PROVIDENT SPV LIMITED
(the "**Company**")

21 June 2021

Proposed Scheme of Arrangement for customers of Provident, Satsuma, Glo and Greenwood (the "Scheme")

Update

Why are we giving you this update?

We wrote to our customers (you) in March outlining our intention to implement a scheme of arrangement for customers of Provident, Satsuma, Glo and Greenwood and informing you that you may be eligible to make claims under the Scheme. At the first Court hearing on 22 April 2021, the judge, Sir Alastair Norris, gave us permission to convene a meeting of customers to vote on the Scheme. Since that date, we announced the closure of our home credit business and a judgment has been given on a scheme for another company, Amigo. We therefore want to provide you with this update ahead of the meeting to vote on the Scheme on 19 July 2021.

The Scheme, and the statement explaining it (the "**Explanatory Statement**"), are available at https://scheme.providentpersonalcredit.com. This update should be read with those documents.

The purpose of the Scheme is to assess and pay certain compensation claims against Provident Personal Credit Limited ("**PPC**") and Greenwood Personal Credit Limited ("**Greenwood**") (the "**Lenders**"). This update is sent on behalf of the Lenders and Provident SPV Limited, the company proposing the Scheme.

You will find answers to frequently asked questions on our website (including on video). We have also appointed Jon Yorke as a Customer Advocate to assist you with general questions you may have about the Scheme and this update. All questions should be asked using the contact details at paragraph 30 below and we will pass on questions for the Customer Advocate to him.

Summary

- On 10 May 2021, we announced that PPC would stop lending and would wind down its business. Greenwood stopped lending in 2014 when it transferred its business to PPC. PPC is unable to continue trading without significant funding from our ultimate shareholder, Provident Financial plc ("**PFG**") and PFG has informed us that it will not continue to provide this funding if the Scheme is not approved.

- You may have heard that the Court rejected the Amigo scheme. Even though the Court reached this decision about the Amigo scheme, we still consider it appropriate to proceed with our Scheme because our situation is very different to Amigo.

- PPC appointed an independent firm of accountants (Ernst & Young LLP) ("**EY**") to report on our conclusions that (1) PFG has no value in the Lenders, (2) without the Scheme customers will not receive any payment for any valid compensation claims, (3) if the Scheme fails the Lenders are highly likely to commence insolvency proceedings and (4) in insolvency proceedings, customers who have valid claims will receive no compensation (the "**EY Report**"). Their independent report supports our conclusions. The EY Report is available on the website.

- PFG continue to believe that the Scheme is fair because, in the Scheme, customers with valid compensation claims have the right to share in the £50 million compensation fund that PFG will provide to the Scheme. This will not happen without the Scheme. Without the Scheme, we are highly likely to commence insolvency proceedings and customers will not receive any payments for their valid compensation claims.

- We will amend the Scheme so that, if PPC generates surplus cash between the Scheme becoming effective and completion of the wind down of PPC, it will be paid to creditors with valid claims in the Scheme. However, we believe it is highly unlikely that there will be any surplus cash.

- The Lenders are currently in the process of updating the Estimated Outcome Statement contained in the Explanatory Statement. The Estimated Outcome Statement highlights what customers are expected to receive in the insolvency of the Lenders. We will post our update of it to the website, together with EY's review of it, as soon as possible.

- We have appointed Jon Yorke as an independent advocate (the "**Customer Advocate**") to respond to customers' questions about the Scheme, attend the Scheme Meeting and provide a report to Court on his findings. The Customer Advocate has also hired a law firm (McCarthy Denning) to provide advice to you about the Scheme if you want it. All questions should be asked using the contact details at paragraph 30 below and we will pass on questions for the Customer Advocate and McCarthy Denning to them.

- Please read the rest of this update carefully. Please check the website regularly for further updates.

Important note about voting

- You have the right to have your say about whether or not you support the Scheme by voting for or against it. If you have already voted, you can also change your vote. Further details are at paragraph 28 below.

The closure of the Lenders' business

1. PPC traded under the names of Provident, Glo and Satsuma. On 10 May 2021, PFG announced that Provident had stopped making home credit loans and that the Provident home credit business was being closed. Greenwood stopped trading in 2014 when it transferred its business to PPC. Glo stopped lending in 2016. Satsuma suspended lending in 2020 and will not recommence lending. PPC continues to collect repayments, when they are due, from those customers who continue to have outstanding loans. Otherwise, in an orderly way PPC is winding down its business and its immediate parent, Provident Financial Management Services Limited ("**PFMSL**"), is winding down its business which provides services to PPC. We call this process the "**Managed Wind Down**".

