

Everyday Lending Limited's proposals for people who have borrowed or guaranteed a loan from Everyday Loans, George Banco or TrustTwo

These proposals may affect your legal rights, including rights you may have to claim compensation for unaffordable lending in relation to certain loans.

WORDS AND PHRASES USED IN THIS DOCUMENT

Everyday Lending Limited uses certain technical words and phrases throughout this document; you can tell which words they are because they have capital letters. Explanations for each of these words and phrases are in the glossary at Schedule 1.

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1. Summary

Who is Everyday Lending Limited (“ELL”)?

- 1.1 ELL runs Everyday Loans (branch-based lending), George Banco and TrustTwo. ELL is a company within the Non-Standard Finance plc group (the “**Group**”). For more detailed information on ELL, the various business divisions it operates and the wider Group structure, please see paragraphs 6.1 to 6.9 below.

What is this document?

- 1.2 This document provides you with the information you need so that you can decide whether you agree with ELL’s proposals to enter into a legal process called a scheme of arrangement (the “**Scheme**”).
- 1.3 ELL 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 21 pages. There are then a further 36 pages of supporting detail. We recommend that you read all of this document, including the pages of supporting detail.

What is the Scheme?

- 1.4 The Scheme is a “scheme of arrangement”, which is a legal process that allows a company to come to a compromise or arrangement with its creditors, or a group of its creditors. To become effective, the Scheme requires:
- (A) certain percentages of those creditors who are affected by the Scheme and who vote on it, to vote in favour. The details of those requirements are set out at paragraph 2.25(A) below; and
 - (B) Court approval (also known as Court sanction).

Why is ELL proposing the Scheme?

- 1.5 ELL believes that some of the historical lending made by Everyday Loans, George Banco and TrustTwo was unaffordable, and ELL is responsible for paying compensation for any valid unaffordable lending claims, and any other claims a customer may have, in relation to these loans. ELL does not have enough money to pay this compensation in full and is therefore proposing to use the Scheme to pay part of the compensation claims relating to activity carried out by Everyday Loans, George Banco or TrustTwo on or prior to 31 March 2021. More detail on the compensation claims which will be affected by the Scheme is set out at paragraph 1.11 below.
- 1.6 The Scheme is part of, and conditional upon, a wider restructuring of the Group which has to complete by 31 December 2023. More detail on this restructuring is set out at paragraphs 2.27 to 2.31.
- 1.7 Under the terms of the Scheme, customers with eligible compensation claims are estimated to receive a cash return of between 24% and 31% of their claim (following any balance adjustment

and / or Ring-Fenced Account Payments, which are described at paragraph 2.20 below). It is important to note that this is an estimate only and there is a risk that customers with successful claims are paid less than 24% to 31% of their claims.

- 1.8 Without the Scheme and the wider restructuring of the Group, the most likely outcome is that ELL and the other members of the Group would enter into insolvency processes. In an insolvency process of ELL, which is likely to be an administration, it is expected that ELL would stop providing loans and the business would be brought to an end (wound down). If that were to happen, then customers with eligible compensation claims would receive a significantly lower proportion of their claim in cash (estimated to be approximately 0.2% of their claim). This is after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.

What does the FCA think?

- 1.9 ELL is regulated by the Financial Conduct Authority (the “FCA”). ELL has been in communication with the FCA regarding its plans for the Scheme.
- 1.10 The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so.

Will I be affected by the Scheme?

- 1.11 Subject to certain limited exceptions (described in more detail at paragraph 2.13 below), you will be affected by the Scheme if you meet the following criteria:
- (A) Unaffordable lending: on or before 31 March 2021, you either borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo; and
- (i) if you are a borrower, your loan should not have been made because you may not have been able to afford to repay it and the right checks were not carried out;
- (ii) if you are a guarantor, either (1) the loan you guaranteed should not have been made to the borrower because they may not have been able to afford to repay it and the right checks were not carried out; or (2) you should not have been accepted as a guarantor because you may not have been able to afford to make payments under the guarantee and the right checks were not carried out; or
- (B) Other historical activity: you borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo, and you have some other kind of claim in connection with any activity which occurred on or before 31 March 2021 in relation to your loan or guarantee (for example because you believe you have been treated unfairly or unreasonably in relation to your loan or

guarantee for reasons other than affordability). Further detail on what this claim could relate to is set out at paragraph 2.12(B) below.

What are the key conditions to the Scheme?

1.12 The key conditions for the Scheme to go ahead are that all of the following occur on or before 31 December 2023:

- (A) Condition A: the Scheme is approved by a majority in number (i.e. more than 50%), representing 75% or more in value, of the creditors who attend and vote at the creditors' meeting;
- (B) Condition B: the Scheme is sanctioned by the Court; and
- (C) Condition C: once the Court has sanctioned the Scheme and the wider restructuring of the Group completes, £14 million (the "**Scheme Fund**") is paid into a trust account for the benefit of Scheme creditors.

1.13 As a technical matter, the Scheme will become effective after Conditions A and B have occurred. However, if Condition C does not occur on or before 31 December 2023, the Scheme will not happen.

1.14 Condition C requires the Scheme Fund of £14 million to be paid into a trust account on or before 31 December 2023. This money will come from the new money (i.e. extra investment) that is expected to be invested as part of the wider restructuring of the Group. **As such, the Scheme is conditional on this restructuring successfully completing on or before 31 December 2023. If ELL were to enter into an insolvency process prior to the restructuring successfully completing, Condition C would not occur and the Scheme would not happen. In this scenario, customers with valid claims are estimated to receive approximately 0.2% of their claim after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.**

1.15 The wider restructuring of the Group has two alternatives:

- (A) Plan A involves the following:
 - (i) the Group raising new money of a minimum amount of £95 million through a public equity raise (where new investors and existing shareholders buy new listed shares in Non-Standard Finance plc ("**NSF**") through a public process) (the Scheme Fund and the additional money to cover the costs of the Scheme will come from this new money);
 - (ii) amendments to the Group's secured financing arrangements to extend the date on which the Group's secured debt has to be repaid by approximately four years to June 2027 and to reduce the interest rate for a period. The Group's secured debt, as at the date of the Explanatory Statement, is approximately £252 million; and

- (iii) the Group's secured lenders writing off a portion of their secured debt in exchange for equity in NSF. The Group's secured lenders have provisionally agreed, subject to finalising detailed terms and formalising requisite documentation, to write off £71 million of secured debt in exchange for approximately 20% of the equity in NSF; or

(B) Plan B involves the following:

- (i) a transfer of the ownership of the Group's business (which includes ELL) to a legal entity owned by the Group's secured lenders, in exchange for the Group's secured lenders writing off £70 million of their secured debt (in exchange for an issuance of equity);
- (ii) a new money investment of a minimum amount of £40 million by the Group's secured lenders (the Scheme Fund and the additional money to cover the costs of the Scheme will come from this new money investment); and
- (iii) amendments to the Group's secured financing arrangements to extend the date on which the Group's secured debt has to be repaid by approximately four years to June 2027 and to remove the requirement to pay interest in cash for a period.

1.16 Plan A is our preferred option. Plan B is a fall-back in the event that it is not possible to implement Plan A, for instance because market conditions at the relevant time mean that it is not possible to raise £95 million through the public equity raise. However, the treatment of customers under both Plan A and Plan B will be the same. Although the Scheme has a final deadline of 31 December 2023, the Group expects to complete the Restructuring through either Plan A or Plan B in late June or early July 2023.

Customers should note that, although the Group has contractual commitments from its secured lenders to support Plan B, there is a risk that it will not be possible to implement either Plan A or Plan B. In these circumstances, if neither Plan A nor Plan B has been implemented by 31 December 2023, it will not be possible to pay the Scheme Fund into the Trust Account and the Scheme will not happen.

In this scenario, the most likely outcome is that ELL and the other members of the Group would enter into insolvency processes and customers with valid compensation claims are estimated to receive approximately 0.2% of their claim (after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim).

1.17 Please see paragraphs 2.25 to 2.32 below for more details on the key conditions to the Scheme.

What do I need to do?

- 1.18 If you have received a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan made from George Banco or TrustTwo to someone else, on or before 31 March 2021, and believe you have a valid claim under the Scheme, ELL would like you to vote on its proposals.
- 1.19 **You can vote online at the Website (www.nsfclaims.co.uk) at any time until 5pm on 8 June 2023.**
- 1.20 You can also vote during the online creditors' meeting, which will start at 10.30am on 12 June 2023 provided that you have registered in advance to attend it by 5pm on 8 June 2023. Please visit the Website (www.nsfclaims.co.uk) for more information on how to register. For further information on how you can vote and things to consider when you are deciding whether to vote for or against the Scheme, please refer to paragraphs 8 and 9 below.
- 1.21 If you require additional assistance when voting, for instance because you are unable to vote electronically, please email us at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply).
- 1.22 ELL recommends that you vote in favour of the Scheme. This way you have the best chance of receiving more cash compensation than if ELL enters an insolvency process.
- 1.23 If the Scheme receives enough votes, ELL will ask the Court to sanction the Scheme.
- 1.24 **If the Court sanctions the Scheme, ELL will then contact you and you will have until the Claims Submission Deadline, likely to be 31 December 2023, to make a claim in accordance with the instructions provided.**
- 1.25 **If you do not make a claim in accordance with the instructions provided by this deadline, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) below) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 below). Please refer to paragraph 10 below for more detail on the claims process.**
- 1.26 Assuming that the wider restructuring of the Group completes by 31 December 2023, cash payments under the Scheme are expected to be made in around April 2024.

Where can I find out more information?

- 1.27 Further details on the Scheme are set out in the remainder of this document, which we encourage you to read.
- 1.28 You can also find more information about the Scheme on the Website (www.nsfclaims.co.uk), or you can email us at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply). You can also contact the Customer Advocate at jy@nsfcustomeradvocate.co.uk.

2. Important information about the Scheme

Why is ELL proposing a scheme of arrangement?

- 2.1 The Group is facing serious financial difficulties. There are a number of reasons for this, including a recent review suggesting a high number of customers may be due compensation for unaffordable lending, and the challenging business environment created by the Covid-19 pandemic, which has increased defaults by customers on their loans and reduced the Group's revenues. For further background regarding ELL's financial difficulties, please see paragraphs 6.10 to 6.28 below.
- 2.2 Unfortunately, the Group does not have enough money to pay all current and expected compensation claims in full. This means that the Group needs new funding to fund the partial payment of compensation claims, while also restoring its financial position and allowing the Everyday Loans branch-based business (the only business of the Group which still provides new lending) to continue trading.
- 2.3 The Group has developed, following discussions with and between its secured lenders and its largest shareholder, transactions to recapitalise its balance sheet (the "**Restructuring**") through either Plan A or Plan B (which are described at paragraphs 2.27 to 2.32 below). The Restructuring will involve the restructuring of the Group's financial obligations and provide the business with new money, part of which will be used to fund the partial payment of compensation claims under the Scheme.
- 2.4 Since Plan A is our preferred option, we will initially seek to implement Plan A. Plan A has the support in principle of the Group's largest shareholder and secured lenders, subject to reaching agreement on the terms and satisfaction of certain conditions including, in the case of the Group's largest shareholder, further review and assessment of the Group's revised business plan and financial projections. Plan B is our fall-back option, in the event that it is not possible to implement Plan A. It is important to note that, although the Group has contractual commitments from its secured lenders to support Plan B, there is a risk that it is not possible to implement the Restructuring through either Plan A or Plan B. Detail on the key conditions to Plan A and Plan B are set out at paragraphs 2.29 and 2.31 below.
- 2.5 The Scheme is conditional upon the completion of the Restructuring. If the Restructuring does not complete by 31 December 2023, the Scheme will not happen and ELL expects that it, and the other members of the Group, would have to enter into insolvency proceedings. In this scenario, customers with valid compensation claims are estimated to receive approximately 0.2% of their claim (after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim). For further details on the Restructuring, please see paragraphs 2.27 to 2.31 below. For more information on what would happen in an insolvency process of ELL, please see paragraphs 2.33 to 2.37 below.
- 2.6 One of the conditions (among others) to the Group's largest shareholder and secured lenders being willing to participate in the Restructuring is that there is certainty as to the total amount of compensation that ELL will have to pay to customers as a result of claims which relate to activity carried out on or before 31 March 2021.

2.7 Therefore, ELL is proposing the Scheme. The Scheme is a “scheme of arrangement”, which is a legal process that allows a company to come to a compromise or arrangement with its creditors, or a group of its creditors. To go ahead, the Scheme requires certain percentages of Scheme Creditors who vote on it, to vote in favour. The details of those requirements are set out at paragraph 2.25(A) below. In addition, a scheme of arrangement requires Court sanction in order to become effective.

2.8 The Scheme will compromise:

- (A) the Redress Claims of the Redress Creditors. Please see paragraph 2.12 below for more detail; and
- (B) case fees owed to the Financial Ombudsman Service (the “FOS”) arising from complaints referred to the FOS on or after 17 March 2023 in relation to any activity which occurred on or before 31 March 2021 in connection with a loan provided by Everyday Loans, George Banco or TrustTwo (the “FOS Fees”).

The Redress Creditors and the FOS are referred to in this document as the “**Scheme Creditors**”.

2.9 Under the Scheme, £14 million will be made available to the Scheme Creditors in exchange for the release of their Redress Claims (or, in the case of the FOS, its claim for the FOS Fees). This means that Scheme Creditors are estimated to receive between approximately 24% and 31% of their claims (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 below). It is important to note that this is an estimate only and there is a risk that customers with successful claims are paid less than 24% to 31% of their claims. Please see paragraphs 2.18 and 2.19 below for more detail behind this estimate.

