 5.21 After the Claims Submission Deadline:

- (a) You cannot make new Scheme Claims, even if you were not aware you had a Scheme Claim before the Claims Submission Deadline.
- (b) You cannot revise Scheme Claims that you have already made, even to reflect information you were not aware of before the Claims Submission Deadline.
- (c) You cannot provide additional information about Scheme Claims that you have already made, unless SchemeCo, the Scheme Supervisors or the Scheme Adjudicator ask you to.

The Scheme Fund

- 5.22 The Scheme Fund will be money held on trust for the benefit of Customer Creditors, in a specific bank account in SchemeCo's name which is set up for this purpose. Unless Amigo enters administration, that money will only be used to pay Final Scheme Claims. The Scheme Fund will be different depending on which Scheme goes ahead and, under the New Business Scheme, depending on whether the Preferred Solution or the Fallback Solution is implemented:
- (a) Under the Preferred Solution Amigo estimates the Scheme Fund will comprise payments totalling approximately £116 million (see paragraph 5.25 onwards).
 - (b) Under the Fallback Solution the Scheme Fund will be the money that is left after money has been set aside to repay the Bonds in full and to meet the costs and expenses of winding-down the business on a solvent basis (see 5.37 below).
 - (c) Under the Wind-Down Scheme the Scheme Fund will be the money that is left after money has been set aside to repay the Bonds in full and to meet the costs and expenses of winding-down the business on a solvent basis (see 5.41 below).

5.23 If Amigo enters administration after the Scheme Effective Date then the Scheme Fund will be used:

- (a) *first*, to pay outstanding and future costs of implementing the Scheme, including fees of the Scheme Supervisors and the Scheme Adjudicator, and the cost of winding-down SchemeCo (including repaying the Bonds); and
- (b) *second*, to pay Final Scheme Claims.

Payments into the Scheme Fund

5.24 Payments into the Scheme Fund will be different depending on which Scheme goes ahead and, under the New Business Scheme, depending on whether the Preferred Solution or the Fallback Solution is implemented. This section explains how each works.

i) If the New Business Scheme goes ahead and the Preferred Solution is implemented

The First and Second Funding Payments

5.25 The Preferred Solution would start with Amigo making payments into the Scheme Fund. Specifically, it would pay:

- (a) the First Funding Payment (£60 million) into the Scheme Fund no later than 5 Business Days after the Scheme Effective Date; and
- (b) the Second Funding Payment (£37 million) into the Scheme Fund no later than 9 months after the Scheme Effective Date.

Note: When key terms of the Scheme were agreed with the Customers' Committee, net collections were estimated to be £97 million. That is why the First and Second Funding Payments add up to £97 million. These two payments do not represent all the money that Amigo would have in this situation. In the Preferred Solution Amigo needs to hold, and not pay into the Scheme Fund, a reserve equal to three months' operating costs and to cover contingencies so that it can make sure it can carry on as a business. This sum is £8.4 million and is called the 'Liquidity Reserve'.

The Top-up Amount

5.26 After the Scheme Effective Date, Amigo will work to restart lending, and also to raise money from the financial markets in the Share Issue. If Amigo succeeds in doing these things (see more detail at paragraph 7.19 below) then Amigo will pay at least £15 million into the Scheme Fund. This is called the 'Top-up Amount'.

5.27 The Top-up Amount will not be less than £15 million. When the Share Issue happens, Holdings PLC will be required to obtain as much money as it can for the Scheme Fund. If it is able to obtain more than £15 million for the Scheme Fund then the Top-up Amount will be whatever amount Holdings PLC can obtain in excess of £15 million. This will depend on how much money the investors who take part in the Share Issue are willing to allow to be paid to the Scheme Fund in return for their opportunity to invest in the new business.

The Turnover Amount

- 5.28 As well as the First and Second Funding Payments above, there may be an additional payment into the Scheme Fund, depending on how much money Amigo collects from its existing loan book before 31 October 2023. If Amigo's net collections exceed £97 million after allowing for the Liquidity Reserve, the amount collected by this date which is above £97 million will be paid into the Scheme Fund. This is the Turnover Amount. Amigo estimates the Turnover Amount will be £4 million. Amigo wanted to highlight the following points about the Turnover Amount:
- (a) The Turnover Amount could increase or decrease depending on collections from the existing loan book and / or if it is practically possible for Amigo to achieve interest savings on the Bonds through an earlier repayment of all or part of the outstanding principal amount than is currently anticipated.
 - (b) While the Turnover Amount is limited by a 'cut-off' date of 31 October 2023, the New Business Scheme provides that by that date Amigo will have either: written off these outstanding loans because it would not be practicable to collect them; sold the loans to a third party (with the proceeds being contributed towards the Turnover Amount); or retained the loans having invited bids for them (and the best bid will be treated as proceeds for the purposes of the Turnover Amount). Because of these mechanisms all of the value in the existing loan book will have been accounted for by 31 October 2023.
 - (c) In addition to (b) above, Amigo irrevocably agrees and undertakes to take all reasonable steps, having regard to the best interests of Customer Creditors, to ensure that the Turnover Amount is as large as possible.
- 5.29 The estimated additional £4 million in net collections is due to the delay in the Scheme Effective Date as compared to when the Practice Statement Letter was sent to Scheme Creditors. Amigo has included the Turnover Amount in the New Business Scheme to ensure that Customer Creditors get the benefit of any increased returns on the existing loan book. In total, this means that Amigo's estimated net collections from Amigo's existing assets, including its loan book, are £101 million.
- Note:** 'net collections' refers to the total amount that Amigo collects from the amounts it is owed on Amigo loans, after deducting the costs of collecting that money, repaying the Bonds and retaining the Liquidity Reserve.
- 5.30 In the Preferred Solution Amigo will need to continue using its assets. This means it will not attempt to realise its tangible or intangible fixed assets for the benefit of the Scheme Fund.
- 5.31 The Scheme Supervisors will calculate the Turnover Amount. In high level summary, they will do this by:
- (a) identifying the money that Amigo has in cash and that it collects from outstanding loans before 31 October 2023 and certain other assets; and

- (b) then deducting certain amounts including the Liquidity Reserve and interest on the Bonds and a share of various expenses.

The output of this calculation is the Turnover Amount. It will be calculated by the Scheme Supervisors and independently reviewed by EY to ensure that the calculation is appropriate.

Summary – Payments to SchemeCo under the Preferred Solution

- 5.32 These various payments and mechanisms taken together mean that the SchemeCo is likely to have an estimated £116 million to pay as compensation to Customer Creditors.

<i>First Funding Payment</i>	£60 million	Paid within 5 Business Days of the New Business Scheme going ahead and comes from collections from Amigo's existing loan book
<i>Second Funding Payment</i>	£37 million	Paid within 9 months of the New Business Scheme going ahead and comes from collections from Amigo's existing loan book
<i>Top-up Amount</i>	At least £15 million	Paid within 10 business days of the Share Issue completing
<i>Turnover Amount</i>	£4 million	Amigo's estimate of net collections which are above £97 million collected by 31 October 2023

The size of the Scheme Fund could vary, however, based on the amount of recoveries Amigo makes and also depending on the final amount raised through the Share Issue. If the Preferred Solution is implemented Amigo will not pay less than £112 million in compensation, because this the minimum that will be provided under the terms of the New Business Scheme.