2. The Managed Wind Down is believed to be the most appropriate way to bring PPC's business to a close. Compensation claims will be dealt with by the Scheme if it is approved (rather than as part of the Managed Wind Down). However, if the Scheme is

not approved, the Lenders and the Company are highly likely to commence insolvency proceedings. In that case, PPC's business will be wound down by the person appointed to carry out the insolvency proceeding, rather than through the Managed Wind Down, and customers will not receive any payments for their valid compensation claims.

3. Given the Managed Wind Down, PPC has applied to give up its FCA permissions to enter into any regulated retail lending including home collected credit and high-cost short term credit. The FCA has approved such application. Furthermore, no other part of the PFG group (the "**Group**") has (or intends to apply for) permissions to enter into home collected credit or high cost short term credit loans. Accordingly, no other part of the Group will continue the Lenders' business or any other high cost short term credit or home credit business. PPC continues to be regulated by the FCA, and will continue to be so during the Managed Wind Down. Information about the Group's ongoing business is set out in paragraphs 6 and 7 below.

4. A sale of the PPC business was considered, but only one offer was received and that offer would have involved PFG paying the buyer to wind down the PPC business rather than continuing the business as a going concern. The offer was rejected because it would likely prove to be more costly than running the business down ourselves.

Why the Scheme is different to the Amigo scheme?

5. Since we published the Scheme, the FCA issued a statement in response to the Amigo scheme being rejected by the Court. In that statement, the FCA said that it considered the Amigo scheme to be inherently unfair as Amigo's customers were going to receive much less than they were owed, but shareholders and other interested parties would not be affected. We still consider it appropriate to proceed with our Scheme because our situation is very different to Amigo. In particular:

   (a) Amigo plans to carry on lending, but PPC is closing its business; and

   (b) there is no future value in PPC's business for its shareholder, PFG.

   For these reasons, the alternative restructuring options that may be available to Amigo are not relevant to the Scheme and the Lenders are highly likely to commence insolvency proceedings if the Scheme is not approved.

6. PFG announced on 10 May that going forward the Group will be focussing on its existing credit cards, vehicle finance and mid-cost personal loans businesses. These businesses are separate and different to the business which has been conducted by the Lenders. PFG plans to grow its mid-cost personal loans business. This business will focus on customers with credit scores in the range of 540 to 620, will not use any of the Lenders' customer data and will use a new IT platform.

7. As part of the Managed Wind Down PFG is required to consider whether it can offer affected employees alternative roles elsewhere in the Group. PFG expects to be able to offer some members of management and staff, who will otherwise be made redundant, positions in other parts of the Group wherever possible (including in the mid-cost personal loans business). However, no final decisions have been made.

Why will the Lenders commence insolvency proceedings if the Scheme is not approved?

8. If the Scheme is not approved by Scheme Creditors or the Court, PFG has told us it will stop providing financial support to the Lenders immediately. If PFG stops funding the Lenders, the Lenders and the Company will be required to start insolvency proceedings immediately afterwards. This is because the amount these companies owe is significantly more than the amount that they can expect to collect from their customers and, without PFG support, their respective directors do not consider that there is any reasonable prospect of avoiding insolvency. If the Company and the Lenders were to keep trading in those circumstances, their directors would be in breach of their legal obligations.

9. PPC's business has become unviable for the reasons explained in the Explanatory Statement. PFG is a separate company to the Lenders and PFG is not legally required to fund the Lenders or pay any claims owed by them. The PFG Board owes its duties to PFG and is legally required to act in the best interests of PFG having regard to all the interests of PFG and the parties interested in PFG. Consequently, PFG has made clear it will not continue to fund PPC's business as a going concern and will not fund the Managed Wind Down going forward if the Scheme is not approved.

Why are other unsecured creditors of the Lenders expected to be paid in full?

10. The Managed Wind Down involves PPC continuing to incur costs. From the end of July 2021 these costs are expected to amount to between £32 million and £40 million, including intra-group services and redundancy compensation. They are described further in the EY Report. These costs are not expected to be covered by PPC's income and PFG will fund the difference. PFG considers this is appropriate and that there is an overall cost-benefit to PFG doing so as it allows the Scheme to proceed, avoids the Lenders' insolvencies and, if the Scheme becomes effective, ensures that customers obtain some compensation for their valid compensation claims. This is also of benefit to PFG for the reasons described in paragraph 14 below.