2.10 This is why we refer to the Scheme as “compromising” claims, as Scheme Creditors will not receive the full amount owed to them. However, cash returns under the Scheme are much better than in an insolvency process, where Scheme Creditors are estimated to receive approximately 0.2% of their claim (after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim).

2.11 At the time of the Practice Statement Letter, we estimated that, under the Scheme, Scheme Creditors would receive between approximately 22% to 28% of their claims (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 below). However, as a result of further work we have carried out to improve our calculations, this estimated recovery range has increased slightly to between approximately 24% and 31% (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 below).

Who will be affected by the Scheme?

2.12 You will be a “**Redress Creditor**” with a “**Redress Claim**” against ELL, and the Scheme will affect you, if you meet the following criteria (unless you fall in any of the categories set out in paragraph 2.13 below):

- (A) Unaffordable lending: on or before 31 March 2021, you either borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo; and
- (i) if you are a borrower, your loan should not have been made because you may not have been able to afford to repay it and the right checks were not carried out;
 - (ii) if you are a guarantor, either (1) the loan you guaranteed should not have been made to the borrower because they may not have been able to afford to repay it and the right checks were not carried out; or (2) you should not have been accepted as a guarantor because you may not have been able to afford to make payments under the guarantee and the right checks were not carried out; or
- (B) Other historical activity: you borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo, and you have some other kind of claim in connection with any activity which occurred on or before 31 March 2021 in relation to your loan or guarantee. This may be because you believe you have been treated unfairly or unreasonably in relation to your loan or guarantee for reasons other than affordability, for instance because you believe that:
- (i) the total amount you had to repay was too high;
 - (ii) there was undisclosed commission on your Payment Protection Insurance (PPI);
 - (iii) we forced you into becoming a borrower or guarantor;
 - (iv) we should not have noted a default on your credit file following non-payment;
 - (v) we should not have sold your loan to a third party; or
 - (vi) your loan agreement was not properly executed, or the wording within it was incorrect.

2.13 However, you will not be a Redress Creditor if you are a customer who has made a Redress Claim and, before 17 March 2023:

- (A) ELL upheld your Redress Claim or you accepted a settlement offer from ELL in respect of your Redress Claim;
- (B) you received a settlement offer from ELL in respect of your Redress Claim dated on or after 17 September 2022, which you (i) accept between 17 March 2023 and the date on which the Scheme becomes effective (the “**Scheme Effective Date**”), or (ii) neither accept nor reject by the Scheme Effective Date (i.e. you do not respond to the settlement offer by the Scheme Effective Date); or

- (C) you referred your Redress Claim to the FOS, which the FOS upholds (either before or after 17 March 2023) and determines that ELL should pay you any amount in respect of your Redress Claim.

If you fall within any of these categories, you will be paid (in full) the amount specified in the upheld Redress Claim, settlement offer or FOS decision (unless you have already been paid). If you have not already been paid, please contact us so we can speed up that payment.

2.14 We have chosen a cut-off date of 31 March 2021 because:

- (A) loans stopped being issued under the George Banco and TrustTwo brands in November 2020, and therefore if you have borrowed or guaranteed a George Banco or TrustTwo loan, this will have occurred prior to 31 March 2021; and
- (B) Everyday Loans launched an enhanced creditworthiness process in February 2021. While the new process did not deviate significantly from the previous lending approaches, with the same core principles applied throughout, the loans provided by Everyday Loans after 31 March 2021 benefited from further improvements to the loan approval process, including more detailed record keeping, and are therefore less likely to be subject to successful affordability claims than loans provided before that date.

2.15 Everyday Loans has continued to provide loans after 31 March 2021. If you have a claim regarding a loan which you received from Everyday Loans after 31 March 2021, this will not be included within the Scheme and if your claim is upheld, you will be entitled to receive what you are owed in full.

2.16 The Scheme will also compromise ELL's obligations to the FOS in respect of the FOS Fees. The Scheme will not affect the fees owed to the FOS for its review of complaints referred to it:

- (A) prior to 17 March 2023; or
- (B) on or after 17 March 2023, where the complaint relates to an activity which occurred after 31 March 2021 in relation to a loan provided by Everyday Loans, George Banco or TrustTwo.

What will Scheme Creditors be paid under the Scheme?

2.17 If the Scheme is successful, ELL estimates that Scheme Creditors will receive between approximately 24% and 31% of their claims (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 below). This means that, if a Scheme Creditor had no outstanding loans and a valid Redress Claim of £2,750, they would receive between £660 and £852.50. However, this is an estimate only and there is a risk that customers with successful claims are paid less than 24% to 31% of their claims.

2.18 This estimate arises from the fact that if the Scheme is successful, Redress Creditors with a valid Redress Claim and the FOS with respect to the FOS Fees will receive their share of £14 million (the "**Scheme Fund**").

2.19 In addition, this estimate is based on a number of assumptions, perhaps the most important of which is the number of valid Redress Claims received by ELL. Since the Scheme Fund is fixed in size, the more valid claims that are received, then the less money there is for each Scheme Creditor with a valid claim. Equally, the fewer valid claims that are received, then the more money there is for each Scheme Creditor with a valid claim.

2.20 Please note that there are two important variations:

- (A) Balance adjustment: If a Redress Creditor has an outstanding loan owed to ELL as at the Scheme Effective Date which was borrowed on or before 31 March 2021, the balance on that loan will be reduced by the amount of the Redress Creditor's valid Redress Claim.

Worked example:

As an example, if a Redress Creditor has a balance at the Scheme Effective Date from a pre-31 March 2021 loan of £3,000 and a valid Redress Claim of £2,750, their balance will be reduced to £250.

If, following this balance reduction, a portion of that Redress Creditor's Redress Claim remains, they will then receive their share of the Scheme Fund for that remaining portion. As another example, if a Redress Creditor has a balance at the Scheme Effective Date from a pre-31 March 2021 loan of £2,000 and a valid Redress Claim of £2,750, their balance will be reduced to £0 and they will receive their share of the Scheme Fund for their remaining claim of £750. Based on the estimated recoveries set out above, this would mean that the Redress Creditor would receive a cash recovery of between approximately £180 and £232.50.

Sold loans:

Approximately 8% of pre-31 March 2021 loans provided by Everyday Loans, George Banco and TrustTwo have been sold to third parties. Our practice is to notify customers when their loan is sold to a third party, using the contact details we have on record. In addition, where a loan is sold to a third party, any communications with the customer after the date of the sale will have come from the purchaser rather than from ELL.

If a Redress Creditor has an outstanding pre-31 March 2021 loan which has been sold to a third party, ELL will attempt to buy back the loan. The costs of buying back the loan will be paid for by ELL, and will not affect the size of the Scheme Fund. Where the loan is bought back, the Redress Creditor will benefit from balance adjustment as described above. However, if ELL is unable to buy back the loan, the Redress Creditor will not benefit from the automatic balance adjustment as described above.

Where a Redress Creditor's loan has been sold to a third party and ELL has not been able to buy back that loan, the Redress Creditor will not be disadvantaged by the Scheme. This is because, if the third party which bought the loan asks for repayment of the outstanding loan balance in the future, the Scheme does not prevent the Redress Creditor from exercising any rights it may have to require the third party to:

- (i) take into account the total amount of the Redress Creditor's valid compensation claim; and
 - (ii) reduce the amount the Redress Creditor is required to pay in respect of its outstanding loan accordingly.
- (B) Ring-Fenced Account Payments: In order to provide protection for Redress Creditors who have made a complaint to ELL which has not been assessed, and who continue to make payments on their outstanding loan prior to the Restructuring Effective Date (described at paragraph 2.25 below), ELL has set up an account into which a portion of those payments will be transferred. ELL has entered into a trust agreement (which can be accessed at the Website (<https://www.nsfclaims.co.uk/>)) to ensure that these funds would be protected if ELL were to enter an insolvency process such as administration prior to the Restructuring Effective Date (for example, because the Scheme did not become effective).

In addition, if a Redress Creditor is entitled to a share of the Scheme Fund (which will be the case if a portion of their Redress Claim remains after the balance adjustment described above), ELL will assess the amount of their payments made between the later of the date of the Practice Statement Letter (17 March 2023) and the date of their complaint, and the Scheme Effective Date. This amount (or, if lower, the remaining portion of Redress Claim after the balance adjustment described above) will be paid back in full to the Redress Creditor as soon as practicable, and in any event within 10 Business Days, after the Redress Claim is assessed pursuant to the Scheme claims methodology (the “**Ring-Fenced Account Payment**”).

Worked example:

If a Redress Creditor has a valid Redress Claim of £2,000 after any balance adjustment but has made loan payments of £200 in this period, they will receive £200 in cash and their share of the Scheme Fund for their remaining claim of £1,800. As a further example, if a Redress Creditor has a valid Redress Claim of £100 after any balance adjustment but has made loan payments of £200 in this period, they will receive £100 in cash.

- 2.21 To provide further protection for Redress Creditors who have a valid Redress Claim and who make payments on their outstanding loan after the Scheme Effective Date in excess of their outstanding balance with ELL after the application of balance adjustment as described above, ELL will pay back the excess in full to the Redress Creditor (a “**Post-Scheme Effective Date Payment**”). Post-Scheme Effective Date Payments will be made as soon as practicable, and in any event within 10 Business Days, after the Redress Claim is assessed pursuant to the Scheme claims methodology.

Worked example:

If a Redress Creditor has a balance at the Scheme Effective Date from a pre-31 March 2021 loan of £2,750 and a valid Redress Claim of £2,750, their balance will be reduced to £0 through the application of balance adjustment. If they have made payments in relation to a pre-31 March 2021 loan of £100 after the Scheme Effective Date, they will get paid that back in full.

- 2.22 Redress Creditors who have a valid Redress Claim will be told if they need to stop making repayments when they are notified that their Redress Claim has been upheld. In addition, if a Redress Creditor makes a complaint prior to the Scheme Effective Date, ELL will provisionally assess that complaint under the proposed Scheme claims methodology. If, based on the proposed Scheme claims methodology, ELL believes that the Redress Creditor may have a valid Redress Claim under the Scheme if the Scheme progresses and, as a result, would be in a position where they would no longer owe ELL any money, ELL will tell the Redress Creditor to stop making payments towards their loan.
- 2.23 Unfortunately the Scheme is an expensive process, which will be funded from the new money to be provided as part of the Restructuring. However, to the extent that the costs of the Scheme end up being less than ELL's current estimate, the amount of this cost saving will be added to the Scheme Fund. If, on the other hand, the costs of the Scheme end up being more than estimated, this will have no impact on the size of the Scheme Fund. We do not, however, expect any cost saving to have a significant impact on the recoveries Scheme Creditors are estimated to receive under the Scheme.
- 2.24 The amount of a Redress Creditor's valid Redress Claim will be calculated as follows:
- (A) If the Redress Creditor is a borrower, this will be the amount of any interest or other costs paid by the Redress Creditor on their loan, plus interest at a rate of 8% per year on that amount (after the application of balance adjustments and any Ring-Fenced Account Payment) up to the Scheme Effective Date.
 - (B) If the Redress Creditor is a guarantor, this will be the full amount of all payments made by the guarantor, plus interest at a rate of 8% per year up to the Scheme Effective Date. In addition, such Redress Creditor will not be required to make any future payments under the guarantee.

What are the key conditions to the Scheme?

- 2.25 The Scheme will become effective, and the compromise under the Scheme will come into effect (and the Scheme will affect Redress Claims and the FOS Fees), only if the following conditions are met on or before 31 December 2023:
- (A) Condition A: the Scheme is approved by a majority in number (i.e. more than 50%), representing 75% or more in value, of the creditors who attend and vote at the Creditors' Meeting;
 - (B) Condition B: the Scheme is sanctioned by the Court at the Second Court Hearing. The Second Court Hearing is where the Court considers if the Scheme is fair and decides whether to sanction the Scheme. The Scheme will progress to the Second Court Hearing only if the first condition above is satisfied – in other words, if sufficient creditors do not vote in favour of the Scheme then the Second Court Hearing will not take place; and
 - (C) Condition C: once the Court has sanctioned the Scheme and the wider Restructuring of the Group completes, the Scheme Fund of £14 million is paid into a trust account for

the benefit of Scheme Creditors (the “**Trust Account**”) (the date of such payment being the “**Restructuring Effective Date**”).

- 2.26 As a technical matter, the Scheme will become effective after Conditions A and B have occurred. However, if Condition C does not occur on or before 31 December 2023, the Scheme will not happen.
- 2.27 Condition C requires £14 million to be paid into the Trust Account on or before 31 December 2023. This money will come from the new money that is expected to be invested as part of the wider Restructuring of the Group. **As such, the Scheme is conditional on the Restructuring successfully completing on or before 31 December 2023. If ELL were to enter into an insolvency process prior to the Restructuring successfully completing, Condition C would not occur and the Scheme would not happen. In this scenario, customers with valid claims are estimated to receive approximately 0.2% of their claim after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.**
- 2.28 The Restructuring has two alternatives:
- (A) Plan A involves the following:
- (i) the Group raising new money of a minimum amount of £95 million through a public equity raise (where new investors and existing shareholders buy new listed shares in Non-Standard Finance plc (“**NSF**”) through a public process) (the Scheme Fund and the additional money to cover the costs of the Scheme will come from this new money);
 - (ii) amendments to the Group’s secured financing arrangements to extend the date on which the Group’s secured debt has to be repaid by approximately four years to June 2027 and to reduce the interest rate for a period; and
 - (iii) the Group’s secured lenders writing off a portion of their secured debt in exchange for equity in NSF. The Group’s secured lenders have provisionally agreed, subject to finalising detailed terms and formalising requisite documentation, to write off £71 million of secured debt in exchange for approximately 20% of the equity in NSF; or
- (B) Plan B involves the following:
- (i) a transfer of the ownership of the Group’s business (which includes ELL) to a legal entity owned by the Group’s secured lenders, in exchange for the Group’s secured lenders writing off £70 million of their secured debt (in exchange for an issuance of equity);
 - (ii) a new money investment of a minimum amount of £40 million by the Group’s secured lenders (the Scheme Fund and the additional money to cover the costs of the Scheme will come from this new money investment); and

- (iii) amendments to the Group's secured financing arrangements to extend the date on which the Group's secured debt has to be repaid by approximately four years to June 2027 and to remove the requirement to pay interest in cash for a period.

