

JONATHAN YORKE LLB (HONS) – SOLICITOR

This Report has been provided to Provident SPV Limited solely for the purpose of being posted on its website following the Convening Hearing in order to provide information to Scheme Creditors regarding the outcome of the Convening Hearing and subject to the terms on my agreement with Provident Financial PLC. I assume no duty or responsibility to, and I accept no liability whatsoever to, any third party (including without limitation, any Scheme Creditor or any of the media organisations mentioned in this report) under or in connection with this report and/or my role as Customer Advocate or otherwise.

INDEPENDENT CUSTOMER ADVOCATE – REPORT RELATING TO THE OUTCOME OF THE APPLICATION FOR LEAVE TO CONVENE A SCHEME MEETING.

26 APRIL 2021

1. INTRODUCTION

1.1. Experience

I have practiced as a solicitor for almost 35 years. For the last 24 years I have advised extensively in relation to schemes of arrangement for financial services companies. I am fully cognisant of the issues arising in relation to the implementation of schemes of arrangement for such companies and the issues facing the creditors of those companies when considering whether a scheme is a viable route forward. A copy of my brief CV is at Appendix 1 to this report.

1.2. Background

1.2.1. Provident SPV Limited ("**the Company**") is part of the Provident Financial Group PLC ("**Provident**"). The Company has proposed a scheme of arrangement under Part 26 of the Companies Act 2006 ("**the Scheme**") in respect of (i) certain current and past customers of Provident Personal Credit Limited ("**PPC**") (which traded as Provident, Glo and Satsuma), (ii) certain current and past customers of Greenwood Personal Credit Limited ("**Greenwood**")¹, and (iii) the Financial Ombudsman Service ("**FOS**") (together "**Scheme Creditors**").

¹ Specifically, the customers of PPC and Greenwood that are affected by the Scheme are those to whom loans were given, or who guaranteed a loan, between 6 April 2007 and 17 December 2020.

1.2.2. PPC and (until it ceased trading in April 2014) Greenwood provided home credit and online loans to consumers in the UK and ROI.

1.2.3. PPC has suffered financial difficulties for a number of years. It has been the subject of an increasing number of consumer complaints made against it for loans which it may have issued incorrectly. PPC and Greenwood were required to ensure that, amongst other things, loans given and guarantees taken met certain creditworthiness requirements; and in certain cases, these companies may have failed to meet these requirements. This has resulted in a number of complaints made against them for breach of the regulatory requirements applying to them. As a consequence, PPC and Greenwood have made a number of compensation payments to consumers in recent years.

1.2.4. The purpose of the proposed Scheme, in summary, is to put in place an arrangement by which the Company will pay a proportion of the valid compensation claims made by PPC and Greenwood's customers, together with a proportion of the valid claim made by the FOS. To this end, Provident, has agreed to provide £50 million to the Company to enable a payment to be made to the Scheme Creditors by the Company in the Scheme. In addition, the Company will meet the operating and other costs of PPC and Greenwood in relation to the Scheme, estimated at £15 million. If the Scheme is sanctioned, the Scheme Creditors will need to submit their claims before a prescribed deadline.

1.2.5. I have been engaged by Provident, the Company's parent, to act as an independent Customer Advocate. I should point out that whilst I have been engaged by Provident. I am to perform my role on an impartial basis and that I am independent from Provident, the Company, PPC and Greenwood. In addition, I am free to reach such conclusions in relation to the issues relating to the Scheme as I see fit.

1.2.6. I have been asked to prepare this Report so that it can be posted on the Provident website in order to inform Scheme Creditors as to a) the nature of responses to the proposed Scheme that I received from Scheme Creditors and the press, b) the questions and challenges that I raised with the Company following my review of those responses, and c) the decision of the Court and the reasons for it.

1.3. The Purpose of the Convening Hearing

1.3.1. The convening hearing enables the Court to consider three questions

- a) Whether the Court is able to order that a meeting of Scheme Creditors be held.