The New Business Conditions

- 5.33 The Scheme Fund will only be released for payment to Customer Creditors if and when Amigo meets the two New Business Conditions. These are that:
- (a) within nine months of the Scheme Effective Date Amigo starts lending again; and
 - (b) within 12 months of the Scheme Effective Date, Holdings PLC completes the Share Issue.
- 5.34 If the New Business Conditions are met, then Holdings PLC will pay the Top-up Amount within 10 business days of receiving the proceeds of the Share Issue. The New Business Scheme will switch to the Fallback Solution if either of the New Business Conditions is not met or if Amigo does not fund the First and Second Funding Payments or Holdings PLC does not pay the Top-up Amount.
- 5.35 Until the Share Issue has been completed, Amigo will not carry out new lending that exceeds a net total of £35 million.

5.36 Even if the New Business Scheme receives enough votes, and the Court approves it, there are three main risks that mean the Preferred Solution might not be implemented:

- (a) The FCA may not be satisfied that Amigo should be allowed to restart lending.
- (b) Additional regulatory action may be taken by the FCA (although Amigo has not yet received any indication that this is likely to happen). This could deter investors so that the Share Issue does not succeed – this would mean the New Business Conditions cannot be satisfied.
- (c) The Share Issue may not be successful for another reason, for example because potential investors do not consider Amigo's new business a sufficiently attractive prospect.

ii) If the New Business Scheme goes ahead and the Fallback Solution is implemented

5.37 If Amigo implements the Fallback Solution instead of the Preferred Solution (the day this happens is the Fallback Date), this is what will then happen:

- (a) If Amigo has started any new lending, it will stop as soon as practicable and sell this 'new' loan book as soon as practicable.
- (b) Within 10 Business Days of the Fallback Date, Amigo will estimate the amount described in (c) below and notify SchemeCo of that amount. SchemeCo will pay that amount to Amigo within 10 Business Days of receiving that notice.
- (c) The amount mentioned in (b) above is the amount of money Amigo will need to:
 - (i) repay all amounts due under the Bonds;
 - (ii) pay all of Amigo's costs, liabilities and expenses;
 - (iii) meet regulatory liquidity requirements and hold a reserve for any compensation claims that may be brought in relation to any new lending which took place after the Scheme became effective;
 - (iv) pay all of Amigo's future costs incurred in winding down and liquidating Amigo's business; and
 - (v) pay all costs incurred in connection with the New Business Scheme.

5.38 Each month after making that first payment to SchemeCo, Amigo will make an additional 'sweep up' payment to SchemeCo after making the same types of deductions if they are needed.

5.39 Once all collections have been made from its loan book and its reserves have been used or are no longer required, Amigo will make a final payment to SchemeCo.

- 5.40 Once this final payment has been made, Amigo will if possible place itself into a solvent liquidation process called a members' voluntary liquidation within 2 months. If that is not possible then Amigo will enter insolvent liquidation or administration.

iii) If the Wind-Down Scheme goes ahead

- 5.41 Within one month of the Scheme becoming effective, Amigo will pay to SchemeCo all of the available funds in Amigo's bank accounts after deducting amounts required to:
- (a) repay all amounts due under the Bonds;
 - (b) pay all of Amigo's costs, liabilities and expenses;
 - (c) meet regulatory liquidity requirements;
 - (d) pay all of Amigo's future costs incurred in winding down and liquidating Amigo's business; and
 - (e) pay all of the costs incurred in connection with the Wind-Down Scheme.
- 5.42 Each month after making that first payment to SchemeCo, Amigo will make an additional 'sweep up' payment to SchemeCo after making the same types of deductions if they are needed.
- 5.43 Once all collections have been made from its loan book and its reserves have been used or are no longer required, Amigo will make a final payment to SchemeCo.
- 5.44 Once this final payment has been made, Amigo will if possible place itself into a solvent liquidation process called a members' voluntary liquidation within 2 months. If that is not possible then Amigo will enter insolvent liquidation or administration.

How Customer Creditors' compensation is calculated

- 5.45 Customer Creditors' compensation will be calculated as soon as reasonably practicable after all or almost all Scheme Claims have become Final Scheme Claims. That is expected to be about 15 months after the Scheme Effective Date. The Scheme Supervisors will calculate a 'Payment Percentage', which will be used to determine what proportion of the Scheme Fund each Customer Creditor will be paid. The Payment Percentage is the total amount of all Final Scheme Claims plus a reasonable reserve for any claims not yet agreed as a percentage of the amount of Scheme Fund.
- 5.46 The Payment Percentage is equivalent to the number of pence a Customer Creditor would be paid for every pound that Amigo owes them according to their Final Scheme Claim.

Tax

- 5.47 To the extent that payments eventually due under the Schemes exceed a Customer Creditor's entitlement before compensatory interest is calculated, tax must be paid on that compensatory interest element payable. Amigo will

calculate any tax on the compensatory interest and withhold it from Initial Scheme Payments and Additional Payments to pay to HMRC. Amigo cannot give you tax advice, but for most Customer Creditors there will be no further tax payable on your compensation payment. If you are unsure about whether you need to pay any more tax you should ask a tax professional.

Payments to Customer Creditors

Initial Scheme Payments

5.48 SchemeCo will then make an Initial Scheme Payment from the Scheme Fund to each Customer Creditor who has a Final Scheme Claim. This will differ depending on which Scheme goes ahead and (in the New Business Scheme) whether the Preferred Solution or the Fallback Solution has been implemented:

(a) New Business Scheme:

- (i) Preferred Solution: payment will be made within approximately one month of the later of the payment percentage calculation being received by SchemeCo or the New Business Conditions being met;
- (ii) Fallback Solution: payment will be made within approximately one month of the later of the payment percentage calculation being received by SchemeCo or the Fallback Solution being implemented; or

(b) Wind-Down Scheme: payment will be made within approximately one month of the payment percentage calculation being received by SchemeCo.

5.49 The Initial Scheme Payment will be calculated by applying the Payment Percentage to the Customer Creditor's Final Scheme Claim. So, for example, if a Customer Creditor has a Final Scheme Claim of £1,000, and if the Payment Percentage is 41%, then that Customer Creditor's Initial Scheme Payment would be £410.

Additional payments

5.50 Once a Payment Percentage has been determined, the Scheme Supervisors may consider whether it should be revised, keeping in mind that the Scheme Fund should have enough money for SchemeCo to pay the same Payment Percentage on all Final Scheme Claims. If the Scheme Supervisors set an increased Payment Percentage, SchemeCo will then make an Additional Payment to each Customer Creditor who has a Final Scheme Claim. In each case the Additional Payment will be equal to the Customer Creditor's Final Scheme Claim multiplied by the amount of the increased Payment Percentage minus all previous Scheme Payments made to that Customer Creditor.

5.51 Each time SchemeCo makes Additional Payments, it will first use any money in the Scheme Fund to pay Customer Creditors who now have Final Scheme Claims but did not have Final Scheme Claims when the Initial Scheme Payments were made. This is to ensure the fair treatment of Customer Creditors.