2.29 Plan A is our preferred option. Plan A is subject to a number of conditions, including the following:

- (A) agreement of terms between the secured lenders and the Group's largest shareholder,
- (B) sanction of the Scheme by the Court;
- (C) approval from the shareholders of NSF;
- (D) market conditions meaning that it is possible to raise new money of a minimum amount of £95 million through the public equity raise; and
- (E) execution of definitive documents.

2.30 Although the Scheme contains a final deadline for the Restructuring to complete of 31 December 2023, assuming all conditions are satisfied, the Group expects Plan A to complete at the end of June 2023 or at the start of July 2023.

2.31 Plan B is a fall-back in the event that it is not possible to implement Plan A, for instance because market conditions at the relevant time mean that it is not possible to raise £95 million through the public equity raise. Material work has been undertaken by the secured lenders on Plan B. It is therefore the Group's expectation that Plan B will be implemented at the end of June 2023 or at the start of July 2023, in the event that it is not possible to implement Plan A. The key conditions to Plan B are:

- (A) sanction of the Scheme by the Court;
- (B) the FCA approving change of control applications which are required because Plan B involves the ownership of the Group's business transferring to a legal entity owned by the Group's secured lenders; and
- (C) execution of definitive documents.

2.32 However, the treatment of Scheme Creditors under both Plan A and Plan B will be the same. This is because Plan B was designed with the target of making the success of the Restructuring and the Scheme more certain by providing a fall-back option if Plan A was unsuccessful for any reason. Despite the lower level of new money entering the business under Plan B, in order to provide clarity and certainty to the returns to Scheme Creditors under the Scheme, the secured lenders agreed to provide the same level of return to Scheme Creditors under Plan B as under Plan A. As noted above, if it is not possible to implement Plan A, the Group expects Plan B to complete at the end of June 2023 or the start of July 2023. However, the Scheme is conditional upon the Restructuring successfully completing on or before 31 December 2023 so it remains possible for Plan A or Plan B to complete later in 2023.

Scheme Creditors should note that, although the Group has contractual commitments from its secured lenders to support Plan B, there is a risk that it is not possible to implement either Plan A or Plan B by 31 December 2023. In these circumstances, it will not be possible to pay £14 million into the Scheme Fund and the Scheme will not happen.

In this scenario, the most likely outcome is that ELL and the other members of the Group would enter into insolvency processes and customers with valid compensation claims are estimated to receive approximately 0.2% of their claim (after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim).

What happens if the Scheme does not happen?

- 2.33 The compromise under the Scheme would not come into effect, and the Scheme would be unsuccessful, if the conditions referred to at paragraph 2.25 above are not met. If the Scheme is unsuccessful, the most likely outcome is that ELL, and the other members of the Group, would enter into insolvency processes. In an insolvency process of ELL, which is likely to be an administration, it is expected that ELL would stop providing loans and the business would be brought to an end (wound down). Any available cash will generally go first to pay the secured lenders (the secured lenders hold “security”, similar to a bank with a mortgage over a house or flat) in priority to the Scheme Creditors.
- 2.34 In addition, as noted at paragraph 2.20(B) above, in order to provide protection for Redress Creditors who have made a complaint to ELL which has not been assessed, and who continue to make payments on their outstanding loan prior to the Restructuring Effective Date, ELL has set up an account into which a portion of those payments will be transferred. ELL has entered into a trust agreement to ensure that these funds would be protected for the benefit of the relevant Redress Creditors if ELL were to enter into an insolvency process prior to the Restructuring Effective Date.
- 2.35 Grant Thornton UK LLP has provided the Group with financial advice in relation to the Scheme and has produced a comparator report which assesses the alternative to the Scheme and considers the recoveries that creditors, including Scheme Creditors, would be likely to receive in an administration of ELL. Grant Thornton UK LLP has also provided advice to NSF and ELL in relation to the Scheme proposals.

- 2.36 The comparator report concludes:

- (A) it is a reasonable assumption that if the Scheme is unsuccessful, the most likely outcome is that ELL, and the other members of the Group, will enter into insolvency processes;
- (B) in an administration of ELL, secured lenders are estimated to receive only approximately 59% of their claim;
- (C) in an administration of ELL, Scheme Creditors are estimated to receive approximately 0.2% of their claim after the exercise of any rights Scheme Creditors may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim. This means that, if a Scheme Creditor had no outstanding loans with ELL and a valid claim of £2,750, they would receive just £5.50. This is a much worse outcome than if the Scheme is successful; and
- (D) under the Scheme, Scheme Creditors are estimated to receive a cash return between approximately 24% and 31% of their claim (following any balance adjustment and / or Ring-Fenced Account Payments, which are described at paragraph 2.20 above). This means that, if a Scheme Creditor had no outstanding loans with ELL and a valid claim of £2,750, they would receive between £660 and £852.50.

2.37 In producing the report, Grant Thornton UK LLP was engaged by the Group only and has no duty of care or liability to the Scheme Creditors or any other party.

How are other stakeholders impacted by the Restructuring and the Scheme?

2.38 The table below sets out how various stakeholders across the Group are expected to be impacted if the Restructuring and Scheme are successful, compared to how they would be impacted if the Restructuring and Scheme failed and ELL entered into an insolvency process.

Stakeholder	Estimated impact if the Restructuring and the Scheme are successful	Estimated impact of an insolvency process of ELL
Current shareholders	<p>Plan A: current shareholders of NSF are estimated to have the proportion of shares they own in NSF reduced from 100% to approximately 2% or less, unless they buy more shares as part of the public equity raise.</p> <p>Plan B: current shareholders of NSF will lose all of their economic interest in the NSF business.</p>	Current shareholders of NSF will receive nothing.
Secured lenders	<p>Plan A: the Group's secured lenders will:</p> <ul style="list-style-type: none"> write off a portion of their secured debt in exchange for equity in NSF. The Group's secured lenders have provisionally agreed, subject to 	Approximately 59% recovery (for a claim of £252 million (the approximate amount of secured debt as at 21 April 2023), secured lenders would

Stakeholder	Estimated impact if the Restructuring and the Scheme are successful	Estimated impact of an insolvency process of ELL
	<p>finalising detailed terms and formalising requisite documentation, to write off £71 million of secured debt in exchange for approximately 20% of the equity in NSF; and</p> <ul style="list-style-type: none"> • amend the terms of their loans including delaying when they get paid back and reducing the interest they receive for a period. <p>Plan B: the Group's secured lenders will</p> <ul style="list-style-type: none"> • write off £70 million of the money owed to them in exchange for 100% ownership of the NSF business; • provide a new money investment of a minimum amount of £40 million; and • amend the terms of their loans including delaying when they get paid back and removing the requirement to pay interest in cash for a period. 	<p>receive approximately £149 million).</p>
Scheme Creditors	<p>As explained above, Scheme Creditors are estimated to receive a cash return of between approximately 24% and 31% of their claim in either Plan A or Plan B (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 above).</p> <p>This means that if a Scheme Creditor had no outstanding loans and a valid Redress Claim of £2,750, they would make a cash recovery of between £660 and £852.50. However, this is an estimate only and there is a risk that customers with successful claims are paid less than 24% to 31% of their claims.</p>	<p>Approximately 0.2% cash recovery after the exercise of any rights the Scheme Creditor may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.</p> <p>This means that if a Scheme Creditor had no outstanding loans and a valid Redress Claim of £2,750, they would make a cash recovery of approximately £5.50.</p>
ELL's trade creditors	<p>ELL's trade creditors will not be affected by the Scheme or the Restructuring. It is usual that trade creditors are not affected,</p>	<p>Approximately 0.2% recovery (for a claim of £2,750, they</p>

Stakeholder	Estimated impact if the Restructuring and the Scheme are successful	Estimated impact of an insolvency process of ELL
	because of their importance to the ongoing business.	would make a cash recovery of approximately £5.50).

2.39 There are three important points to understand regarding this:

- (A) the Scheme pays more compensation to Scheme Creditors than would reasonably be possible in any other scenario. However, ELL may make profits in the future for the persons who own the NSF business after implementation of the Restructuring, despite Scheme Creditors receiving significantly less than the compensation they are owed. The financial benefits of ELL's future business would therefore mainly go to new investors who have provided new money under the Restructuring to fund the Scheme Fund and to grow the loan book of ELL, and would not go to Scheme Creditors; and
- (B) one of the Group's key stakeholders, its secured lenders, are making significant financial contributions under the Restructuring. The secured lenders are writing off a portion of the money they are owed in exchange for equity, agreeing to delay when they get repaid and, in Plan B, providing substantial new money investment, part of which will be used to fund the Scheme Fund and the costs of the Scheme; and
- (C) the other of the Group's key stakeholders, its current shareholders, are also suffering under the Restructuring:
 - (i) under Plan A, current shareholders' interests in the Group will be reduced to almost zero unless they pay to buy new shares as part of the equity raise. It is important to note that in an insolvency, shareholders usually lose all of their economic interests before creditors do. However, under Plan A, shareholders are retaining a very small proportion of the shares in NSF despite Scheme Creditors receiving significantly less than the compensation they are owed. This is because Plan A requires shareholder approval and current shareholders will only be willing to provide their approval if they retain some proportion of the shares in NSF; and
 - (ii) under Plan B, current shareholders will lose all of the value of their shares and control of the Group.

What is the Customer Committee and what does it think?

2.40 A committee of customers was established (the "**Customer Committee**") to ensure that the views of Redress Creditors were taken into account when developing and negotiating the Scheme.

2.41 Jamie Drummond-Smith was appointed as chair of the Customer Committee. Jamie Drummond-Smith is an independent experienced financial services sector professional. He has never worked for the Group and is represented by his own lawyer.

- 2.42 To establish the Customer Committee, ELL contacted a representative portion of customers and invited them to join the Customer Committee. The members of the Customer Committee were then randomly selected by Jamie Drummond-Smith from those who expressed interest, and comprise nine past and present borrowers and guarantors across Everyday Loans, George Banco and TrustTwo.
- 2.43 The Customer Committee has considered and negotiated the financial terms of the Scheme for the purpose of maximising recoveries for Redress Creditors. Following this process, the Customer Committee decided that it preferred the Scheme over an insolvency process.
- 2.44 The work of the Customer Committee has included:
- (A) considering and expressing a preference between two differently structured options for the Scheme. The first of these involved Scheme Creditors receiving their share of a fixed, upfront amount of cash in partial payment of their Scheme Claims, while the second involved Scheme Creditors receiving their share of a smaller fixed, upfront amount of cash and a percentage of future profits over a period of years. ELL considered offering the Customer Committee an alternative option whereby Scheme Creditors would be offered shares (instead, or in partial replacement, of cash). However, ELL decided not to offer this option because it was considered costly and complex administratively, which would reduce the financial benefit of any share option;
 - (B) providing feedback on the preferred proposal, including in relation to the size of the fixed amount of cash available to Scheme Creditors;
 - (C) considering whether it wishes to suggest alternative proposals; and
 - (D) deciding whether it prefers the Scheme over an insolvency process.
- 2.45 Jamie Drummond-Smith has produced a report summarising his and the Customer Committee's work and conclusions. The report identifies the steps that Jamie Drummond-Smith and the Customer Committee took to work with ELL. You can find a copy of Jamie Drummond-Smith's report on the Website (www.nsfcclaims.co.uk). In particular it highlights:
- (A) that of the two proposals being considered, the Customer Committee chose the fixed upfront amount of cash proposal; and
 - (B) the Customer Committee negotiated the amount of fixed upfront cash from £11 million to £14 million.
- 2.46 Jamie Drummond-Smith has prepared a video which provides a short summary of the makeup of the Customer Committee and the work it has undertaken. This video can be found at <https://www.nsfcclaims.co.uk/videos>.

What does the FCA think?

- 2.47 ELL is regulated by the FCA. ELL has been in communication with the FCA regarding its plans for the Scheme.

- 2.48 The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so.

What are you being asked to do?

- 2.49 If you have received a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan made from George Banco or TrustTwo to someone else, on or before 31 March 2021, and believe you have a valid claim under the Scheme, ELL would like you to vote on its proposals.
- 2.50 You can vote online at the Website (www.nsfclaims.co.uk) until 5pm on 8 June 2023.
- 2.51 You can also vote online during the Creditors' Meeting starting at 10.30am on 12 June 2023 provided that you have registered in advance to attend it by 5pm on 8 June 2023. Please visit the Website (www.nsfclaims.co.uk) for more information on how to register.
- 2.52 You can also appoint someone else, such as a family member or friend, to vote and / or speak on your behalf during the Creditors' Meeting.
- 2.53 If you require additional assistance when voting, for instance because you are unable to vote electronically, please email us at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply).
- 2.54 For further information on how you can vote and things to consider when you are deciding whether to vote for or against the Scheme, please refer to sections 8 and 9.
- 2.55 **ELL recommends that you vote in favour of the Scheme.** This way you have the best chance of receiving more cash compensation than if ELL enters an insolvency process.

Why is it important for you to vote?

- 2.56 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 12.
- 2.57 It is important to note that even if you do not vote, or you vote against the Scheme, the Scheme will still affect you if enough Scheme Creditors vote for the Scheme, the Court sanctions the Scheme and the Restructuring completes on or before 31 December 2023.

What happens to claims after you have voted?