- b) Whether there any 'roadblocks' that would prevent the Scheme from going ahead.
- c) Whether, when voting for or against the Scheme, all Scheme Creditors should vote together in the same class; or whether they should be placed into different classes depending their interest in the outcome of the Scheme.

1.4. My Role in Relation to the Convening Hearing

- 1.4.1. I was obliged to review all communications from Scheme Creditors who had expressed a view on the Scheme.
- 1.4.2. In addition, I was obliged to engage with media bodies and consumer protection groups identified by the Company to understand any concerns they may have in relation to the Scheme. I spoke extensively with Debt Camel, which is a non-commercial blog site that posts blogs relating to debt news.
- 1.4.3. I then had to produce a report which summarised any objections, challenges or comments concerning the matters set out in para 1.3.1 above, being the matters relevant to the Convening Hearing.
- 1.4.4. To be clear, I was not required to give an opinion on whether the Scheme is fair or in the best interests of the Scheme Creditors. I was also not required to include in the report matters raised by the Scheme Creditors which are not relevant to the issues to be considered at the Convening Hearing. I have, however, agreed to report on other matters, such as fairness, which have been raised by the Scheme Creditors and Debt Camel: see para 4 below.
- 1.4.5. I attended the Convening Hearing represented by a barrister in order to answer any questions the Court had about my role as Customer Advocate and the work I have done.
- 1.4.6. I am required to write a short report (this report) to Scheme Creditors summarising the responses received from Scheme Creditors, relevant media bodies and consumer groups, together with the decision of the Court.
- 1.4.7. It is important to note that in respect of my role as Customer Advocate it has been specifically agreed that:

- a) I will act in an independent capacity and will not have any regard to the interests of Provident, the Company, PPC or Greenwood or its advisers in promoting the Scheme;
- b) I will owe no duty and will incur no liability to Provident, the Company, PPC or Greenwood in the event that my Report contains adverse comments relating to the Scheme or in the event the Scheme is not approved by the Scheme Creditors or sanctioned the Court;
- c) I will make the terms of my Agreement freely available to the Scheme Creditors and the Court in order to demonstrate my independence from Provident, the Company, PPC and Greenwood; and
- d) the Company, PPC and Greenwood will provide me with reasonable access to their books, records and other resources so as to enable me to perform my role.
- e) Finally, my role as Customer Advocate does not affect or in any way limit the rights held by the Scheme Creditors in respect of the Court process for the approval of the Scheme.

1.5. Scope and Exclusion of Liability

1.5.1. This report is provided to the Company so that it can be posted on its website. No Scheme Creditor should construe the contents of this report as containing legal, financial, tax or other professional advice. A Scheme Creditor should consult their own professional advisers as to the legal, financial, tax or other matters relevant to the actions they should take in relation to the Scheme.

1.5.2. Neither me as Customer Advocate nor any of my advisers, or other person acting on behalf of me, nor any of their respective successors, assume any duty or responsibility to, nor shall have any liability directly or indirectly whatsoever to, any party (including, but not limited to, any media organisation, Scheme Creditors and any intermediaries acting on behalf of any Scheme Creditors (including any claims management companies)) other than the Company (and then only subject to the terms of the Agreement) under or in connection with this Report and my role as Customer Advocate or otherwise.

2. CLASS COMPOSITION

2.1. Comments Received from Scheme Creditors

2.1.1. At the Convening Hearing, the Company proposed that all Scheme Creditors should vote in a single class.

2.1.2. From the review I have conducted of the communications received from Scheme Creditors, no objections to or comments on the proposed single class of Scheme Creditors have been made by the Scheme Creditors.

2.2. Comments Received from Debt Camel

2.2.1. Debt Camel indicated that it has not received any comments relating to class composition issues and that it has no issue with the proposed single class of Scheme Creditors.

3. PROCEDURAL ISSUES

3.1. Comments Received from Scheme Creditors

3.1.1. From the review I conducted of the communications received from Scheme Creditors, no objections to or comments on procedural issues have been made by the Scheme Creditors.