11. Once the Scheme is effective, the creditors and expenses that will be paid in full are the following:

    (a) **Employees**. We are sorry to say that, unavoidably, a large number of staff will be made redundant due to the closure of PPC's business. However, certain employees will need to be retained through the Managed Wind Down to deal with customers' queries, collect outstanding loans and wind down the business in a controlled way. Until they are made redundant these employees will continue to provide a valuable service to the Group and consequently their salaries and redundancy compensation will be paid in full which we estimate to total £18.5 million from the end of July 2021, when the Scheme is expected to become effective;

    (b) **Trade creditors**. Trade creditors provide services that enable the Managed Wind Down to be carried out. These costs are expected to amount to approximately £21.5 million from the end of July 2021;

    (c) **Certain customers with valid compensation claims**. PPC determined that customers whose valid compensation claims arise in relation to lending made on or after 18 December 2020 (being the date that the Scheme became a real possibility) will be paid in full. PPC consulted with the FCA regarding this decision. Since PPC was aware of the issues giving rise to compensation claims and had already taken steps to ensure that ongoing lending complied with the latest regulatory requirements, significant claims for material amounts are not expected to arise in respect of such lending (if any). So far we have received 222 complaints in respect of loans issued on or after 18 December 2020. Of the complaints received, we have upheld 135 and the average value attributed to each of those complaints is £1,088. Customer claims which are not covered by the Scheme will also be met in full, but based on previous experience these costs are not expected to be material.

Review by an independent accountancy firm

12. PPC asked EY, an independent accountancy firm, to carry out an independent valuation of the Lenders, and review the likely estimated outcome for customers in an insolvency compared to the Scheme and the Managed Wind Down. Their findings were as follows:

    (a) even if the Scheme is implemented, it is highly unlikely that any value will be attributable to the equity and the intercompany debt holders of PPC and the value in Greenwood is estimated to be between nil and £348,000. (In other words, it is highly unlikely that the shares owned by our shareholders or the debts that we owe to other Group companies are worth anything, even if the Scheme goes ahead);

    (b) the market value of the equity and the intercompany debt of PPC and Greenwood is estimated to be nil should the Scheme fail. (In other words, if the Scheme does not go ahead, the shares owned by our shareholders and the debts that we owe to other Group companies will not be worth anything);

    (c) should the Scheme fail, and PFG funding is not received, PPC and Greenwood are highly likely to file for insolvency protection as soon as practicable; and

    (d) based on their review of the Estimated Outcome Statement, it is a reasonable conclusion that no recoveries would be made by any redress claimants in an insolvency of either PPC or Greenwood.

    A copy of the EY Report is available through the website.

Why is PFG providing the £50 million Compensation Fund?

13. Having carefully considered their duties and taken into account the interests of all affected parties, the PFG Board continues to believe that PFG should pay £50 million to the Scheme for the purpose of meeting customers' valid compensation claims while also paying the related Scheme costs. Those related costs are now estimated to be approximately £20 million. On the same bases, the view of the PFG Board is that it is unwilling to pay or contribute any more to the Scheme.

14. PFG decided to contribute £50 million to the Scheme and to pay the related costs to implement the Scheme in order to avoid the Company, the Lenders and PPC's immediate parent, PFMSL falling into insolvency proceedings. This is because the

commencement of insolvency proceedings by the Lenders and PFMSL would be very likely, among other things to:

(a) leave the Lenders' current and former customers who have valid claims with no compensation;

(b) adversely impact those employees of PPC and PFMSL who otherwise would be retained to carry out the Managed Wind Down before being made redundant and would receive compensation. At the end of July about 40% of the staff engaged in PPC's business are expected to remain employed for the purposes of the Managed Wind Down;

(c) lead to the incurrence of significant cost in relation to the insolvency officeholders of the Lenders, the Company and PFMSL;

(d) adversely affect the reputation of the Group as a customer focussed group whose purpose is to help customers access the funds they need when others don't;

(e) adversely affect the morale of employees in the wider Group and their confidence in the Group doing the right thing by its employees;

(f) adversely impact PPC and PFMSL suppliers who would otherwise be required to support the Managed Wind Down and be paid in the ordinary course. Insolvency of the Lenders or PFMSL may also trigger termination clauses in commercial contracts elsewhere in the Group and in any event would impact supplier confidence and perception; and

(g) impact the confidence and perception of PFG's stakeholders including its regulators, HM Treasury, its lenders and its shareholders which would be made worse by the uncertainty around the consequences of the foregoing factors on the wider Group.