- 2.58 If enough Scheme Creditors vote for the Scheme, ELL will ask the Court to sanction the Scheme. If the Court sanctions the Scheme, it will become effective shortly after the Second Court Hearing. However, the compromise under the Scheme will not become effective until the Restructuring completes (provided that this takes place on or before 31 December 2023).

- 2.59 ELL will contact you after the Court sanctions the Scheme, and you will have until the Claims Submission Deadline, which is currently estimated to occur on 31 December 2023, to submit a claim. You may also appoint a third party, such as a family member or a friend, to make a claim on your behalf (the Website (www.nsfclaims.co.uk) will guide you through the process). After the Court sanctions the Scheme, if you are unable to submit a claim through the Website (www.nsfclaims.co.uk), please call us on 0330 045 0685 (local rates apply) to submit your claim.
- 2.60 **If you do not make a claim in accordance with the instructions provided by the Claims Submission Deadline, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above). Please refer to paragraph 10 below for more detail on the claims process.** If you have an Outstanding Redress Claim (please refer to paragraph 10.2 below to check whether this applies to you) you will not need to make another claim, although you may be asked to provide more information or evidence.
- 2.61 If Scheme Creditors vote against the Scheme, the Court does not sanction it or the Restructuring is unsuccessful, ELL is likely to go into administration. In administration, there may be a similar kind of process for you to submit your claim. However, as explained above, in an administration of ELL, Scheme Creditors are estimated to receive approximately 0.2% of their claim after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.
- 2.62 Assuming that the Restructuring completes in the expected timeframe, cash payments under the Scheme are expected to be made around April 2024. In an administration of ELL, any compensation payable to Scheme Creditors is not expected to be paid until early 2026.

Who should you contact if you have questions?

- 2.63 **If you have any questions about this document or on how to vote, you can contact us by calling 0330 045 0685 (local rates apply) or emailing contact@nsfclaims.co.uk. You can also contact the Customer Advocate at jy@nsfcustomeradvocate.co.uk. We have also compiled a list of FAQs on the Website (www.nsfclaims.co.uk) which you might find helpful.**

3. Timeline of events

Time and date	Event
17 March 2023	<p>The “Practice Statement Letter” was made available.</p> <p>You may have received a letter, email or text telling you how to access this or you may have seen the advertisement.</p>
28 April 2023	<p>First Court Hearing</p> <p>The Court granted us permission to organise a meeting (the “Creditors’ Meeting”) so that you can consider and vote on the Scheme.</p>
After 28 April 2023	<p>This document was made available</p> <p>Please consider this document and ask us questions if you have any. You can do this by visiting the Website (www.nsfclaims.co.uk), emailing contact@nsfclaims.co.uk or calling 0330 045 0685 (local rates apply). You can also contact the Customer Advocate at jy@nsfcustomeradvocate.co.uk.</p>
By or before 5pm on 8 June 2023	<p>Voting Period</p> <p>If you think you have a Redress Claim, you can vote on the Scheme either before or at the online Creditors’ Meeting. More detail on voting can be found at section 8.</p>
12 June 2023	<p>Online Creditors’ Meeting</p> <p>You can vote during the meeting provided that you have registered to attend it by 5pm on 8 June 2023. You can join the meeting to hear and, if you wish, participate in discussions about the proposals. You can also raise any concerns you have.</p>
22 June 2023	<p>Second Court Hearing</p> <p>If the required number of Scheme Creditors vote in favour of the Scheme at the Creditors’ Meeting, we will go back to the Court and ask for its approval to go ahead. You can also object to our proposals at this hearing.</p>
Late June 2023	Scheme Effective Date

	<p>If the Court sanctions the Scheme, we expect the Scheme to become effective shortly after the Second Court Hearing, in late June 2023.</p>
<p>Late June 2023 – 31 December 2023</p>	<p>Making claims</p> <p>Scheme Creditors will have approximately six months from the Scheme Effective Date to submit their claim. If a Scheme Creditor doesn't make their claim by this deadline, they will not be able to submit a claim, they will not be entitled to receive any compensation, and any outstanding balance they may have will not be reduced by any claim. The Scheme Creditor will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above). Further detail on the claims process is set out at section 10 below.</p>
<p>Late June / July 2023</p>	<p>Restructuring Effective Date</p> <p>We expect that the Restructuring will complete within one month of the Second Court Hearing, around late June / early July 2023. When the Restructuring completes, ELL will have the cash it needs to pay the Scheme Fund into a trust account for the benefit of Scheme Creditors. However, in the event that it is not possible to complete the Restructuring by 31 December 2023, the Scheme will fail.</p> <p>Although the Group has contractual commitments from its secured lenders to support Plan B (as described in paragraph 2.28 above), there is a risk of unknown events occurring that prevent the Restructuring completing through either Plan A or Plan B. If that happens, ELL will not be able to make payments to Scheme Creditors, and ELL and the other members of the Group will likely enter into insolvency processes. In such a scenario, cash returns to customers with valid claims are estimated to be approximately 0.2% of their claim, after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.</p>
<p>April 2024</p>	<p>Payments to Scheme Creditors</p> <p>Subject to the Restructuring completing by 31 December 2023, cash payments are expected to be made to Scheme Creditors around April 2024 (in addition to any balance</p>

	adjustment and Ring-Fenced Account Payments as described in paragraph 2.20 above).
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4. Next steps

If you believe you have a claim against ELL (please see paragraph 2.12 above for more detail), then please:

- 4.1 Read this document and consider whether you believe you are entitled to compensation from ELL.
- 4.2 Consider whether or not you want the proposed Scheme to go ahead.
- 4.3 Once you have decided whether or not you would like the Scheme to go ahead, please vote accordingly. Please do that online by no later than 5pm on 8 June 2023. You can also appoint another person to vote for you as your 'proxy'. More detail on voting can be found at section 8.
- 4.4 If you need more information or support, please contact us by email at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply) between 9am and 5pm from Monday to Friday. You may also contact the Customer Advocate at jy@nsfcustomeradvocate.co.uk.
- 4.5 Alternatively, you may vote online during the Creditors' Meeting starting at 10.30am on 12 June 2023 to consider the Scheme provided that you have registered to attend by 5pm on 8 June 2023. You can also appoint another person, such as a family member or a friend, to attend the Creditors' Meeting as your 'proxy'.
- 4.6 If you would like more information on how to register for the Creditors' Meeting, or how to appoint another person to attend the Creditors' Meeting as your 'proxy', please visit the Website (www.nsfclaims.co.uk).
- 4.7 If you object to the proposed Scheme, for example because you think it is unfair, and you want the Court to consider that objection, you can contact the Customer Advocate at jy@nsfcustomeradvocate.co.uk by no later than six Business Days before the Second Court Hearing. There is no charge for doing this.
- 4.8 You are also entitled to attend and speak at the Second Court Hearing where the Court considers whether to sanction the Scheme. ELL currently expects the Second Court Hearing to take place on 22 June 2023. ELL will provide updated details on the Website (www.nsfclaims.co.uk) nearer the time.

Further reading

There are also some more documents which provide further information which can be found on the Website (<https://www.nsfclaims.co.uk/documents>):

Additional document	What you can learn from this
Scheme	The legal terms and conditions of the Scheme.
Summary of Claims Assessment Methodology	A summary explanation of how ELL will assess Redress Claims.
Customer Committee independent chairperson's report	Summary of the work done by the Customer Committee to consider the proposals and their conclusions about the Scheme (see pages 2 - 3 for an executive summary). This also includes the CV of Mr Drummond-Smith (independent chair of the Customer Committee) at page 12 and his letter of engagement at pages 13 – 18.
Customer Advocate's report	The Customer Advocate's summary of comments and objections they have received (see pages 14 – 15 for the report's conclusions). The report contains the CV of Jon Yorke (the Customer Advocate) at page 16 and his terms of reference at pages 34 - 36.
Deed Poll	The detailed text of the document that ELL used to take on any liabilities in respect of Redress Claims and FOS Fees of certain other Group companies in order allow the Scheme to operate.

5. Key questions and answers about the Scheme

5.1 What is the deadline for voting?

You can vote online until 5pm on 8 June 2023 and you can vote online during the Creditors' Meeting starting at 10.30am on 12 June 2023 provided that you have registered to attend it by 5pm on 8 June 2023. For more details on voting, please refer to section 8 below. If you require additional assistance when voting, for instance because you are unable to vote electronically, please email us at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply).

5.2 What is the deadline for making a claim?

If you want to make a claim under the Scheme, then you must do so in accordance with the instructions provided by the Claims Submission Deadline. This is currently estimated to occur approximately six months after the Scheme Effective Date, on 31 December 2023. This will be confirmed on the Website (www.nsfclaims.co.uk) after the Scheme Effective Date.

If you miss the Claims Submission Deadline then ELL will not be able to consider your claim, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above).

5.3 Am I certain to receive a cash payment if I have a valid claim and the Scheme goes ahead?

No. In some cases Scheme Creditors' claims will be 'set-off' against the amounts that the relevant individuals owe to ELL (which we also call 'balance adjustment'). This means that the amount of money that a Scheme Creditor would have to pay ELL under outstanding loans would be reduced by the amount of its claim. You can find more detail about this at paragraph 2.20(A) above.

5.4 How can I contact ELL about the Scheme?

You can find more information about the Scheme on the Website (www.nsfclaims.co.uk). If you have a general question about the Scheme, you can email us at contact@nsfclaims.co.uk or call us on 0330 045 0685 (local rates apply).

5.5 What should I do if I think the Court should not sanction the Scheme?

- (A) You can vote against the Scheme.
- (B) If you think the Court should not sanction the Scheme, even if the Scheme has received the required Scheme Creditor votes, then you can make that point to the Court. You can attend the Second Court Hearing when ELL asks the Court to sanction the Scheme and explain your objection to the Court yourself.
- (C) You can send your questions or objections to Jon Yorke at jy@nsfcustomeradvocate.co.uk and he will bring your objection (if any) to the Court's

attention. There is no charge for doing this. Jon Yorke is an experienced solicitor and is the Customer Advocate appointed by ELL. The Customer Advocate's role is to consider Scheme Creditors' views on the Scheme and present those views to the Court at the First Court Hearing and the Second Court Hearing.

- (D) You should still continue to make payments on your loans or under your guarantees if required to, unless we have told you otherwise.
- (E) You can find more detail on your options for objecting to these proposals at section 9.

5.6 Do I need to keep making payments on my outstanding loans?

- (A) Unless you are told otherwise, repayments on your loan are due as normal per the agreed contractual terms, and you should continue to make your payments as agreed to avoid any impact to your credit score.
- (B) If you have a valid Redress Claim and you have an outstanding loan owed to ELL as at the Scheme Effective Date which was borrowed on or before 31 March 2021, the balance on that loan will be reduced by the amount of your Redress Claim ('balance adjustment'). As a result of this, you may end up in a position where you no longer owe ELL any money.
- (C) If this is the case, you will be told to stop making payments towards your loan as soon as possible after your Redress Claim has been assessed under the Scheme claims methodology. In addition, if you have made payments to ELL in excess of your outstanding balance following this balance adjustment, these will be returned to you as soon as practicable, and in any event within 10 Business Days, after your Redress Claim is assessed pursuant to the Scheme claims methodology.
- (D) If you make a complaint prior to the Scheme Effective Date, ELL will provisionally assess that complaint under the proposed Scheme claims methodology. If, based on the proposed Scheme claims methodology, ELL believes that you may have a valid Redress Claim under the Scheme if the Scheme progresses and, as a result, would be in a position where you would no longer owe ELL any money, ELL will tell you to stop making payments towards your loan.

5.7 What happens after I have voted?

- (A) If enough Scheme Creditors vote for the Scheme, ELL will ask the Court to sanction the Scheme. If the Court sanctions the Scheme, you will have until the Claims Submission Deadline, which is currently expected to occur on 31 December 2023, to make a claim.
- (B) **If you don't make a claim in accordance with the instructions provided by this deadline, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above).**

- (C) If Scheme Creditors vote against the Scheme, the Court does not sanction it or the Restructuring is unsuccessful, ELL is likely to go into administration. In administration, there may be a similar kind of process for you to submit your claim. However, as explained above, in an administration of ELL, Scheme Creditors are estimated to receive approximately 0.2% of their claim after the exercise of any rights they may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim.