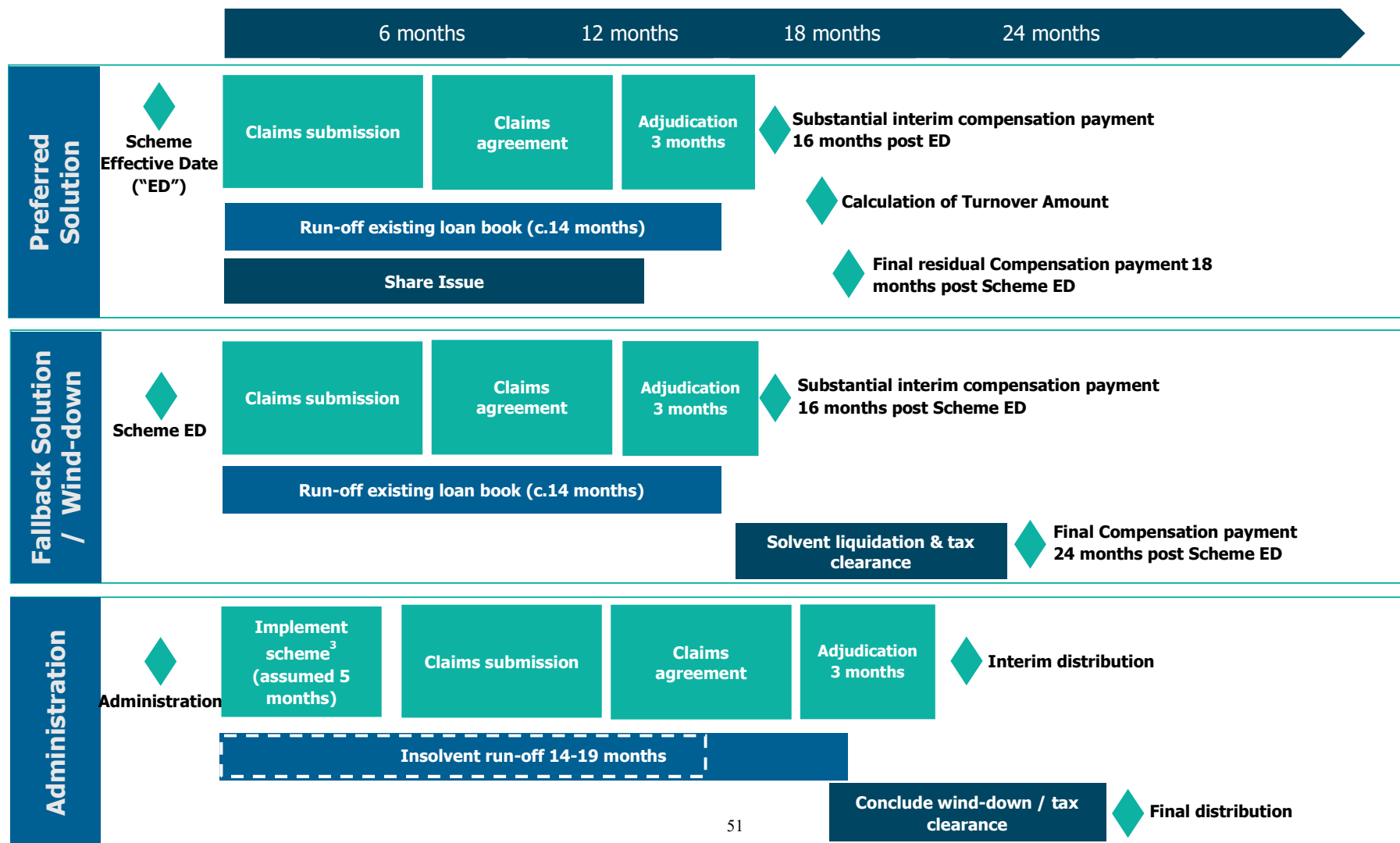
Additional Payments will not be made to Customer Creditors who received the Initial Scheme Payments until the Customer Creditors with ‘new’ Final Scheme Claims have been paid the Payment Percentage applied to the Initial Scheme Payments.

- 5.52 If a Trigger Event occurs, and a Customer Creditor had already received payment from SchemeCo, their claim against Amigo would be reduced by the size of the payment received. However, if a Trigger Event occurs, there is a risk that Customer Creditors who had not received a compensation payment before the Trigger Event may receive total payment that is proportionally smaller than the amounts paid to Customer Creditors who did receive payments from SchemeCo before the Trigger Event. As explained above at paragraph 5.12(f), a ‘catch up’ mechanism is provided for in the Schemes to mitigate this risk, but that mechanism may not operate to achieve complete equality because it depends on what assets of Amigo are available at the time that mechanism is activated.

Timing of payments to Customer Creditors

- 5.53 The estimated timing of Scheme Payments is set out in Figure 6 below. In summary, the estimated timings are as follows
- (a) Under either Scheme, Customer Creditors are likely to receive an Initial Scheme Payment within 16 months of the Scheme Effective Date.
 - (i) Under the Preferred Solution, a final payment is likely to be made shortly after the Initial Scheme Payment i.e., in approximately November 2023.
 - (ii) Under the Fallback Solution or the Wind-Down Scheme, the final payment is likely to be made in approximately May 2024.
 - (b) Under either Scheme, the claims assessment process, including a period for adjudication (see section 6 below) will take approximately 15 months. The actual timeframe will depend on the number of Scheme Claims submitted and the number which need to be referred to the Scheme Adjudicator.
 - (c) If Amigo entered administration, Amigo estimates that Customer Creditors would receive a first compensation payment in February 2024 and a final payment in May 2024 at the earliest.

Figure 6: Estimated timing of payments



- 5.54 Amigo believes that if it enters administration then Customer Creditors will have to wait longer to be paid than the period of at least 16 months described above. That is because there may be disputes arising from contested claims in Amigo's administration, and Amigo's administrators would need a legal process to deal with those claims in a more streamlined and cost-effective way than if they were heard before a Court. Once that process has been put in place, the administrators would then need to allow for Customer Creditors to submit claims, then claims would need to be agreed and, in some cases, adjudicated.

6. The claims process for the Schemes

What if you have already submitted a complaint to Amigo or the FOS which has not been finally resolved?

- 6.1 If either of the Schemes becomes effective, Amigo will inform you if you have an Outstanding Redress Claim and tell you that you do not need to resubmit your claim in the Scheme, although you may need to provide further information or evidence if requested. That Outstanding Redress Claim will then be considered in the New Business Scheme or Wind-Down Scheme (whichever applies) to determine whether it is a valid claim, and if so, what the value of the claim is.
- 6.2 You will have an Outstanding Redress Claim in one of the following four situations:
- (a) you complained to Amigo before 21 December 2020 (and Amigo has acknowledged receipt of that complaint), but Amigo had not accepted *or rejected* your claim before 21 December 2020; or
 - (b) the FOS had issued an opinion in respect of your complaint before 21 December 2020, but Amigo had not told you that it has accepted the FOS's opinion before 21 December 2020; or
 - (c) you complained to Amigo after 21 December 2020, and Amigo has acknowledged receipt of that complaint and confirmed that your complaint either does not need to be resubmitted; or
 - (d) Amigo made you a settlement offer (known as a final response letter) dated between 21 December 2019 and 20 June 2020, and:
 - (i) you have not accepted the offer; or
 - (ii) you have (or someone acting on your behalf has) rejected the offer.

How do you make a claim?