15. Determining the exact value of the matters described in paragraph 14 to PFG (which is not responsible for paying the claims against the Lenders) is a matter of judgment rather than science. However, in determining that £50 million was the appropriate amount, PFG had regard to the fact that its subsidiary, Vanquis Bank Limited, is authorised as a bank by the Prudential Regulatory Authority (the "**PRA**") and that consequently the Group is required to maintain certain levels of capital (or excess value). PFG concluded that the Group’s regulatory capital requirements (as imposed by the PRA) would not be breached over the Group's three-year viability period required by the PRA. The £50 million contribution was included in forecasts of the Group’s monthly regulatory capital requirements. Before the Scheme was launched, those forecasts showed that if a larger contribution was made to the Scheme, the Group would not comply with its capital requirements at certain points of its three year viability period.

16. The Group's management presented their analysis regarding the £50 million capital contribution to the PRA and the PRA has not raised any objection to the analysis on prudential grounds.

17. Although PFG is not obliged to provide any further financial support to the Lenders, the PFG Board, having carefully considered their duties to PFG, taken into account all

of the circumstances and considered the interests of all affected parties, reached the judgment that it was appropriate for PFG to contribute £50 million (but no greater amount) to the Scheme and to cover the related Scheme costs. On the same bases, the PFG Board remains of this view and further concluded that absent the Scheme, it will be necessary for it to cease providing financial support to the Lenders.

Will any additional contributions be made to the Scheme?

18. From the effective date of the Scheme (which is expected to be on 31 July 2021) until the date that the Managed Wind Down is concluded, PFG and PPC will monitor both the cash received by PPC from non-Group parties and all expenses paid in respect of the Managed Wind Down. The people appointed to supervise the Scheme will review the cash received and the expenses paid. If the cash received in the Managed Wind Down exceeds the expenses paid during this period (the "**Surplus**"), then PFG will (in addition to the £50 million and the anticipated £20 million of Scheme costs) contribute to the Scheme an amount equal to the Surplus, and that Surplus will be shared amongst creditors with valid claims. The payment to the Scheme of an amount equal to the Surplus means that customers will benefit, and the Group will not benefit, to the extent that, after the Scheme becomes effective, the cash received exceeds the expenses paid in respect of the Managed Wind Down. However, we do not expect a Surplus to become available because it is highly likely that the expenses to be paid will be more than the cash received. The Scheme has been amended to reflect the obligation to distribute the Surplus by adding a new Clause 5.5. The updated Scheme is available at https://scheme.providentpersonalcredit.com.

Appointment of a Customer Advocate

19. In order to assist customers in respect of the Scheme, the Group has appointed Jon Yorke to act as an independent advocate for customers (the "**Customer Advocate**"). Jon Yorke will be assisted by the lawyers McCarthy Denning to advise customers on the Scheme. Jon Yorke's CV, and the full terms of his engagement are available on the website.

What will the Customer Advocate do?

(a) The Customer Advocate will review what we have said to customers about the Scheme and ask us questions in order to establish an independent view of the Scheme. He will then prepare a report to the customers affected by the Scheme, setting out:

   (i) his view on whether the Company's communications to customers adequately explain the effect of the Scheme on customers;

   (ii) the alternatives for customers if the Scheme is not approved; and

   (iii) whether he has seen anything arising out of the material reviewed which raises any issues of fairness (the "**CA Report**").

   We will ensure that the final CA Report is uploaded to the website as soon as reasonably possible after we receive it (expected to be on or around 1 July 2021).

(b) The Customer Advocate will respond to customers' questions about the Scheme and attend the Scheme Meeting. In particular, he will:

(i) respond to questions raised by customers and/or arrange for them to receive advice in respect of matters falling within the terms of his appointment; and

(ii) make a presentation to customers at the Scheme Meeting explaining the CA Report and any later developments he thinks may be relevant to customers.