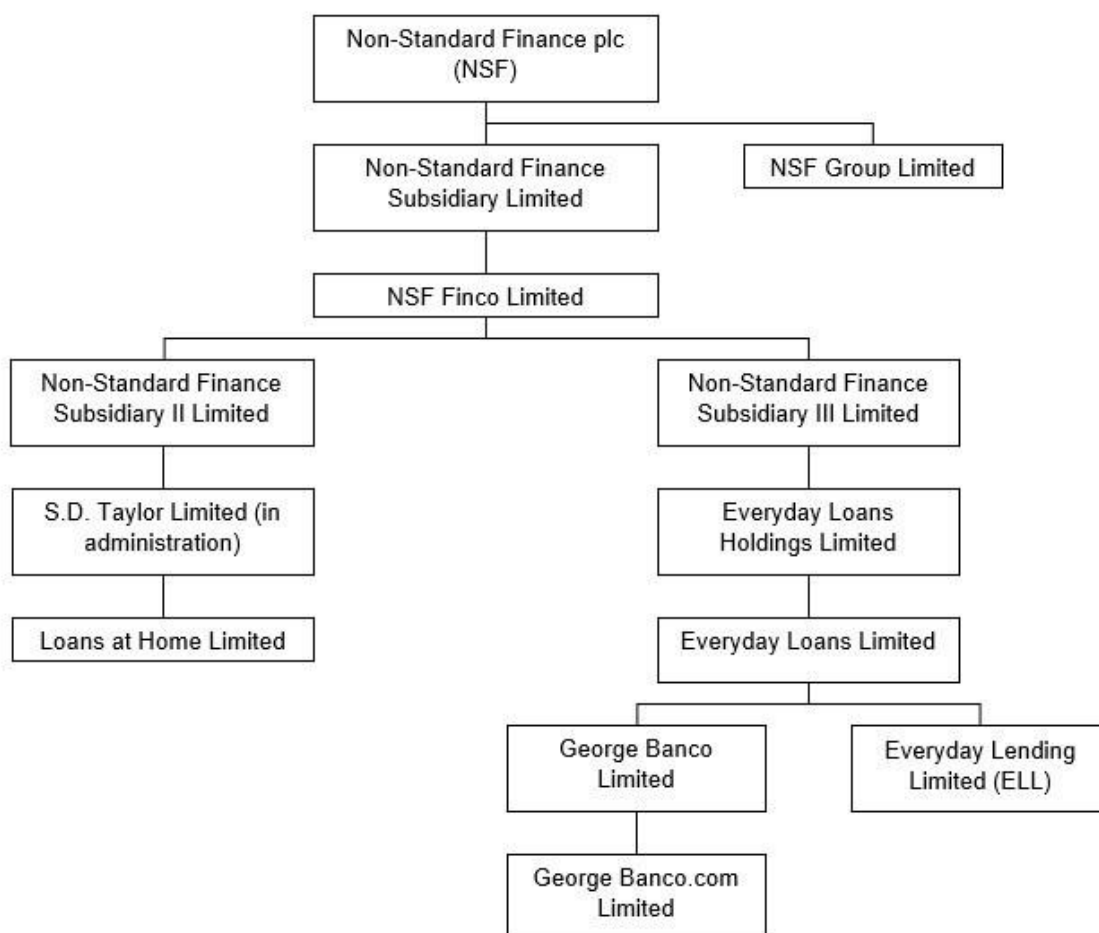
5.8 Do I need to make separate claims for each loan that I have?

You will be able to choose which loans you are making a claim for as part of the submission of your claim on the Website (www.nsfclaims.co.uk) (or, if you are unable to submit your claim on the Website (www.nsfclaims.co.uk), as part of the submission of your claim by telephone to us).

6. Further background to ELL and the Group

Group structure

6.1 The current structure of the Group is shown in the following diagram.



6.2 The parent company of the Group is Non-Standard Finance plc (also referred to as NSF). NSF was incorporated in July 2014 and became a public limited company in December 2014. Its shares are listed on the Official List of the London Stock Exchange. Its registered address is The Bothy, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.

6.3 The company proposing the Scheme is Everyday Lending Limited (also referred to as ELL), which runs Everyday Loans, George Banco and TrustTwo. ELL was incorporated in June 2006 and has its registered address at 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, England, SL8 5XF.

6.4 While ELL now operates Everyday Loans, George Banco and TrustTwo, other Group companies used to be involved with these brands:

- (A) George Banco.com Limited: George Banco.com Limited previously provided George Banco loans, until it transferred its business to ELL pursuant to a transfer agreement

dated 31 December 2018. George Banco.com Limited was incorporated in December 2013 and has its registered office at Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, England, BA14 0XF.

- (B) George Banco Limited: George Banco Limited previously assisted with the provision of loans under the George Banco brand, until it transferred its business to Everyday Loans Limited pursuant to a transfer agreement dated 31 December 2018. George Banco Limited was incorporated in July 2013 and has its registered office at Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, England, BA14 0XF.
- (C) Everyday Loans Limited: the Everyday Loans and TrustTwo brands have always been provided by ELL. However, Everyday Loans Limited previously assisted with the provision of loans under the Everyday Loans and TrustTwo brands, until it transferred its business to ELL pursuant to a transfer agreement dated 31 December 2021. Everyday Loans Limited was incorporated in August 2005 and has its registered address at 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, England, SL8 5XF.

George Banco.com Limited, George Banco Limited and Everyday Loans Limited are referred to as the “**NSF Companies**”.

- 6.5 As part of the arrangements which transferred Everyday Loans, George Banco and TrustTwo to ELL, ELL agreed to be responsible for any liabilities relating to the loans provided by those brands. However, this is an arrangement just between ELL and the other Group companies, and does not, technically, give customers whose claims are against the NSF Companies the right to claim against ELL. It is important to note that the other NSF Companies have no assets themselves that can be used to pay any Redress Claims or FOS Fees.
- 6.6 As a result, to allow the Scheme to operate, ELL has entered into a legal document called a “deed poll”. You can see the deed poll on the Website (www.nsfclaims.co.uk). Under this document, ELL has formally taken on any liabilities relating to Redress Claims and FOS Fees of the NSF Companies. The deed poll is given in favour of Scheme Creditors so that Scheme Creditors can claim against ELL for Redress Claims and FOS Fees. The terms of the deed poll mean that, if the Scheme does not go ahead, Scheme Creditors will still be able to claim against ELL for their Redress Claims and FOS Fees.
- 6.7 If the Scheme is sanctioned, and once the Restructuring Effective Date occurs, Scheme Creditors will only have Redress Claims or, in respect of the FOS, a claim for FOS case fees (“**FOS Fee Claims**”) against ELL. Scheme Creditors will not have any Redress Claims or FOS Fee Claims against the NSF Companies. Scheme Creditors will also not have any claim against the NSF Companies for any amount owed to them under the Scheme.

The Group’s business

- 6.8 The Group used to comprise three business divisions, as follows:
 - (A) branch-based lending, through the Everyday Loans brand, which provides loans of £1,000 to £15,000 typically payable over 18 to 60 monthly instalments to customers

with limited or impaired credit history. Everyday Loans is the only division of the Group that is providing new lending;

- (B) home credit, through the Loans at Home brand, which provided short term cash loans in the range of £100 to £1,000 payable typically over 14 to 68 weekly instalments to assist customers with unexpected expenses or temporary cash flow needs. S. D. Taylor Limited, which ran Loans at Home, has been in administration since March 2022; and
- (C) guarantor loans (the '**Guarantor Loans Business**'), which provided guarantor loans of £1,000 to £15,000 through the TrustTwo and George Banco brands, and personal loans of £1,000 to £5,000 under the George Banco brand. George Banco and TrustTwo ceased making new loans in November 2020.

6.9 As noted earlier, ELL now runs Everyday Loans, George Banco and TrustTwo.

Background to ELL's financial position

- 6.10 In late 2019 / early 2020, the Group concluded that it needed to raise additional money to fund future growth of its business. This was primarily due to the relatively significant amount of money that the Group had borrowed from its secured lenders (as at 21 April 2023, this is approximately £252 million) as compared with the value of the Group. A public equity raise (the "**Equity Raise**") was chosen as the preferred route.
- 6.11 The Group subsequently faced a number of challenges, which led to delays in being able to implement the Equity Raise and resulted in the deterioration of the Group's financial performance. These main challenges have been a recent review of the Guarantor Loans Business (George Banco and TrustTwo) suggesting a high number of customers may be due compensation for unaffordable lending, and the difficult business environment created by the Covid-19 pandemic.

Compensation for unaffordable lending

- 6.12 As part of the FCA's multi-firm review into the guarantor loans sector to better understand firms' approaches to creditworthiness and forbearance, the FCA visited the Guarantor Loans Business (George Banco and TrustTwo) in March 2020 and examined a selection of customer files. Following this, the FCA raised a number of concerns regarding the Guarantor Loans Business' approach to creditworthiness and forbearance.
- 6.13 This led to ELL designing a programme of work to address the findings raised, which included the development of a voluntary redress programme. This voluntary redress programme was endorsed (subject to proposed enhancements) by a skilled person who was appointed as required by the FCA under s166 of the Financial Services and Markets Act 2000. The conclusion of this voluntary redress programme was that there were significant issues with the affordability assessment and compensation was payable to approximately 10,000 customers. As noted above, the Guarantor Loans Business ceased writing new loans in November 2020.
- 6.14 ELL estimated that this compensation would amount to around £20 million. ELL carefully considered its financial position and whether it would be able to pay this compensation, and concluded that it was not able to pay it without new investment. This would therefore need to

come from the money raised as part of the Equity Raise. A larger Equity Raise was deemed possible by advisors, provided there was the backing of at least one major shareholder. Informal discussions were held with shareholders and, whilst there was disappointment at the increased amount of money required, the Equity Raise was, at this point, still considered to be viable.

6.15 However, the Equity Raise was put on pause while independent reviews, the scope of which were agreed with the FCA, were carried out in respect of the Group's home credit division (Loans at Home) and the Group's branch-based division (Everyday Loans):

(A) The review of Loans at Home concluded that there may have been harm caused by Loans at Home's lending practices. Following extensive discussions with the FCA about how this should be defined and the implications for future lending, the directors of S.D. Taylor Limited (which ran Loans at Home) reluctantly concluded that Loans at Home was no longer viable and, having obtained consent from the FCA to the appointment of the proposed administrators pursuant to s362A of the Financial Services and Markets Act 2000, placed S.D. Taylor Limited into administration in March 2022.

(B) The conclusion of the Everyday Loans review was that there was no systemic issue within the Everyday Loans business which required compensation to be paid to customers, and that the affordability process and complaints handling process of Everyday Loans were of good standard, although some enhancements were suggested which focused on ensuring more detailed record keeping both on lending and complaint handling.

6.16 The Loans at Home administration removed the future money estimated to be generated by Loans at Home from the Group's forecast plans which, alongside a further deterioration in business forecasts due to the challenging business environment caused by Covid-19 (described at paragraphs 6.19 to 6.21 below) and being unable to progress the Group's growth plan, led to a further significant increase in the money required to be raised through the Equity Raise.

6.17 This meant that the Group's largest shareholder was no longer able to support the Equity Raise without assistance from the secured lenders to reduce the amount of the Group's debt. Extensive discussions were held between the Group's largest shareholder and the secured lenders, and the Restructuring through Plan A or Plan B was developed. One of the conditions (among others) to the Group's largest shareholder and secured lenders being willing to participate in the Restructuring is that there is certainty as to the total amount of compensation that will be paid by ELL to customers as a result of historical activity. As a result, ELL has proposed the Scheme.

6.18 The Scheme is compromising certain claims in relation to loans provided by Everyday Loans, George Banco and TrustTwo on or before 31 March 2021. While the conclusion, as noted above, is that there is no systemic issue within the Everyday Loans business, Everyday Loans has been included to ensure the equitable treatment across all ELL customers.

Covid-19

6.19 The Covid-19 pandemic has had a significant adverse impact on the performance of ELL and the Group.

- 6.20 Given the Group's focus on traditional face-to-face lending models in both its Everyday Loans and home credit businesses, social distancing rules and a series of national and regional lockdowns placed considerable strain on its business model. Combined with other factors, including the tightening of screening criteria for new customers during the pandemic, this led to the Group's net loan book falling by 28% in 2020 and a further 8% in 2021.
- 6.21 At the same time, the pandemic affected the ability of customers to repay their loans. An unprecedented level of forbearance was offered to customers, with over 38,700 customers receiving forbearance from the Group in 2020. In addition, the FCA's 2020 'Emergency Payment Freeze' required firms to offer customers an opportunity to pause repayments on their loans. The freeze applied for six months and, although outstanding loans could, where appropriate, continue to accrue interest, the Group chose to waive all such interest with zero charges as this was considered to be in the best interest of customers.

ELL's current financial position

- 6.22 As a combined result of the factors outlined above, ELL is significantly balance sheet insolvent. Pursuant to the audited financial information available for 2021, as at 31 December 2021, ELL's total liabilities were approximately £213.6 million, and its assets were approximately £200.4 million. Consequently, ELL's net liabilities as at 31 December 2021 were approximately £13.2 million. Below is a summary of the balance sheet for ELL:

Everyday Lending Limited Balance sheet	Audited
	2021
Fixed, intangible assets and right of use assets	-
Amounts receivable from customers	183,944
Trade, prepayments, other receivables (including intercompany) and tax assets	5,828
Cash and cash equivalents	10,651
Total assets	200,423
Trade and other payables, lease liabilities, provisions and tax liabilities	22,003
Intercompany liabilities	191,585
Total liabilities	213,588
Share capital	5
Share premium	49,374
Other reserves	-
Retained loss	(62,544)
Total equity	(13,165)
Total equity and liabilities	200,423

- 6.23 The Group is also significantly balance sheet insolvent. Pursuant to the audited financial information available for 2021, as at 31 December 2021, the Group's total liabilities were approximately £382.3 million and its assets were approximately £341.1 million. Consequently, the Group's net liabilities as at 31 December 2021 were approximately £41.2 million. Pursuant to the audited financial information available for 2022, as at 31 December 2022, the Group's total liabilities were approximately £321.5 million and its assets were approximately £224 million. Consequently, the Group's net liabilities as at 31 December 2022 were approximately £97.5 million. Below is a summary of the balance sheet for the Group:

Group Balance sheet	Audited	Audited
	2021	2022
ASSETS		
Fixed, intangible assets and right of use assets	14,574	12,719
Amounts receivable from customers	207,984	177,104
Trade, prepayments, other receivables and tax assets	4,003	1,363
Cash and cash equivalents	114,577	32,783
Total assets	341,138	223,969
LIABILITIES AND EQUITY		
Trade and other payables, lease liabilities, provisions and tax liabilities	53,563	66,515
External debt	328,762	255,000
Total liabilities	382,325	321,515
Equity		
Share capital	15,621	15,621
Share premium	180,019	180,019
Other reserves	255	255
Retained loss	(237,082)	(293,441)
Total equity	(41,187)	(97,546)
Total equity and liabilities	341,138	223,969

- 6.24 ELL is currently loss-making and, absent a solution, forecasted to remain loss-making for the foreseeable future. ELL's profit and loss statement for the year ended 31 December 2021 is below:

Everyday Lending Limited Profit and Loss	Audited
	2021
Revenue	92,985
Other income (debt sale)	256
Modification loss	(2,861)
Impairment	(18,721)
Admin costs	(60,813)
Operating profit/(loss)	10,846
Finance costs	(17,942)
Operating profit/(loss) before exceptional items and	(7,096)
Exceptional items	(2,251)
Profit/(loss) before tax	(9,347)
Tax	6,638
Loss for the year	(2,709)

- 6.25 The Group as a whole (whose only ongoing business is Everyday Loans) is also loss-making and, absent a solution, forecasted to remain loss-making for the foreseeable future. Below is a profit and loss statement for the Group for the years ended 31 December 2021 and 31 December 2022:

Group Profit and Loss	Audited	Audited
	2021	2022
Revenue	131,387	98,337
Other income (debt sale)	983	173
Modification loss	(2,861)	(262)
Impairment	(24,163)	(27,890)
Admin costs	(96,047)	(65,898)
Operating profit/(loss)	9,299	4,460
Finance costs	(25,979)	(29,051)
Operating profit/(loss) before exceptional items and tax	(16,680)	(24,591)
Exceptional items	(12,930)	(31,768)
Profit/(loss) before tax	(29,610)	(56,359)
Tax	(75)	-
Loss for the year	(29,685)	(56,359)

- 6.26 As outlined above, both ELL and the Group as a whole are loss-making and, absent the Scheme and the Restructuring, are forecast to remain loss-making for the foreseeable future. ELL's cash closing position as at the end of February 2023 was approximately £19.3 million. Absent any mitigating measures, ELL's net cash position is expected to reduce further to approximately

£7.6 million by the end of May 2023 and the current expectation is that the Company and the Group will run out of cash to pay their liabilities as they fall due by the end of June 2023.