- 6.3 SchemeCo will inform customers that the New Business Scheme or Wind-Down Scheme (as applicable) has become effective. This will happen within 10 Business Days of the Scheme Effective Date by SchemeCo:
- (a) sending emails and/or SMS text messages to each known Customer Creditor for whom Amigo has an email address and/or mobile phone number;
 - (b) placing a notice on the Website;
 - (c) placing adverts in the Daily Mirror and the Daily Mail; and
 - (d) placing a notice on Amigo's social media.
- 6.4 SchemeCo will remind customers who have not submitted a claim that they should do so if they think they have a claim. This will happen around three

months and then around one month before the Claims Submission Deadline by SchemeCo:

- (a) sending emails and/or SMS text messages to each known Customer Creditor for whom Amigo has an email address and/or mobile phone number;
- (b) placing a notice on the Website; and
- (c) placing adverts in the Daily Mirror and the Daily Mail; and
- (d) placing a notice on Amigo's social media.

Process for individual Customer Creditors

- 6.5 To make a claim, you, or someone with authority to act on your behalf, must submit details of your claim, and provide any requested supporting documentation, using the Website. The Website will guide you through the process and you should not need a claims management company to make a claim on your behalf.
- 6.6 SchemeCo will consider claims that are submitted and may ask you to provide further information or evidence that may help it consider your claim. You must provide the information or evidence requested within 30 days of receiving the request.
- 6.7 Once you have done that, SchemeCo will assess that claim according to a set method for considering claims, referred to as the 'claims methodology'. A summary of the claims methodology can be found on the [Website](#).
- 6.8 SchemeCo will let you know whether it agrees or disagrees with all or part of your claim through the Website or by using the contact details provided as part of the Customer Creditors' claims after the Claims Submission Deadline.
- 6.9 If SchemeCo agrees with all or part of your claim, you will be paid in accordance with the procedure explained from paragraph 5.45 onwards. You will also be able to update your details (including your bank account details) on the Website.

Process for the FOS

- 6.10 The FOS shall submit its FOS Fee Claims, including details of its claims and supporting evidence by email to SchemeCo on or before the Claims Submission Deadline. Any claim submitted will be for fees for cases which had been referred to FOS and for which a case fee had become chargeable.

What if I disagree with Amigo about its decision on my claim?

Process for borrowers or guarantors

- 6.11 If SchemeCo does not think all or part of your claim is valid and you disagree with that conclusion, or you disagree with the value that SchemeCo has given to your claim, you can inform SchemeCo of that disagreement through the Website or by contacting Amigo by email or telephone. You will need to do this within 30 days of SchemeCo communicating its decision to you.

- 6.12 SchemeCo will then try to reach an agreement with you in respect of your claim within 30 days (although SchemeCo may extend this timeframe). SchemeCo will contact you using the contact details which you have provided to when making your claim.
- 6.13 If you reach an agreement with SchemeCo, you will be paid in accordance with the procedure explained from paragraph 5.45 onwards.
- 6.14 If you and SchemeCo do not reach an agreement within those 30 days, you or SchemeCo may refer your claim to the Scheme Adjudicator (see paragraphs 6.16 to 6.23 below), but you or SchemeCo would have to do so within the following 30 days (i.e. within 60 days of SchemeCo initially communicating its decision to you). If you disagree with SchemeCo's conclusion, and have not reached an agreement with SchemeCo in respect of your claim, then SchemeCo's conclusion will stand unless you refer your Scheme Claim to the Scheme Adjudicator within the time limits.

Process for the FOS

- 6.15 If SchemeCo disagrees with all or part of the FOS's claim, the FOS will be able to ask the Scheme Adjudicator to look at its claim to decide whether it should be allowed. The FOS will need to refer its claim to the Scheme Adjudicator within 30 days of being notified of SchemeCo's decision.

Who is the Scheme Adjudicator and what happens when claims are referred to them?

- 6.16 The Scheme Adjudicator will assess claims where a Customer Creditor disagrees with SchemeCo's decision as to whether the claim is valid or the value of the claim. The Scheme Adjudicator is an experienced financial services regulatory lawyer, who will be supported by a team with relevant expertise, including affordability issues regarding credit providers.
- 6.17 Within eight weeks of your claim being referred to the Scheme Adjudicator (unless the Scheme Adjudicator extends that timeframe), the Scheme Adjudicator will consider all of the information and documents you provided to SchemeCo, and Amigo's relevant records.
- 6.18 The Scheme Adjudicator will try to reach a decision within eight weeks (whether your claim is being considered individually or as part of a batch of claims).
- 6.19 The Scheme Adjudicator may request further information or documents from you or from SchemeCo or may request that you or SchemeCo answer their questions. You may be required to do this by email.
- 6.20 If you or SchemeCo do not respond to a request by the Scheme Adjudicator to provide further information or attend a meeting within 30 days of the request, the Scheme Adjudicator will decide whether your claim should be allowed using the information that they have.

- 6.21 The Scheme Adjudicator will try to tell you and SchemeCo whether they have decided to allow your claim within a further six weeks of receiving any information (unless the Scheme Adjudicator varies that timeframe).
- 6.22 If the Scheme Adjudicator decides that SchemeCo should make a payment to you for all or part of your claim, SchemeCo will do that in accordance with the procedure explained from paragraph 5.45 onwards.
- 6.23 If the Scheme Adjudicator does not agree with your view on the claim, and considers that your claim should not have been referred to it, then you may be required to pay the costs of having the Scheme Adjudicator consider your claim. This is not what would happen in every case where the Scheme Adjudicator rejects a claim: it is to protect other Scheme Creditors from costs that might be caused, in exceptional cases, by unreasonable claims.

Scheme Supervisors' role and powers

- 6.24 Amigo has appointed independent third parties, called the Scheme Supervisors, who will ensure that Amigo implements the Scheme properly.
- 6.25 The Scheme Supervisors will be Dan Schwarzmann and Nigel Rackham. Dan is a Partner at PwC and Nigel is a Director at PwC. They have extensive experience of acting as scheme supervisors and of acting in relation to insolvency of financial services businesses. PwC has provided a range of services to Amigo in recent years, including internal audit services and advice relating to the Scheme proposals.
- 6.26 The Scheme Supervisors will monitor SchemeCo's compliance with the terms of the Scheme and prepare a quarterly progress report for Customer Creditors which will be available on the Website.

What is 'set-off' and how might it affect my claim?

- 6.27 There are some cases where:
- (a) a Customer Creditor still owes Amigo part of the money that they borrowed initially; and
 - (b) Amigo also owes that Customer Creditor some money because of valid complaints about their loan(s).
- 6.28 In those cases, the amount that Amigo owes the Customer Creditors for their complaints will be deducted (in full) from the amount that the Customer Creditor still owes from the amount they borrowed initially. This is called 'set-off': the amount that Amigo owes you is 'set off' against the amount you owe Amigo.
- 6.29 If you have an outstanding Amigo loan (or loans), then set-off could apply to any claim you have. It will work like this:
- (a) If you have made payments to Amigo that add up to more than the amount you borrowed initially, then you will receive cash compensation with no set-off.

- (b) If you have not made payments to Amigo that add up to more than the amount you borrowed initially, your current loan balance will first be reduced by the full amount of compensation you are owed. You will only receive cash compensation if the amount of compensation you are owed is greater than the amount you borrowed initially.
- 6.30 Set-off will be calculated on the basis of the amounts Customer Creditors and Amigo owe each other on the Scheme Effective Date. Amigo will withhold any tax payable on amounts set-off against Customer Creditors' outstanding balances.
- 6.31 If a Customer Creditor's claim has been agreed or adjudicated as set out above and that Customer Creditor still has an outstanding amount of principal owed to Amigo (or AMSL or Holdings PLC) after set-off, the Amigo Company in question will not seek repayment from that Customer Creditor for interest on the outstanding amount of principal which they owe the Amigo Company. In addition, where there is a valid claim in relation to a loan, the guarantor of that loan would not be required to make any future payments under their guarantee irrespective of whether the claim was made by a borrower or guarantor.
- 6.32 Set-off would also apply if Amigo entered administration.