(c) The Customer Advocate will report to the Court (this report being the "**Final Report**") and attend the Court hearing for the sanction of the Scheme. The Final Report will cover:

(i) the matters covered in the CA Report; and

(ii) whether, from the Customer Advocate's interaction with customers, he considers that they understand the choices they are being asked to make under the Scheme.

20. Whilst Jon Yorke and McCarthy Denning are appointed by the Company they will each act independently of the Company, the Lenders and the Group and will owe no duty or liability to the Group, including where their work draws conclusions which go against the Scheme and/or if the Scheme is unsuccessful.

21. If you wish to address any questions to the Customer Advocate and/or receive advice from McCarthy Denning, you should direct those questions to the Company (for the attention of the Customer Advocate) using the details provided at paragraph 30 below. Queries will be grouped together and sent to the Customer Advocate. Responses will be anonymised, grouped together and published on the website.

Balance Reduction Agreement Comfort Letter Update

22. As the Company explains in the Explanatory Statement, a number of loans that were issued by the Lenders have been sold to third party debt purchasers (the "**Debt Purchasers**"). Please refer to Part B, paragraph 6 on page 11 of the Explanatory Statement for a further explanation of the what this means for customers whose loans were sold. In order to ensure that claims upheld in the Scheme are automatically subject to set-off where an outstanding loan is currently held by a Debt Purchaser, the Company is seeking to enter in a balance reduction agreement with each Debt Purchaser.

23. PPC has currently identified a total of 6 Debt Purchasers. Whilst 8 Debt Purchasers were identified in the Explanatory Statement, 2 of them have sold the loans purchased by them to certain of the other remaining Debt Purchasers). PPC has now entered into comfort letters with 5 out of 6 Debt Purchasers, where those Debt Purchasers have confirmed that they intend to work with the Company and the Lenders to enter into the balance reduction agreements.

Conclusion

24. We appreciate that the value of claims made under the Scheme may be a lot more than the £50 million that PFG is voluntarily providing to the Company to pay to customers with valid compensation claims and that this means that customers are likely to receive significantly less compensation than the full value of their valid compensation claims. However, we trust that customers will understand why PFG has determined that it cannot continue to suffer losses in this business and recognise that the contribution of £50 million to ensure that customers receive some amount of compensation is better than the alternative of insolvency proceedings.

25. As described in the Explanatory Statement, based on information currently available, our best reasonable estimate is that valid claims will receive a cash payment of somewhere between 5% and 10% of the full amount of their net claim. Illustrative examples of how payments will be calculated are set out on page 34 of the Explanatory Statement. The Explanatory Statement is available from the Key Documents section of the website.

26. PFG is consulting with the FCA and at the time of publication of this statement the FCA continues to reserve its position in respect of the Scheme.

27. Nonetheless, the Lenders and the Company continue to firmly believe that the Scheme is a fair scheme. Without it, there will be no £50 million contribution, PFG is expected to stop supporting PPC financially, in which case the Lenders will go into insolvency proceedings with no recoveries for customers.

Voting

28. Customers are encouraged to vote in support of the Scheme. You can vote as follows:

    (a) if we had an email address for you, we sent you an email with buttons for easy voting in mid-May 2021 and again around the date of this update. If you received this email, you can vote using the voting options contained in that email; or

    (b) by filling in a Claim Form (including the voting section) and returning it so that we receive it by no later than 5.00 p.m. on 14 July 2021. This can be done:

        (i) online in the Claims Portal available at https://scheme.providentpersonalcredit.com, by filling in the Claim Form (including the voting section), and submitting it online; or

        (ii) by downloading a Claim Form and following the instructions on it. The Claims Form is available at https://scheme.providentpersonalcredit.com or by calling us on 0800 056 8936.

29. If you have previously informed us of how you wish to vote and you wish to change that vote, the easiest way to do so is online though the Claims Portal. Alternatively you can submit a new Claim Form as described in the above paragraph 28(b).

Contact

30. If you have any questions for us or the Customer Advocate, you can contact us in the following ways:

Telephone number	0800 056 8936 Lines are open between 8.00 a.m. and 6.00 p.m. Monday to Friday (excluding bank holidays)
Email	soa@provident.co.uk. Please include your Scheme ID in any email.
Address	Scheme of Arrangement Team Provident SPV Limited 1 Godwin Street, Bradford, West Yorkshire BD1 2S
Website	https://scheme.providentpersonalcredit.com