- 6.27 As explained above, the Group is expecting to complete the Restructuring through either Plan A or Plan B at the end of June 2023 or at the start of July 2023, which will provide the Group and ELL with new money. The Group is exploring actions to reduce or defer liabilities in order to buy additional cash runway in the event that the Restructuring does not complete on the expected timeline.
- 6.28 In addition, the Group's loan to value ratio (i.e. the amount of loans compared to the value of the Group) has, since early 2022, been higher than the level permitted under its secured financing arrangements. The Group has, through negotiations with its secured lenders, obtained extensions of the date on which the loan to value covenant will be formally tested, with a mechanism for this date to be extended further with lender support. However, if the Scheme and the Restructuring were not to proceed, the secured lenders would be entitled to demand immediate repayment of their loan.

7. How the Scheme works

- 7.1 This section is a more detailed explanation of how the Scheme will work if it goes ahead. You can find the full legal text of the Scheme on the Website (www.nsfclaims.co.uk).

What will the Scheme affect?

What claims does the Scheme apply to?

- 7.2 The Scheme will affect you if you meet the following criteria (unless you fall in any of the categories set out in paragraph 7.4(B) below):

(A) Unaffordable lending: on or before 31 March 2021, you either borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo; and

- (i) if you are a borrower, your loan should not have been made because you may not have been able to afford to repay it and the right checks were not carried out;
- (ii) if you are a guarantor, either (1) the loan you guaranteed should not have been made to the borrower because they may not have been able to afford to repay it and the right checks were not carried out; or (2) you should not have been accepted as a guarantor because you may not have been able to afford to make payments under the guarantee and the right checks were not carried out; or

(B) Other historical activity: you borrowed a loan from Everyday Loans, George Banco or TrustTwo, or you guaranteed a loan issued by George Banco or TrustTwo, and you have some other kind of claim in connection with any activity which occurred on or before 31 March 2021 in relation to your loan or guarantee (for example because you believe you have been treated unfairly or unreasonably in relation to your loan or guarantee for reasons other than affordability). Further detail on what this claim could relate to is set out at paragraph 2.12(B) above.

- 7.3 The Scheme will also compromise case fees owed to the FOS arising from complaints referred to the FOS on or after 17 March 2023 in relation to any activity which occurred on or before 31 March 2021 in connection with a loan provided by Everyday Loans, George Banco or TrustTwo

- 7.4 There are some liabilities to pay amounts in relation to Loans which are not covered by the Scheme and which will be paid in full:

(A) once the Practice Statement Letter was issued on 17 March 2023, it was no longer appropriate for ELL to pay certain claims made by customers in full while other customers' claims would not be paid in full and therefore the general principle is that all outstanding claims will be covered by the Scheme.

(B) However, there are some claims which are 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 therefore not be affected by the Scheme if they had made a Redress Claim and before 17 March 2023:

- (i) their Redress Claim has been upheld by ELL or they had accepted a settlement offer from ELL in respect of the Redress Claim;
- (ii) they received a settlement offer from ELL in respect of the Redress Claim dated on or after 17 September 2022, which they (i) accept between 17 March 2023 and the Scheme Effective Date, or (ii) neither accept nor reject by the Scheme Effective Date (i.e. they do not respond to the settlement offer by the Scheme Effective Date); or
- (iii) they have referred the Redress Claim to the FOS, which the FOS upholds (either before or after 17 March 2023) and determines that ELL should pay them any amount in respect of the Redress Claim.

Customers which fall within these categories will be paid the amount specified in the settlement offer or assessed by the FOS in full (unless they have already been paid).

Who does the Scheme apply to?

7.5 The Scheme applies to:

- (A) every Scheme Creditor;
- (B) ELL and the NSF Companies (the Scheme applies to the NSF Companies as well as ELL because the Scheme will release both ELL and the NSF Companies from Redress Claims and FOS Fee Claims, in return for compensation provided for under the Scheme).

When will the Scheme come into force?

7.6 The Scheme will only come into force if it receives enough support in the Scheme Creditor vote and if the Court approves it. If that happens then the Scheme will come into force within a few days after the Court approves the Scheme. ELL currently expects the hearing at which that is decided to be on 22 June 2023.

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 compromise under the Scheme, as described in the next paragraphs, will only come into effect once the Restructuring completes, through either Plan A or Plan B, and the Scheme Fund is paid into an account, the balance of which is held on trust for Scheme Creditors (the “**Trust Account**”) (provided that this occurs by 31 December 2023).

What happens under the Scheme?

7.7 An important aspect of the Scheme is that it will release the NSF Companies and ELL from Redress Claims and FOS Fee Claims, in return for the compensation provided for under the Scheme.

Note: 'release' refers to a person being freed from a legal obligation, such as an obligation to pay a sum of money to another person.

- 7.8 Under the Scheme, all Scheme Creditors will enter an agreement called the Release Agreement. Scheme Creditors will not need to do anything to enter the agreement, because the Scheme Supervisors will sign it on their behalf. For more detail on the Scheme Supervisors, please see paragraphs 7.25 to 7.27.
- 7.9 The Release Agreement will release the NSF Companies from any obligations to Scheme Creditors. That means the NSF Companies will no longer be legally required to pay the Redress Claims and the FOS Fees.
- 7.10 In addition, under the Scheme, ELL will no longer be legally required to pay the Redress Claims and the FOS Fees. Instead, ELL will be required to make payments under the Scheme.
- 7.11 These releases would not affect any liabilities arising from an activity which occurred after 31 March 2021 in relation to a loan provided by Everyday Loans, George Banco or TrustTwo.
- 7.12 These releases will become effective upon the Restructuring Effective Date, when the Scheme Fund is paid to the Trust Account (provided that the Restructuring Effective Date occurs on or before 31 December 2023).

Submitting claims in the Scheme and the Claims Submission Deadline

- 7.13 ELL will inform Scheme Creditors that the Scheme has become effective by:
- (A) sending emails, letters and/or SMS text messages to each known Redress Creditor for whom ELL has the relevant details;
 - (B) placing a notice on the Website (www.nsfclaims.co.uk); and
 - (C) placing advertisements in appropriate newspapers.
- 7.14 Scheme Creditors will not receive any payment under the Scheme unless they submit their claim by the Claims Submission Deadline. Scheme Creditors will need to submit their claim and provide the information and any documents which are requested on the Website (www.nsfclaims.co.uk). If a Scheme Creditor is unable to submit their claim on the Website, they may submit their claim by calling us on 0330 045 0685 (local rates apply).
- 7.15 Some Scheme Creditors who have already complained to ELL will not need to resubmit their claim in the Scheme but may need to provide information and/or evidence if requested. Please read paragraphs 10.1 and 10.2 to check whether this applies to you.
- 7.16 Scheme Creditors who are borrowers or guarantors must submit their Scheme Claims on the Website (www.nsfclaims.co.uk) or by calling us on 0330 045 0685 (local rates apply). The FOS must submit its Scheme Claim, including details and supporting evidence, by email to ELL.
- 7.17 ELL may request further information and/or evidence from Scheme Creditors.

IMPORTANT WARNING

Once the Scheme is approved, ELL cannot change the Claims Submission Deadline. Every Scheme Creditor who wishes to receive a payment under the Scheme **MUST** submit their claim in accordance with the instructions provided by the deadline. We currently expect this to be 31 December 2023, but the final date will be confirmed and shown on the Website (www.nsfclaims.co.uk) after the Scheme Effective Date. ELL strongly recommends that Scheme Creditors submit their claims before the Claims Submission Deadline so that, if there is some technical or other delay when they visit the Website (www.nsfclaims.co.uk), they do not miss the deadline.

If you do not make a claim in accordance with the instructions provided by this deadline, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above).

7.18 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 ELL, the Scheme Supervisors or the Scheme Adjudicator asks you to.

How Scheme Creditors' compensation is calculated

- 7.19 A Final Scheme Claim is a Scheme Claim which has been determined to be valid and given a particular value, whether by ELL or (if the Scheme Creditor disagreed with ELL's determination) the Scheme Adjudicator. Scheme Creditors' compensation will be calculated as soon as reasonably practicable after all Scheme Claims have become Final Scheme Claims. That is expected to be about ten months after the Scheme Effective Date which, on the current estimated timetable, is around April 2024. The Scheme Supervisors will calculate the Payment Percentage, which will be used to determine what proportion of the Scheme Fund each Scheme Creditor will be paid. The Payment Percentage is the total amount of all Final Scheme Claims (after the deduction of any Ring-Fenced Account Payments) as a percentage of the amount of Scheme Fund.

Tax

- 7.20 To the extent that payments eventually due under the Scheme exceeds a Scheme Creditor's entitlement before the interest at a rate of 8% per year on the relevant amount is calculated, tax must be paid on that 8% per year interest element payable. ELL will calculate any tax on the 8% per year interest and withhold it from the Scheme Payment to pay to HMRC. ELL cannot give you tax advice, but for most Scheme 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 Scheme Creditors – Ring-Fenced Account Payments

- 7.21 As soon as practicable, and in any event within 10 Business Days, after the date on which a Scheme Creditor's Scheme Claim is assessed under the Scheme pursuant to the Scheme claims methodology, ELL will pay that Scheme Creditor its Ring-Fenced Account Payments (if any).

Payments to Scheme Creditors – Scheme Payments

- 7.22 Promptly, and in any event within 15 Business Days following the calculation of the Payment Percentage, ELL will make the Scheme Payments to Scheme Creditors. For a Scheme Creditor, this will amount to the amount of its Final Scheme Claim (after the deduction of any Ring-Fenced Account Payments, if applicable) multiplied by the Payment Percentage.
- 7.23 On the current expected timetable, ELL estimates that Scheme Payments will be made around April 2024.

Post-Scheme Effective Date Payments

- 7.24 As soon as practicable, and in any event within 10 Business Days, after the date on which a Scheme Creditor's Scheme Claim is assessed under the Scheme pursuant to the Scheme claims methodology, ELL shall pay the Scheme Creditor any Post-Scheme Effective Date Payment (if any).

Scheme Supervisors

- 7.25 ELL has appointed third parties, called the Scheme Supervisors, who will ensure that ELL implements the Scheme properly.
- 7.26 The Scheme Supervisors will be Grant Thornton UK LLP. They have extensive experience of acting in relation to insolvency of financial services businesses. Grant Thornton UK LLP has provided advice to NSF and ELL in relation to the Scheme proposals.
- 7.27 The Scheme Supervisors will monitor ELL's compliance with the terms of the Scheme and prepare a quarterly progress report for Scheme Creditors which will be available on the Website (www.nsfclaims.co.uk).

8. Arrangements for voting

The votes that ELL needs if the Scheme is to go ahead

8.1 The Scheme can only go ahead if:

- (A) of the Scheme Creditors who vote, a majority (that is, more than 50%) vote saying they want the Scheme to go ahead; and
- (B) the Scheme 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 Scheme Creditors who vote.

8.2 If the Scheme does not receive enough votes to pass both of these tests, then ELL cannot ask the Court to sanction the Scheme and ELL is likely to go into administration.

8.3 If the Scheme receives enough votes to pass both of these tests, then ELL will ask the Court to sanction the Scheme at the Second Court Hearing, which is expected to be on 22 June 2023. Scheme Creditors are entitled to attend that hearing and speak if they wish. Scheme Creditors can also send any objections to Jon Yorke, the Customer Advocate, and he will bring them to the Court's attention. Scheme Creditors can do this by emailing jy@nsfcustomeradvocate.co.uk by 5pm six Business Days before the Second Court Hearing. There is no charge for doing this.

8.4 There are three options for voting on the Scheme. Those options are:

- (A) vote online before the Creditors' Meeting on the Website (www.nsfcclaims.co.uk) up to 5pm on 8 June 2023;
- (B) if you have registered your intention to attend the Creditors' Meeting by 5pm on 8 June 2023, vote online during the Creditors' Meeting starting at 10.30am on 12 June 2023; or
- (C) appoint someone else, such as a family member or a friend to vote and / or speak on your behalf during the Creditors' Meeting.

You can find instructions for how to do this on the Website (www.nsfcclaims.co.uk).