Continuing payments from Customer Creditors who have outstanding loans

- 6.33 Amigo has arranged through the Escrow Agreement to provide extra protection for individual Customer Creditors who have an outstanding complaint and who continue to make payments on their loan between December 2021 and the Scheme Effective Date. This is what Amigo has arranged:
 - (a) For payments made on 1 December 2021 up until the Scheme Effective Date, a proportion of all payments received from individual customers who have outstanding complaints (that is, they had made a complaint about their Amigo loan before that date), will be paid into a separate bank account which Amigo holds on trust for those Customer Creditors. The proportion of payments to be paid into the trust account reflects Amigo's estimate of the number of situations where customers are making payments and their complaint will be accepted in the Scheme. If additional customers make a complaint after 30 November 2021, then payments paid into the separate bank account will be increased to take account of the further number of complaints received.
 - (b) If Customer Creditors are owed cash compensation under the Scheme, Amigo will assess: the amount of their payments made after the later of:
 - (i) 30 November 2021; and
 - (ii) the date of their original complaint to Amigo.This will allow Amigo to determine whether they are due any monies from the trust. If they are due funds from the trust, they will be paid back in full to the extent of the payments that are covered. Any remaining cash compensation that is due to them over and above the amount that is covered by the trust, will be paid under the terms of the Scheme. This means that at least some of their cash compensation (the amount of any payments made by those Customer Creditors after 30

November 2021, or the date of their complaint if later) will be paid in full (that is at 100 pence in the pound).

- (c) This money will be available to pay the relevant Customer Creditors on the same basis if either of the Schemes goes ahead, or if Amigo enters administration. This is because the funds in the trust account are protected in administration.

Customer Creditors with ‘sold loans’

- 6.34 As explained at paragraph 4.8, Amigo sold approximately 8,500 loans to a company called Intrum. Customer creditors whose loans were sold to Intrum will not be treated any differently under the Schemes compared to other Customer Creditors. Under the Contribution and Co-operation Agreement, if a Customer Creditor whose loan was sold to Intrum makes a Scheme Claim and it is accepted, Amigo will repurchase it from Intrum and it will be treated the same as other Amigo loans.
- 6.35 Where a customer with a sold loan has a valid claim but does not submit a Scheme Claim before the Claims Submission Deadline, that customer will not be able to submit a Scheme Claim once the Claims Submission Deadline has passed. But that should not stop that customer from being able to raise a defence of set off (because of its claim) against Intrum.

7. Things to consider when you are deciding whether to vote for or against the Schemes

7.1 This section explains some important points that you should consider when deciding how to vote. This falls into three categories:

- (a) Why Amigo recommends that you vote in favour of both of the Schemes;
- (b) The ‘pros and cons’ of the two Schemes; and
- (c) Some important points to understand about the New Business Scheme.

Why Amigo recommends that you vote in favour of both of the Schemes

7.2 Amigo recommends you vote in favour of both Schemes because:

- (a) if neither Scheme goes ahead Amigo is likely to enter administration; and
- (b) both Schemes are likely to provide a better outcome for Scheme Creditors than they would receive in administration; and
- (c) it is therefore in Customer Creditors’ interests for one of the Schemes to go ahead.

These points are explained below.

Amigo is likely to go into administration if neither of the Schemes goes ahead

7.3 The Amigo Board believes that if neither Scheme goes ahead, Amigo is likely to enter administration, and that is likely to happen quickly after the date on which it becomes clear neither Scheme will go ahead. That could be at the time of the Creditors’ Meeting if neither Scheme receives sufficient votes, or at the time of the court hearing if the Court does not approve either Scheme. The reasons the Amigo Board believes Amigo would be likely to enter administration in these circumstances are explained below.

7.4 First, Amigo is insolvent. There are two separate aspects of this: Amigo’s balance sheet and its cashflow.

- (a) Regarding Amigo’s balance sheet: Amigo’s liabilities are approximately £123 million greater than its assets. Amigo’s insolvency is therefore not in doubt, and it is not a temporary insolvency.
- (b) Regarding Amigo’s cashflow:
 - (i) Amigo is not issuing any new loans and is collecting its outstanding loans. If neither Scheme goes ahead, Amigo will not restart lending. That means Amigo would in the near future run out of cash and leave many of its liabilities unpaid.
 - (ii) Amigo is not currently progressing complaints relating to the redress claims which the Schemes cover. The FCA and the FOS have been permitting that situation to continue while Amigo is

developing the Schemes. However, Amigo cannot assume that the FCA or the FOS would allow that to continue if it becomes clear that neither Scheme will go ahead. In any event, Customer Creditors may decide to bring proceedings against Amigo if neither Scheme is approved.

- 7.5 Second, it would be unfair if Amigo started paying some Customer Creditors but not others. To avoid that situation, Amigo or the Amigo Board would need to apply for administration. The only reason that situation might change is if there were a significant change in circumstances that resolves Amigo's financial difficulties. The Amigo Board currently has no reason to expect that to happen.
- 7.6 This means that Amigo and the Amigo Board need to plan for what happens if neither Scheme goes ahead, in order to avoid an unfair situation where some unsecured creditors are paid in full and others are not. There are two aspects of that plan:
- (a) First, before the court hearing the Amigo Board intends to prepare for a swift appointment of administrators if that becomes necessary, including preparing draft papers for that appointment.
 - (b) Second, unless there has been a significant change in circumstances that resolves Amigo's financial difficulties, Amigo and the Amigo Board propose to give an undertaking to the Court at the next court hearing, confirming that they will apply for administration if the Court does not approve either Scheme.
- 7.7 In addition, Amigo believes that the Schemes offer the best outcome for Customer Creditors. Developing and seeking to implement a third set of proposals would be likely to take several months and cost a substantial sum of money. In these circumstances, and having regard to the fact that Amigo is insolvent and is likely to remain insolvent, there would be no realistic alternative open to Amigo apart from administration if neither of the Schemes is approved.

In an insolvency, shareholders usually lose everything

- 7.8 Shareholders are the lowest rank of a company's capital structure – that is, the last in line of the people who are deemed to have an economic interest in the company. Where a company is attempting a financial restructuring – such as the Schemes – to return it to solvency, the shareholders usually lose all their economic interests before creditors do. This means that shareholders would not usually receive any value for their claims until creditors have been paid in full. This is what would happen if Amigo were to go into administration.
- 7.9 Because Amigo is insolvent, its ultimate shareholders (i.e. the shareholders of Holdings PLC) currently have no economic interest in Amigo, and its directors owe their duties primarily to Amigo's creditors rather than to Amigo Loans Holdings Ltd as its sole shareholder or to Holdings PLC as its ultimate shareholder. Amigo's directors have considered how best to proceed, and proposed the Schemes, because they believe that they are the best way for Amigo's creditors to receive the most money for their claims.