3.2. Comments Received from Debt Camel

3.2.1. Debt Camel did not express any concerns as to the timing of the Scheme approval process. On the contrary, Debt Camel would favour a speedy consideration of the Scheme by Scheme Creditors. As any delay would serve no good purpose.

3.2.2. Debt Camel was concerned, however, that a large number of Scheme Creditors do not read newspapers. Instead, they use social media platforms such as Facebook and Instagram to access news. I therefore asked the Company to consider using these platforms in addition to more traditional advertisement methods (such as newspapers) and the Company agreed to do so.

3.2.3. The explanatory statement that is required to be sent to Scheme Creditors following the Convening Hearing is a long and legalistic document. Debt Camel suggested that the Company may wish to consider whether there is scope to clarify and simplify the proposed Scheme and the Scheme process in future communications with the Scheme Creditors. I have asked the Company to consider what can be done in this regard and the Company has agreed to do so.

4. OTHER MATTERS

4.1. General

4.1.1. Under my Agreement, it is not part of my role to express an opinion on whether the proposed Scheme is fair or in the best interests of the Scheme Creditors. I am, however, obliged to report back separately to the Company on other matters, such as fairness, raised by Scheme Creditors or the media. The Company agreed that I could include such matters in my report to the Court and in this report, and I set out below those I consider the most relevant.

4.2. Comments Received from Scheme Creditors

4.2.1. The majority, if not all, the negative comments or objections relating to the Scheme that I have seen are either that any attempt to pay less than 100% of the value of the Scheme Creditors' claim is felt to be unfair or that it is unfair to wait until 2022 to be paid any compensation.

4.2.2. Within those comments, certain Scheme Creditors state that they have already submitted claims to PPC and Greenwood (or FOS) and say that it would be unfair for them to receive less than 100% of the value of those claims as they were submitted before the Scheme proposal was issued.

4.2.3. In my view, these matters do not go to the fairness of the proposed Scheme. Rather, they are a consequence of the Company having to rely on an injection of funds which will be insufficient to pay all Scheme Creditors in full, together with the unavoidable delay that the process to implement the Scheme will cause.

4.3. Comments Received from Debt Camel

4.3.1. Debt Camel provided me with a number of comments that it believes go to the question of whether the Scheme is fair. I have considered those comments and concluded that they are similar to those put forward by the Scheme Creditors. I do not believe that these matters go to the fairness of the proposed Scheme. Rather, they are matters that will be considered by Scheme Creditors when deciding whether to vote for or against the Scheme.

4.3.2. Debt Camel did raise an important concern relating to a large number of Scheme Creditors who have died. The right of these Scheme Creditors to bring a claim would pass under the terms of any will or grant of representation. Debt Camel has inquired whether a simplified means of paying out smaller sums under the Scheme to the relatives of deceased Scheme Creditors can be included in the Scheme.

4.3.3. At my request, the Company spoke to Debt Camel about this issue. The Company will be writing to those relatives of deceased Scheme Creditors who have expressed an interest in making a claim. In addition the Company will be advertising the fact that relatives of deceased Scheme Creditors can make a claim as well as considering introducing a simplified means of dealing with those claims.

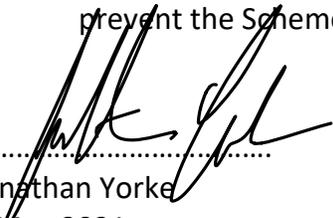
5. DECISION OF THE COURT

5.1. The Convening Hearing took place on 22 April 2021. The Court gave leave to convene a Scheme Creditors meeting which will be held on 19 July 2021 at 10am.

5.2. There will be a single class of creditors. The Court was satisfied that there should be a single class of creditors as all of the Scheme Creditors other than a very small number representing 0.024% of the Scheme Creditors have a sufficiently aligned economic interest that means they should be in a single class.

5.3. The Court also gave detailed directions as to how the Company should give notice of, and concerning the conduct of, the meeting.

5.4. Finally, the Court concluded that it was able to give permission to convene the meeting, and that there were no 'roadblocks' that the Court could see which would prevent the Scheme from going ahead.


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Jonathan Yorke
5 May 2021