8.5 **You can vote on the Scheme without attending the Creditors' Meeting.**

8.6 If you require additional assistance when voting, for instance because you are unable to vote electronically, you can email us at contact@nsfcclaims.co.uk or call us on 0330 045 0685 (local rates apply).

Attending the Creditors' Meeting

8.7 At the Creditors' Meeting, the vote will be taken formally, and ELL's directors will answer questions which you can submit in advance or ask during the meeting.

- 8.8 If you want to attend the Creditors' Meeting online then you will need to register by no later than 5pm on 8 June 2023. Details of how to do this will be confirmed on the Website (www.nsfclaims.co.uk).
- 8.9 It may be possible for the chairperson of the Creditors' Meeting to announce at the end of the meeting whether the Scheme has received the required votes. If it is not possible to do that then ELL anticipates announcing the outcome of the vote as soon as possible. ELL will place a notice on the Website (www.nsfclaims.co.uk) within two Business Days after the meeting.
- 8.10 As a purely technical matter, if you vote in advance online then you will be appointing the chairperson of the Creditors' Meeting to vote on your behalf – however, this does not change the fact that you will be choosing how to vote.

How to vote

- 8.11 If you are voting online, then you will find instructions for voting on the Website (www.nsfclaims.co.uk). Please have your Scheme reference number and/or your agreement number to hand as well as your email address and mobile phone number when accessing the Website (www.nsfclaims.co.uk) to vote or when joining the Creditors' Meeting to vote online during the meeting.
- 8.12 The questions you will be asked to answer when you vote are:
- (A) whether you believe you have a valid claim (i.e. a valid claim which falls within the categories set out at paragraph 2.12 above and which is not excluded from the Scheme by virtue of falling within the categories set out at paragraph 2.13 above); and
 - (B) whether you want the Scheme to go ahead.

How will votes be valued?

- 8.13 If you are an individual Scheme Creditor with an affordability claim, then you do not need to work out the value of your vote. ELL will do this where it can, using information it holds about 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.
- 8.14 For an affordability claim, ELL will calculate your vote, based on values as at 31 March 2023, 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 31 March 2023. The value of your vote will also take into account whether you would be entitled to receive any Ring-Fenced Account Payments (if you had a successful claim). If you are a guarantor who has not made any payments in relation to a loan that is outstanding, 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) (the “**Excess Amount**”), plus 8% p.a. simple interest on each payment which constitutes part of the Excess Amount from the date of such payment until 31 March 2023. The value of your vote will also take into account whether you would be entitled to receive any Ring-Fenced Account Payments (if you had a successful claim). 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.
- 8.15 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 (www.nsfclaims.co.uk) (this estimate will be reviewed by ELL and decided upon by the chairperson of the Creditors’ Meeting). If you do not submit details of the value of your claim for voting purposes, ELL will apply a default value based on its high-level review of historical redress payments in respect of non-affordability claims.
- 8.16 In some situations, ELL might not have the information needed to determine a Scheme Creditor’s vote value. In those cases, ELL will determine its best estimate of the Scheme Creditor’s maximum possible claim value and use that as the vote value.
- 8.17 Whatever value is ultimately applied to your vote for the purposes of determining whether the Scheme has 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 the Scheme.
- 8.18 The FOS will also submit the value of its claim for voting purposes. This value will be based on fees for cases referred to the FOS on or after 17 March 2023 in relation to any activity which occurred on or before 31 March 2021 in connection with a loan provided by Everyday Loans, George Banco or TrustTwo.

9. Things to consider when you are deciding whether to vote for or against the Scheme

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

- (A) why ELL recommends that you vote in favour of the Scheme; and
- (B) other relevant considerations.

Why ELL recommends that you vote in favour of the Scheme

9.2 ELL recommends that you vote in favour of the Scheme because:

- (A) if the Scheme does not go ahead, ELL is likely to enter into an insolvency process, which is expected to be administration;
- (B) the Scheme is likely to provide a better outcome for Scheme Creditors than they would receive in an administration of ELL; and
- (C) it is therefore in the Scheme Creditors' interests for the Scheme to go ahead.

These points are explained below.

ELL is likely to enter into administration if the Scheme does not go ahead

9.3 ELL believes that if the Scheme does not go ahead, the most likely outcome is that ELL will enter administration, and that is likely to happen soon after the date on which it becomes clear that the Scheme will not go ahead. This could be at the time of the Creditors' Meeting if the Scheme does not receive sufficient votes, at the time of the Second Court Hearing if the Court does not sanction the Scheme, or at the end of December 2023 if the Restructuring has not yet completed. The reasons ELL would be likely to enter administration in these circumstances are explained below.

9.4 First, ELL is insolvent. There are two separate aspects of this: ELL's balance sheet and its cashflow:

- (A) Regarding ELL's balance sheet: as at 31 December 2021, ELL's liabilities were approximately £13.2 million greater than its assets. ELL's insolvency is therefore not in doubt, and it is not a temporary insolvency.
- (B) Regarding ELL's cashflow:
 - (i) Although ELL continues to operate and provide new loans, if the Scheme (and the Restructuring) do not go ahead, it will not have enough money to pay Scheme Creditors (and other liabilities) in full. That means ELL would in the near term run out of cash and leave many of its liabilities unpaid. ELL estimates that, if the Scheme (and the Restructuring) do not go ahead, and no mitigating actions are taken, this will occur by the end of June 2023.

However, it is important to note that if the Scheme (and the Restructuring) do go ahead, Scheme Creditors will not get paid in full. Scheme Creditors are estimated to receive a cash return of between 24% and 31% of their claim (following any balance adjustment and / or Ring-Fenced Account Payments which are described at paragraph 2.20 above).

- (ii) Since 17 March 2023, ELL has been relying on DISP 1.6.2R(2) pursuant to which it is able to place a temporary hold on the processing of Redress Claims, as it is not in a position to provide a final response to these claims until the conclusion of the Scheme process. Once it becomes clear that the Scheme would not go ahead, the rationale for relying on DISP 1.6.2(R) would fall away. In any event, Scheme Creditors may decide to bring legal proceedings for payment against ELL if the Scheme is not sanctioned.

- 9.5 Second, it would be unfair if ELL started paying some Scheme Creditors but not others. To avoid treating Scheme Creditors unfairly, ELL would need to apply for administration. The only reason that situation might change is if there was a significant change in circumstances that resolved ELL's financial difficulties. The directors of ELL currently have no reason to expect that to happen.

The Scheme is likely to provide a better outcome for Scheme Creditors than under an insolvency process

- 9.6 If the Scheme is unsuccessful, the most likely outcome is that ELL would enter into an insolvency process, administration, in which case it is expected that ELL would stop providing loans and the business would be brought to an end (wound down). As explained in paragraph 2.33 above, available cash would be used first to pay the secured lenders who hold "security", similar to a bank with a mortgage over a house or flat, in priority to the Scheme Creditors.
- 9.7 ELL estimates that, in an insolvency process, Scheme Creditors would receive approximately 0.2% of their claim, after the exercise of any rights Scheme Creditors may have to reduce their outstanding balance with ELL in satisfaction, or partial satisfaction, of their claim. This means that, if a Scheme Creditor had no outstanding loans with ELL and a valid claim of £2,750, they would receive just £5.50. This is a much worse outcome than if the Scheme is successful.
- 9.8 In contrast, if the Scheme is successful Scheme Creditors will receive their share of the Scheme Fund of £14 million (in addition to any balance adjustments and / or Ring-Fenced Account Payments, as explained in paragraph 2.20). The current estimated recovery for Scheme Creditors is between 24% and 31%, which means a Scheme Creditor with a valid claim of £2,750 is expected to receive between £660 and £852.50 of the compensation they are owed.

Other reasons ELL recommends that you vote in favour of the Scheme

- 9.9 Scheme Creditors may receive payment of compensation sooner under the Scheme than if ELL entered administration. Scheme Creditors are expected to receive payment under the Scheme from the Scheme Fund around April 2024 (in addition to any Ring-Fenced Account Payments (if applicable) which will be paid as soon as practicable, and in any event within 10 Business Days, after determination of a Scheme Creditor's claim under the Scheme claims

methodology). If ELL entered administration, Scheme Creditors are estimated to receive payment around early 2026.

- 9.10 The Scheme allows for a process for submission of claims through the Website (www.nsfclaims.co.uk) – you can do this without needing help from any adviser such as a claims management company. A claims management company will often receive a proportion of the compensation ELL would otherwise pay you. If you submit your claim to ELL directly, you could receive more compensation than if you pursue your claim through a third party representative.
- 9.11 If you disagree with the assessment ELL makes of any claim in the Scheme, following the appeals process with ELL, you can refer the claim to the Scheme Adjudicator for determination. The Scheme Adjudicator is independent and referral to them is free of charge and we expect will be more accessible, and quicker, than if you disagreed with the assessment of a claim in administration.
- 9.12 Your claim will be assessed at the same time as every other Scheme Creditor's claim using the same methodology. This means that your claim will be treated the same way as all other Scheme Creditors' claims.

Other relevant considerations

- 9.13 Although ELL believes that the Scheme offers Scheme Creditors a better outcome than they would get if ELL entered into administration, Scheme Creditors may have a variety of priorities and preferences and should therefore consider the options carefully.
- 9.14 Scheme Creditors might have a different view from ELL as to how much they are likely to receive in the Scheme and/or an insolvency process and/or as to the likelihood of an insolvency process.
- 9.15 If the Scheme is successful, Scheme Creditors will no longer be able to make Redress Claims against ELL, refer Redress Claims to the FOS or take any court action against ELL or the other NSF Companies in relation to Redress Claims. Therefore, if you do not submit your claim in the Scheme before the Claims Submission Deadline, you will lose any right to compensation and you will not receive any money and any outstanding balance you may have will not be reduced by any claim. You will also not be able to benefit from the Ring-Fenced Account Payment mechanics (described at paragraph 2.20(B) above) or be subject to the Post-Scheme Effective Date Payment mechanics (described at paragraph 2.21 above).
- 9.16 In addition, if the Scheme is successful, the benefits of ELL's future business will mainly go to new investors who have provided new money under the Restructuring, despite Scheme Creditors receiving less money under the Scheme than the full compensation they were owed prior to its implementation.
- 9.17 In an insolvency, shareholders usually lose all of their economic interests before creditors do. However, under Plan A, while current shareholders' interests in the Group will be reduced to almost zero unless they pay to buy new shares as part of the equity raise, they will still retain a very small proportion of the shares in NSF (and will therefore receive a small proportion of the benefits of ELL's future business), despite Scheme Creditors receiving significantly less than the compensation they are owed. This is because Plan A requires shareholder approval

and current shareholders will only be willing to provide their approval if they retain this small proportion of the shares in NSF.

10. The claims process for the Scheme

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

- 10.1 If the Scheme becomes effective, ELL 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 Scheme to determine whether there is a valid claim, and if so, what the value of the claim is.
- 10.2 You will have an Outstanding Redress Claim in one of the following situations (unless you fall within any categories of customers excluded from the Scheme as described at paragraph 2.13 above and paragraph 10.3 below):
- (A) you complained to ELL before 17 March 2023 (and ELL has acknowledged receipt of that complaint); or
 - (B) you complained to ELL after 17 March 2023, and ELL has acknowledged receipt of that complaint and confirmed that your complaint does not need to be resubmitted in the Scheme.
- 10.3 You will be a customer which is excluded from the Scheme in respect of a Redress Claim if you have made a Redress Claim and, before 17 March 2023:
- (A) ELL upheld your Redress Claim or you accepted a settlement offer from ELL in respect of your Redress Claim;
 - (B) you received a settlement offer from ELL in respect of your Redress Claim dated on or after 17 September 2022, which you (i) accept between 17 March 2023 and the Scheme Effective Date, or (ii) neither accept nor reject by the Scheme Effective Date (i.e. you do not respond to the settlement offer by the Scheme Effective Date); or
 - (C) you referred your Redress Claim to the FOS, which the FOS upholds (either before or after 17 March 2023) and determines that ELL should pay you any amount in respect of your Redress Claim.

If you fall within any of these categories, you will be paid (in full) the amount specified in the upheld Redress Claim, settlement offer or FOS decision (unless you have already been paid). If you have not already been paid, please contact us so we can speed up that payment.

How do you make a claim?

- 10.4 ELL will inform customers that the Scheme has become effective. This will happen within 10 Business Days of the Scheme Effective Date by ELL:
- (A) sending emails, letters and/or SMS text messages to each known Redress Creditor for whom ELL has the relevant details;
 - (B) placing a notice on the Website (www.nsfclaims.co.uk); and

(C) placing advertisements in appropriate newspapers.

- 10.5 ELL will also remind customers through these channels – to the extent they have not submitted a claim yet – 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 ELL.

Process for Redress Creditors

- 10.6 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 (www.nsfclaims.co.uk). The Website (www.nsfclaims.co.uk) will guide you through the process and you should not need a claims management company to make claim on your behalf.
- 10.7 If you are unable to submit a claim through the Website (www.nsfclaims.co.uk), please call us on 0330 045 0685 (local rates apply) to submit your claim.
- 10.8 The claims process will then consist of the following steps:
- (A) ELL 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 20 days of receiving the request.
 - (B) Once you have done that, ELL will assess that claim according to a set framework for considering claims. This has been reviewed by an independent skilled person, at the request and with oversight of the FCA. A summary of this framework can be found on the Website (www.nsfclaims.co.uk).
 - (C) ELL will let you know whether it agrees or disagrees with all or part of your claim through the Website (www.nsfclaims.co.uk), which you will be notified of by email, or if you were unable to submit your claim through the Website (www.nsfclaims.co.uk), by letter or other agreed means of communication.
 - (D) If ELL agrees with all or part of your claim, you will be paid in accordance with the procedure explained from paragraph 7.21 onwards. You will also be able to update your details (including your bank account details) on the Website (www.nsfclaims.co.uk).