The shareholdings that the current shareholders have in Holdings PLC will be significantly reduced in the Preferred Solution

- 7.10 To pay for the Top-up Amount, which will contribute at least £15 million to the Scheme Fund under the Preferred Solution, and to raise new funds for Amigo's new business, Holdings PLC will issue at least 19 ordinary shares for every 1 ordinary share in issue prior to the issue through the Share Issue (discussed in more detail at paragraph 7.19 below). This will have the effect of 'diluting' the current shareholders' interest in Holdings PLC to 5% or less of the shares (which are referred to as 'equity'). Put another way, before the Share Issue, the people who are currently shareholders own 100% of the shares in Holdings PLC but, after the Share Issue, their shares will only make up 5% or less of the shares in Holdings PLC. Current shareholders may be able to purchase shares in the Share Issue and, if they do so, that will increase their economic interest compared to what it would be if they did not purchase any shares. However, they would be getting new shares in return for providing new money to Amigo.

Why we think it is necessary for shareholders to retain some value

- 7.11 Sometimes in order for a financial restructuring to be successful it is necessary for shareholders to retain some economic value which they would not retain if the entity in question were to enter an insolvency process. Shareholders typically retain some value in situations where their support is needed to produce a better overall outcome for creditors. That means that, in some cases, it is in creditors' best interests to provide shareholders with some economic benefit from the restructuring before all other creditors are paid in full. This is so that creditors benefit from the greater returns they would receive in a restructuring than in the alternative of administration. This is the situation which applies to the Schemes, as shareholders are required to approve the terms of the Share Issue.
- 7.12 The question is how small a share of the value of the company in question will existing shareholders accept in return for supporting the restructuring, so that more value can be given to creditors.
- 7.13 As part of the Preferred Solution, it is envisaged that the current shareholders will be allowed to retain 5% or less of Holdings PLC. Amigo has thought about this carefully and has balanced the need to give shareholders as little value as possible with the need to ensure that it can proceed with the Share Issue by passing a shareholders' ordinary resolution to approve it.

The individual Customer Creditors could have taken ownership of the Amigo Group

- 7.14 In some financial restructurings like the Schemes, the creditors (like the Customer Creditors) end up owning some or all of the company. Amigo considered carefully whether to propose this and would have been willing to do so. However, Amigo decided not to make this a part of the Schemes because:
- (a) as set out at paragraph 3.33, the Customers' Committee made it clear that they do not think it would be desirable for individual Customer Creditors to take ownership of Holdings PLC in exchange for their

claims and instead prefer the certainty of the fixed cash amount to pay compensation that the Schemes will offer; and

- (b) the FOS has informed Amigo that it does not want shares in Holdings PLC.

Why does the New Business Scheme's Preferred Solution involve approximately £116 million of funding, rather than some other amount?⁹

7.15 The payments under the Preferred Solution reflect:

- (a) the best recovery of value from Amigo's existing loan book – this would be delivered through the First Funding Payment, the Second Funding Payment, and any Turnover Amount; plus
- (b) the best return that can be obtained for Customer Creditors from the Share Issue – this would be delivered through the Top-up Amount.

1) The First and Second Funding Payments and the Turnover Amount

7.16 There are a number of elements which comprise the funding for the Preferred Solution. These are described from paragraph 5.25 and it is important to note that under the Preferred Solution the Scheme Fund could be larger or smaller than £116 million. Amigo will not pay less than £112 million in compensation; this is the minimum that will be provided under the terms of the Preferred Solution.

7.17 Amigo will transfer £97 million (together being the First and Second Funding Payments) to the Scheme Fund. The First and Second Funding Payments represent the estimate of the cash generated from Amigo's existing loan book collections in the Preferred Solution which was calculated when Amigo was discussing the terms of the New Business Scheme with the Customers' Committee.

7.18 Since that date, however, Amigo has decided to supplement the First and Second Funding Payments with any sums which constitute a Turnover Amount. This means that if the net collections from Amigo's existing loan book collected by 31 October 2023 exceed £97 million, they will be paid into the Scheme Fund for the benefit of Customer Creditors. Amigo estimates there will be a Turnover Amount of £4 million.

2) The Top-up Amount

7.19 Under the Preferred Solution, within 12 months of the New Business Scheme's Effective Date, Holdings PLC would raise new money – by issuing and selling new shares through the Share Issue. Most of this new money will be used to

⁹ When Amigo sent out its 'Practice Statement Letter' in December 2021 it said it would have £112 million to pay out as compensation. The Scheme has taken slightly longer to propose than was expected when the Practice Statement Letter was sent, and there has therefore been an extra month of collections. As a result, the estimate of the total amount available to pay Customer Creditors is now higher.

fund new lending activity for Amigo, so that the business can continue sustainably.

- (a) Any Share Issue would happen several months after the Scheme Effective Date. Amigo has considered this carefully with its financial advisers and considers that the delay is unavoidable. That is because for investors to have enough confidence to buy shares they will need confidence in its business. This means they must be satisfied that Amigo will be able to lend again and may require a track record of new lending after the Scheme Effective Date. Amigo will first need the FCA to be satisfied that Amigo can restart lending. Amigo does not expect to receive that decision from the FCA before the Scheme Effective Date. They will also require the uncertainty caused by the Scheme Claims to be addressed by the implementation of the New Business Scheme.
- (b) Because of the delay between the Scheme Effective Date and the Share Issue, it is impossible to be certain now how much money will be raised through it and how much prospective investors will allow to be paid into the Scheme Fund. Holdings PLC will obtain as much money as it can for the Scheme Fund, however, and the amount contributed to the Scheme Fund will not be less than £15 million.
- (c) Amigo has done its best to determine the maximum sum that it will be able to pay Customer Creditors out of the Share Issue without putting off investors, as they will want to see as much of the funds they invest in the business used for their benefit rather than paid to Customer Creditors. This feature of any potential investor's thinking means that there is a balance to be struck as to the amount of the new money paid as compensation and the amount used in the business.
- (d) The size of the Top-up Amount was arrived at through dialogue between Mr Drummond-Smith on behalf of the Customers' Committee and Amigo in determining the main terms of the proposals underpinning the Schemes. They arrived at a figure of £15 million. This figure was then tested by Amigo's financial advisers when they held a series of 'market sounding' conversations with potential investors in Amigo's Share Issue. Based on the feedback that Amigo's financial advisers received, Amigo concluded that the Top-up Amount constituted a reasonable estimate of the amount from the Share Issue which could be transferred into the Scheme Fund to pay out to Customer Creditors.
- (e) With Customer Creditors in mind, Amigo has subsequently determined that the Top-up Amount should be *at least* £15 million. Prior to the Share Issue, Amigo (having regard to Scheme Creditors' interests and the aim to maximise returns to them) will determine the amount it will be able to pay into the Scheme Fund following the Share Issue. That amount will not be less than £15 million and if at all practicable for it to be higher, then it will be higher.

‘Pros and cons’ of the two Schemes

- 7.20 Although Amigo’s directors believe that either of the Schemes offers Customer Creditors a better outcome than they would get if Amigo went into administration, there are potential drawbacks to both Schemes, and Customer Creditors may have a variety of priorities and preferences. Therefore, you should consider the options carefully.

The New Business Scheme specifically

- 7.21 Reasons you might choose to vote *in favour* of the New Business Scheme:
- (a) If the Preferred Solution is implemented then a total of approximately £116 million is estimated to be available to be paid to Customer Creditors. This figure could be higher depending on the performance of the existing loan book or on the amount of money raised through the Share Issue but will not be less than £112 million. As set out in the table above paragraph 3.15, Amigo expects the Preferred Solution to provide bigger payments than in any other outcome.
 - (b) If the Preferred Solution is not implemented successfully and the Fallback Solution is implemented, Amigo expects that the Fallback Solution may lead to bigger payments for Customer Creditors than in the Wind-Down Scheme.
- 7.22 Reasons you might choose to vote *against* the New Business Scheme:
- (a) You might not be happy for Holdings PLC’s existing shareholders to retain any value, which they would do under the Preferred Solution (as explained at paragraph 7.13).
 - (b) You also might not be happy with the prospect of Amigo lending again and so therefore you might want to vote against the New Business Scheme to make sure that does not happen.

The Wind-Down Scheme specifically

- 7.23 Reasons you might choose to vote *in favour* of the Wind-Down Scheme:
- (a) As shown in the table above paragraph 3.15, Amigo expects the Wind-Down Scheme to provide bigger payments for Customer Creditors than they would receive in administration.
 - (b) If you want the New Business Scheme to go ahead, that might mean that you would prefer the Fallback Solution under the New Business Scheme to administration. In that case, it would make sense to vote in favour of the Wind-Down Scheme as well as the New Business Scheme.
- 7.24 Amigo has not identified any reasons why a Customer Creditor might want to vote against the Wind-Down Scheme specifically (as opposed to voting against both Schemes generally).

The Schemes generally

- 7.25 You do not have to choose between the two Schemes: you can vote for or against both or either of them.
- 7.26 Reasons why you might choose to vote in *favour of* either or both Schemes:
- (a) Amigo estimates both Schemes will provide Customer Creditors with larger payments than they would receive in administration.
 - (b) Customer Creditors may receive payment of compensation sooner under the Schemes than if Amigo entered administration.
 - (c) Both Schemes allow for a convenient and streamlined process for submission of claims through the Website – you can do this without needing help from any adviser such as a claims management company.
 - (d) If you disagree with the assessment Amigo makes of any claim in either Scheme, you can refer the claim to the Scheme Adjudicator for determination. The Scheme Adjudicator is independent and referral to them will be more accessible, and quicker, than if you disagreed with the assessment of a claim in administration.
- 7.27 Reasons why you might choose to vote *against* either or both Schemes:
- (a) If you do not submit your claim in either Scheme before the Claims Submission Deadline, then you will not be paid anything and you will lose your opportunity to make a claim against Amigo about your Amigo loan. That would mean that you could not obtain cash compensation for any claim you have and also that you are unable to use any claim to reduce (or ‘set-off’) the amount you owe under your loan.
 - (b) Customer Creditors have a different view from Amigo as to how much they are likely to receive in either of the Schemes and/or administration and/or as to the likelihood of administration.

8. Arrangements for voting

- 8.1 Amigo is asking Customer Creditors to vote on both the New Business Scheme and the Wind-Down Scheme.

The votes that Amigo needs if either of the Schemes are to go ahead

- 8.2 Each of the Schemes can only go ahead if:
- (a) of the Customer Creditors who vote, a majority (that is, more than 50%) vote saying they want the Scheme to go ahead; and
 - (b) the Customer Creditors who vote in favour of the Scheme have claims with a value of at least 75% of the value of the claims of all the Customer Creditors who vote.
- 8.3 If neither of the Schemes receives enough votes to pass both of those tests then Amigo cannot ask the Court to approve either of the Schemes and Amigo is likely to go into administration.
- 8.4 If only one of the Schemes passes both of those tests then Amigo will ask the Court to approve that Scheme.
- 8.5 If both of the Schemes receive enough votes to pass both of those tests then:
- (a) Amigo will first ask the Court to approve the New Business Scheme, unless Amigo's directors consider that the Court is unlikely to approve that Scheme; and
 - (b) Amigo will only ask the Court to approve the Wind-Down Scheme if the Court does not approve the New Business Scheme or if Amigo's directors consider that the Court is unlikely to approve the New Business Scheme.
- 8.6 Amigo will ask the Court for approval at a hearing which is expected to be on 23 and 24 May 2022. Customer Creditors are entitled to attend that hearing and speak if they wish. You can find more information about that at paragraph 10.7 below.
- 8.7 There are three options for voting on the Schemes. Those options are:
- (a) vote online before the Creditors' Meeting on the Website up to 5pm on Tuesday 10 May 2022;
 - (b) if you have registered your intention to attend the meeting, vote online during the Creditors' Meeting starting at 1pm on Thursday 12 May 2022;
 - (c) appoint [someone else to vote and/or speak on your behalf](#) during the Creditors' Meeting.

You can find instructions for how to do this on the Website.

- 8.8 **You can vote on the Schemes without attending the Creditors' Meeting.**

- 8.9 If you require additional assistance when voting, you can email us at amigoscheme@amigoloans.co.uk or call us on 01202 629798.

Attending the Creditors' Meeting

- 8.10 At the Creditors' Meeting, the votes will be taken formally, and Amigo's directors will answer questions which you can submit in advance or ask during the meeting.
- 8.11 If you want to attend the Creditors' Meeting online then you will need to register by no later than 5pm on Tuesday 10 May 2022. Details of how to do this will be confirmed on the Website.
- 8.12 It may be possible for the chairperson of the meeting to announce at the end of the meeting whether either or both Schemes have received the required votes. If it is not possible to do that then Amigo anticipates announcing the outcome of the votes as soon as possible. Amigo will place a notice on the Website within two Business Days after the meeting.
- 8.13 Amigo should mention some technical points about the Creditors' Meeting, but these do not change the essential facts explained above. Those technical points are that, strictly speaking:
- (a) there will be two meetings, being one for each of the two Schemes – however, they will be carried out in one session and may seem like one meeting;
 - (b) if you vote in advance online then you will be appointing the chairperson of the meeting to vote on your behalf – however, this does not change the fact that you will be choosing how to vote.

How to vote

- 8.14 If you are voting online, then you will find instructions for voting on the Website. Please have your customer reference number and/or your agreement number to hand as well as your email address and mobile phone number when accessing the Website to vote or when joining the Creditors' Meeting to vote online during the meeting.
- 8.15 The questions you will be asked to answer when you vote are:
- (a) whether you believe you have a valid claim;
 - (b) whether you want the New Business Scheme to go ahead; and
 - (c) whether you want the Wind-Down Scheme to go ahead.

How will votes be valued?

- 8.16 If you are an individual Customer Creditor with an affordability claim, then you do not need to work out the value of your vote. SchemeCo will do this where it can, using information Amigo has about its loans and guarantors. However, you can indicate details of your claim value for voting purposes if you wish to. If you do that then the chairperson of the Creditors' Meeting will consider your

assessment of your claim value estimate and determine whether to accept that voting value or use a different value.