Process for the FOS

- 10.9 The FOS shall submit its FOS Fee Claims, including details of its claims and supporting evidence by email to ELL on or before the Claims Submission Deadline.

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

Process for Redress Creditors

- 10.10 If ELL does not think all or part of your claim is valid and you disagree with that conclusion, or you disagree with the value that ELL has given to your claim, you can inform ELL of this disagreement through the Website (www.nsfclaims.co.uk) or by contacting ELL by email or telephone. You will need to do this within 20 days of ELL communicating its decision to you.

- 10.11 ELL will then try to reach an agreement with you in respect of your claim within 15 days (although ELL may extend this timeframe). ELL will contact you using the contact details which you have provided when making your claim.
- 10.12 If you reach an agreement with ELL, you will be paid in accordance with the procedure explained from paragraph 7.21 onwards.
- 10.13 If you and ELL do not reach an agreement within those 15 days, you or ELL may refer your claim to the Scheme Adjudicator (see paragraphs 10.15 and 10.16 below), but you or ELL would have to do so within the following 15 days (i.e. within 30 days of ELL initially communicating its decision to you). If you disagree with ELL's conclusion, and have not reached an agreement with ELL in respect of your claim, then ELL's conclusion will stand unless you refer your Scheme Claim to the Scheme Adjudicator within the time limits.

Process for the FOS

- 10.14 If ELL 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 (see paragraphs 10.15 and 10.16 below). The FOS will need to refer its claim to the Scheme Adjudicator within 30 days of being notified of ELL's decision.

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

- 10.15 The Scheme Adjudicator will assess claims where a Scheme Creditor disagrees with ELL'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.
- 10.16 The Scheme Adjudicator will follow the following steps:
- (A) within four 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 ELL and ELL's relevant records.
 - (B) the Scheme Adjudicator will try to reach a decision within four weeks (whether your claim is being considered individually or as part of a batch of claims).
 - (C) the Scheme Adjudicator may request further information or documents from you or from ELL or may request that you or ELL answer their questions. You may be required to do this by email.
 - (D) if you or ELL do not respond to a request by the Scheme Adjudicator to provide further information or attend a meeting within 20 days of the request, the Scheme Adjudicator will decide whether your claim should be allowed using the information that they have.
 - (E) the Scheme Adjudicator will try to tell you and ELL whether they have decided to allow your claim within a further three weeks of receiving the requested information and/or documents (unless the Scheme Adjudicator varies that timeframe).

- (F) if the Scheme Adjudicator decides that ELL should make a payment to you for all or part of your claim, ELL will do that in accordance with the procedure explained from paragraph 7.21 onwards.

11. Directors' interests

11.1 Under the Companies Act, ELL is required to include information here which states any material interests of the directors of ELL (whether as directors or as members or as creditors of ELL 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.

11.2 There are seven directors of ELL, all of whom are also directors of certain other Group companies and of whom five hold shares in Non-Standard Finance plc (NSF). The table below sets out the ELL directors, the other Group companies they are directors of and their shareholdings in NSF. Other than the Founder Shares held by Charles Gregson (described at paragraph 11.3 below), these are the only material interests that the directors listed below have in any of these companies or in the outcome of the Scheme. None of these interests would be affected by the Scheme in a different way from the way the Scheme would affect the interests of any other person who holds shares in NSF.

ELL Director	Other Group directorships	Shareholding in Non-Standard Finance plc (number of shares)
Jason Bovington	Everyday Loans Limited Everyday Loans Holdings Limited	66,822
Christian Cutter	Everyday Loans Limited Everyday Loans Holdings Limited	Nil
Sarah Day	NSF NSF Finco Limited Non-Standard Finance Subsidiary II Limited Non-Standard Finance Subsidiary Limited Non-Standard Finance Subsidiary III Limited NSF Group Limited	11,613
Andrew Forsyth	Everyday Loans Limited GBL George Banco Everyday Loans Holdings Limited	Nil

Jonathan Gillespie	Everyday Loans Limited Everyday Loans Holdings Limited GBL George Banco NSF NSF Finco Limited Non-Standard Finance Subsidiary Limited Non-Standard Finance Subsidiary II Limited Non-Standard Finance Subsidiary III Limited NSF Group Limited	140,000
Charles Gregson ¹	Everyday Loans Limited NSF	8,241,043
Christopher Pearson	Everyday Loans Limited Everyday Loans Holdings Limited	71,740

11.3 Charles Gregson holds 10 B ordinary shares of Non-Standard Finance Subsidiary Limited (the “**Founder Shares**”). Pursuant to the articles of association of Non-Standard Finance Subsidiary Limited and contractual arrangements, these provide certain rights to Charles Gregson, including:

- (A) the ability, upon the satisfaction of certain conditions, to exercise a put option under which NSF is required to purchase the Founder Shares in exchange for either (i) the issuance of a specified number of shares in NSF, or (ii) a cash alternative. It is expected that this put option will be exercisable following either Plan A or Plan B. Based on the prevailing share price of NSF shares, in Plan A, it is estimated that the value of Charles’ put option will be under £10,000. In Plan B, it is estimated that the value of Charles’ put option will be negligible; and
- (B) consent rights in connection with certain share issuances by NSF.

¹ Charles is expected to stand down as a director of ELL, Everyday Loans Limited and NSF following NSF’s 2023 annual general meeting.

12. Your rights to object to these proposals

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

How can I object?

12.2 You can do this in three ways:

- (A) You can vote against the Scheme. For more details regarding how to vote, please refer to section 8 above.
- (B) You can 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@nsfcustomeradvocate.co.uk by 5pm six Business Days before the Second Court Hearing. There is no charge for doing this.
- (C) You can also come to the Second Court Hearing when ELL asks the Court to sanction the Scheme and explain your objection to the Court yourself. The Court will give Scheme Creditors the chance to speak during the hearing if they wish to do so. If you would like to come to the Second Court Hearing, please email the Customer Advocate stating that this is what you would like to do.

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

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

What can I object to?

12.4 You can object to the Scheme going ahead if you believe it is not fair.

12.5 The Court has already considered whether all Scheme Creditors can vote together in a 'single class' for the purpose of voting. Further detail on this is set out in paragraph 9 of the Practice Statement Letter that was made available on 17 March 2023. The question about 'class' is essentially whether the Scheme Creditors' rights are sufficiently similar that they can consider the Scheme together. If any Scheme Creditor wishes to argue at the Second Court Hearing that all Scheme Creditors should not vote together in one class, they would need to satisfy the Court that they had a good reason for not raising the issue at the First Court Hearing on 28 April 2023.

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

- 12.6 You can also contact ELL at contact@nsfclaims.co.uk or the Customer Advocate at jy@nsfcustomeradvocate.co.uk. You may also contact our customer service team on 0330 045 0685 (local rates apply) between 9am and 5pm from Monday to Friday with any questions you have if you think you need help to understand any aspect of the proposals.

The Second Court Hearing to consider and potentially sanction the Scheme

- 12.7 If the Scheme receives sufficient votes, ELL will ask the Court to sanction the Scheme.

- 12.8 When deciding whether to sanction the Scheme, the Court will consider:

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

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

- (A) whether the Scheme is fair – more specifically, the Court will consider whether a Scheme Creditor could reasonably have approved the Scheme;
- (B) whether the Scheme Creditors who voted on the Scheme 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;
- (D) whether there is any 'blot' on the Scheme that should warrant the refusal of sanction; and
- (E) whether the Court is satisfied that the Scheme has been properly explained to Scheme Creditors.

- 12.10 The Court must then decide whether to sanction the Scheme. If the Court does sanction the Scheme, then a court order will be made allowing it to come into effect on the Scheme Effective Date.

- 12.11 If you wish to come to the Second Court Hearing, please email the Customer Advocate at jy@nsfcustomeradvocate.co.uk stating that you would like to attend. There is no requirement to speak: you can join the hearing to just listen.

Schedule 1 – Glossary

<u>Term</u>	<u>Definition</u>
Business Day	A day, other than a Saturday or a Sunday, on which banks are open for general business in London.
Claims Submission Deadline	The later of (i) 31 December 2023, and (ii) six months after the Scheme Effective Date.
Court	The High Court of Justice of England and Wales.
Creditors' Meeting	The meeting of the Scheme Creditors convened under Section 896 of the Companies Act 2006 to consider the Scheme
Customer Advocate	Jon Yorke, an independent customer advocate appointed in connection with the Scheme.
Customer Advocate's report	The Customer Advocate's summary of comments and objections he has received, contained in a separate document to this Explanatory Statement.
Customer Committee	The committee of customers that ELL arranged to consider and give feedback on the terms of the Scheme proposals.
Customer Committee independent chairperson's report	Summary of the work done by Jamie Drummond-Smith, the chair of the Customer Committee, to consider the proposals and his conclusions about the Scheme. The report is contained in a separate document to this Explanatory Statement.
Deed Poll	The detailed text of the document that ELL used to take on Everyday Loans Limited's, George Banco Limited's and GBL's liabilities (their obligations to pay debts) in order to allow the Scheme to operate.
ELL	Everyday Lending Limited, a company incorporated in England and Wales with the company number 05850869, having its registered office at 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, England, SL8 5XF.
Equity Raise	The public equity raise which was chosen as the preferred route for the Group to raise additional money to fund future growth of its business.
Everyday Loans Limited	Everyday Loans Limited, a company incorporated in England and Wales with the company number 05536115, having its registered office at 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, England, SL8 5XF.

<u>Term</u>	<u>Definition</u>
Explanatory Statement	This document, which contains information about the Scheme which ELL is required by law to provide you.
FCA	Financial Conduct Authority (ELL's regulator).
Final Scheme Claim	A Scheme Claim which has been determined to be valid and given a particular value, whether by ELL or (if the Scheme Creditor disagreed with ELL's determination) the Scheme Adjudicator.
First Court Hearing	The Court hearing at which the application is heard for an order to convene the Creditors' Meeting under Section 896 of the Companies Act 2006.
FOS	The Financial Ombudsman Service.
FOS Fees	The case fees owed to the FOS arising from complaints referred to the FOS on or after 17 March 2023 in relation to any activity which occurred on or before 31 March 2021 in connection with a Loan.
FOS Fee Claims	The FOS' claim in relation to the FOS Fees.
Founder Shares	The B ordinary shares of Non-Standard Finance Subsidiary Limited which provide the holder with certain rights.
GBL	George Banco.com Limited, a company incorporated in England and Wales with the company number 08804623, having its registered office at Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, England, BA14 0XF.
George Banco Limited	George Banco Limited, a company incorporated in England and Wales with the company number 08605069, having its registered office at Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, England, BA14 0XF.
Guarantor Loans Business	The guarantor loans division of the Group under the "TrustTwo" and "George Banco" brands and personal loans under the "George Banco" brand, prior to the ceasing of any such new loans in November 2020.
Group	The Non-Standard Finance plc group of companies.
Loan	A loan made by ELL or GBL to any person on or prior to 31 March 2021.

<u>Term</u>	<u>Definition</u>
Non-Standard Finance Subsidiary Limited	Non-Standard Finance Subsidiary Limited, a company incorporated in England and Wales with the company number 09281088, having its registered office at The Bothy, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.
NSF	Non-Standard Finance Plc, a company incorporated in England and Wales with the company number 09122252, having its registered office at The Bothy, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.
NSF Companies	GBL, George Banco Limited and Everyday Loans Limited.
Outstanding Redress Claim	A claim which falls within the categories set out at paragraph 10.2.
Payment Percentage	This is used to determine what proportion of the Scheme Fund each Scheme Creditor will be paid.
Post-Scheme Effective Date Payment	The payment described in paragraph 2.21.
Practice Statement Letter	The document titled "Practice Statement Letter" that was uploaded to the Website (www.nsfclaims.co.uk) on 17 March 2023.
Redress Claim	A claim which falls within the categories set out at paragraph 2.12.
Redress Creditor	A customer with a Redress Claim, who meets the criteria set out at paragraph 2.12 above, and does not fall within the categories of customer excluded from the Scheme as set out at paragraph 2.13 above.
Release Agreement	The Release Agreement will release the NSF Companies from any obligations to Scheme Creditors.
Restructuring	The restructuring of the Group's financial obligations, described at paragraphs 2.27 to 2.31.
Restructuring Effective Date	The date on which the Scheme Fund is paid into a trust account for the benefit of Scheme Creditors.
Ring-Fenced Account Payments	The payments described in paragraph 2.20(B).
Scheme	The proposal ELL recommends that Scheme Creditors vote for.

<u>Term</u>	<u>Definition</u>
Scheme Adjudicator	The Scheme Adjudicator will assess claims where a Scheme Creditor disagrees with ELL'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.
Scheme Claim	Claims made by Scheme Creditors for compensation under the Scheme, including the FOS' claim for FOS Fees.
Scheme Creditors	The Redress Creditors and the FOS.
Scheme Effective Date	The date on which the Scheme becomes effective, i.e. when the court order sanctioning the Scheme is delivered to the Registrar of Companies in England and Wales for registration.
Scheme Fund	£14 million plus any amount by which the Scheme costs are less than the estimated Scheme costs.
Scheme Payment	Payments from the Scheme Fund made to Scheme Creditors under the Scheme.
Scheme Supervisors	The third parties appointed to ensure that ELL implements the Scheme properly.
Second Court Hearing	The Court hearing at which the Court considers if the Scheme is fair and decides whether to sanction the Scheme.
Summary Claims Assessment Methodology	A summary explanation of how ELL will assess Scheme Claims, contained in a separate document to this Explanatory Statement.
Trust Account	The account into which the Scheme Fund is paid, the balance of which is held on trust for Scheme Creditors.
Website	www.nsfclaims.co.uk .