- 8.17 The value of your vote will be calculated, based on values as at 28 February 2022, in one of these ways:
- (a) If you are a guarantor, your vote will be given the value of the full amount paid by you as guarantor, plus 8% p.a. simple interest from the time of each relevant payment until 28 February 2022. The value of your vote will also take into account whether or not you are eligible to receive a payment out of the bank account provided for under the Escrow Agreement. If you are a guarantor who has not made any payments then your vote will have a value of £1.
 - (b) If you are a borrower, your vote will be given the value of the amount by which the total payments you have made exceed the total amount you borrowed (essentially, this is the interest you have paid on your loan), plus an additional amount of interest for each repayment that you made after you had paid the total amount you borrowed. That additional simple interest will be 8% per year on each repayment from the time you made the repayment until 28 February 2022. The value of your vote will also take into account whether or not you are eligible to receive a payment out of the bank account provided for under the Escrow Agreement. If you are a borrower and the total amount of repayments you have made does not exceed the amount that you borrowed then your vote will have a value of £1.
- 8.18 If you have a claim that is not related to affordability, you will be able to submit details of the value of your claim for voting purposes on the Website (this estimate will be reviewed by Amigo and decided upon by the chairperson of the Creditors' Meeting).
- 8.19 In some situations, Amigo might not have the information needed to determine a Customer Creditor's vote value. In those cases, SchemeCo will determine its best estimate of the Customer Creditor's maximum possible claim value and use that as the vote value.
- 8.20 Whatever value is ultimately applied to your vote(s) for the purposes of determining whether the Schemes have received the required support, that value:
- (a) does not mean you will necessarily have a Final Scheme Claim;
 - (b) does not affect the amount that may ultimately be determined to be a Final Scheme Claim; and
 - (c) does not affect the amount of money that you may end up receiving under either Scheme.
- 8.21 The FOS will also submit the value of its claim for voting purposes. This value will be based on fees for cases which had been referred to FOS and for which a case fee had become chargeable.

9. Directors' interests

- 9.1 Under the Companies Act, Amigo is required to include information here which states:

any material interests of the directors of [SchemeCo] (whether as directors or as members or as creditors of [SchemeCo] or otherwise), and

the effect on those interests of the [scheme of arrangement], in so far as it is different from the effect on the like interests of other persons.

(Section 897(2)(b) of the Companies Act 2006.)

- 9.2 The two directors of SchemeCo (who are also directors of Amigo and AMSL) are Gary Jennison and Nicholas Beal. Other than their directorships, they have no direct interest in SchemeCo, Amigo, or AMSL. Mr Jennison is also a director of Holdings PLC. Their shareholdings in Holdings PLC are set out below. These are the only material interests that the directors listed below have in any of these companies or in the outcome of the Schemes. None of these interests would be affected by the New Business Scheme or the Wind-Down Scheme in a different way from the way the Schemes would affect the interests of any other person who holds shares in Holdings PLC.

Director	Interests in Holdings PLC
Gary Jennison	Direct shares 1,250,000
Nicholas Beal	Direct shares 989,989 LTIP 1,198,675 SIP 78,149 SAYE 185,567 DBP 9,855
Jonathan Roe	Direct shares 180,000
Maria Darby-Walker	Direct shares 107,569
Michael Bartholomeusz	Direct shares 107,569

Note: In the table above:

- 'shares' means ordinary 0.25p shares in Holdings PLC;
- 'LTIP' refers to shares held under Amigo's long-term incentive plan;
- 'SAYE' refers to shares held under Amigo's 'save as you earn' scheme;
- 'DPB' refers to shares held under Amigo's deferred bonus plan; and
- 'SIP' refers to shares held for a person's beneficial ownership under Amigo's share incentive plan'.

10. Your rights to object to these proposals

- 10.1 You have the right to object to these proposals and make these objections known to the Court.

How can I object?

- 10.2 You can do this in two ways:

- (a) You can come to the court hearing when Amigo asks the Court to approve one of the Schemes and explain your objection to the Court yourself. The Court will give any Customer Creditors the chance to speak during the hearing if they wish to do so. If you would like to come to the court hearing, please email the Customer Advocate stating that this is what you would like to do.
- (b) You can also send your objections to Jon Yorke, the Customer Advocate and he will bring them to the Court's attention. You can do that by emailing jy@amigoca.co.uk by 5pm 6 business days before the Sanction Hearing.

The Customer Advocate will produce an additional report addressed to the Court and Customer Creditors for the sanction hearing. This report will summarise any objections or challenges to the Schemes received from Customer Creditors and / or any challenges made by media / consumer protection groups. It will take into account correspondence and objections received from Customer Creditors and the media / consumer protection groups since the convening hearing. The report will also cover whether, from the Customer Advocate's perspective, Customer Creditors understood the choices put to them.

- 10.3 If you do wish to explain your objection to the Court directly, please let the Customer Advocate know in advance by emailing jy@amigoca.co.uk so that we are aware of your objection before the hearing.

What can I object to?

- 10.4 You can object to either or both Schemes going ahead if you believe they are not fair.
- 10.5 The Court has already considered whether all Customer Creditors can vote together in a 'single class' for the purpose of voting. Further detail on this is set out in Appendix One of the [Practice Statement Letter](#) that was made available in December 2021. The question about 'class' is essentially whether the Customer Creditors' rights are sufficiently similar that they can consider the Schemes together. If any Customer Creditor wishes to argue at the court hearing that all Customer Creditors could not vote together in one class, they would need to satisfy to the Court that they had a good reason for not raising the issue at the court hearing on 8 March 2022.

What if I have questions, but not necessarily an objection?

- 10.6 You can also contact Amigo at amigoscheme@amigoloans.co.uk or the Customer Advocate at jy@amigoca.co.uk. You may also contact our customer service team on 01202 629798 between 9am and 6pm from Monday to Thursday and 9am to 5pm on Fridays with any questions you have if you think you need help to understand any aspect of the proposals.

The court hearing to consider and potentially approve the proposals

- 10.7 As explained at paragraph 8.3 above, if one or both of the Schemes receives sufficient votes, Amigo will ask the Court to approve (or ‘sanction’) one of the Schemes.

- (a) If both the New Business Scheme and the Wind-Down Scheme receive sufficient votes, Amigo will ask the Court to approve the New Business Scheme first (unless Amigo’s directors consider that the Court is unlikely to approve the New Business Scheme). If the Court does not approve the New Business Scheme, Amigo will ask the Court to approve the Wind-Down Scheme.
- (b) If the Wind-Down Scheme receives sufficient votes but the New Business Scheme does not, Amigo will ask the Court to approve the Wind-Down Scheme.
- (c) If the New Business Scheme receives sufficient votes but the Wind-Down Scheme does not, Amigo will ask the Court to approve the New Business Scheme (unless Amigo’s directors consider that the Court is unlikely to approve the New Business Scheme).

- 10.8 When deciding whether to approve one of the new Schemes, the Court will consider:

- (a) all the evidence and argument presented to it, including:
 - (i) any objections from Customer Creditors or any other person who alleges that they would be adversely affect by the Schemes; and
 - (ii) any views expressed by the FCA; and
- (b) whether the legal requirements have been met – these are explained below.

- 10.9 The legal issues that the Court will consider include:

- (a) Whether the Scheme is fair – more specifically the Court will consider whether a Customer Creditor could reasonably have approved the Scheme;
- (b) Whether the Customer Creditors who voted on the Schemes are a fair representation of the interests of the group of people who were entitled to vote on it;
- (c) Whether all of the requirements under Part 26 of the Companies Act have been met; and

- (d) Whether the Court is satisfied that the Schemes have been properly explained to Customer Creditors.
- 10.10 The Court must then decide whether to approve the Scheme. If the Court does approve the Scheme, then a court order will be made allowing it to come into effect on the Scheme Effective Date.
- 10.11 If you wish to come to the court hearing, please email the Customer Advocate stating that you would like to attend. There is no requirement to speak: you can join the hearing to just listen.