

THIS DOCUMENT IS PUBLISHED BY THE JOINT LIQUIDATORS ON BEHALF OF THE COMPANIES. THE JOINT LIQUIDATORS ACT AS AGENTS OF THE COMPANIES AND WITHOUT PERSONAL LIABILITY

**COLLATERAL (UK) LIMITED
COLLATERAL SALES LIMITED
COLLATERAL SECURITY TRUSTEE LIMITED (TOGETHER, "THE COMPANIES")
- ALL IN CREDITORS' VOLUNTARY LIQUIDATION**

30 March 2022

To all investors and creditors

Application to Court for Directions

Since the last report to all investors and creditors dated 8 July 2021, the Joint Liquidators have continued to liaise with the Liquidation Committee, providing detailed updates in relation to progress in the Liquidations. One particular matter that has been discussed is the possibility of the Joint Liquidators making interim distributions to investors in respect of the trust assets realised to date.

There can only be interim distributions at this stage as the Joint Liquidators continue to realise the remaining assets and the final costs of the Liquidation, a portion of which will have to be allocated to each trust asset, are not yet known. Any such interim dividend would also need to make economic sense given the re-allocation of costs already mentioned and the costs associated with making any distribution to investors.

In addition to the purely financial considerations mentioned above, there are also a number of other issues associated with the adjudication of investors' claims. As these claims are against specific trust assets, the usual rules for adjudicating claims, as set out in the Insolvency Act 1986 (the "Act"), do not apply; the Joint Liquidators must instead ensure that an appropriate mechanism is put in place to allow such claims to be properly adjudicated.

The Joint Liquidators have been advised that the most prudent and efficient way forward would be to make an application to Court, pursuant to section 112 of the Act and / or the Court's inherent jurisdiction to deal with the administration of trusts, seeking directions which approve a scheme proposed by the Joint Liquidators to facilitate the adjudication of investor claims and the payment of interim distributions.

The key areas in respect of which the Court's directions are being sought are:

- Permission to make distributions from both the asset pools containing funds received from borrowers and / or realisations from security granted by borrowers in respect of their Collateral loans, and those monies held in the client account. This will confirm that investors are entitled to assert a proprietary claim to those funds, and that they will share rateably in the funds in the event that there is a shortfall.
- The mechanism for making distributions to investors. This includes the process for advising investors of their claims and notifying them of the intention to pay a distribution, how claims will be adjudicated and the proposed mechanism for dealing with any appeals or objections to individual claims. This will include the imposition of a "bar date" by which investors must challenge the Joint Liquidator's assessment of their claim, or by which time previously unknown investors must have lodged claims in order to participate in the proposed distributions.

In summary, the directions being sought aim to create a framework that provides certainty for investors and the Liquidation estates. Claims to the various asset pools will be fixed in accordance with the mechanism and process agreed by the Court, as set out within the draft Order. This will allow the Joint Liquidators to make a distribution to investors with proprietary claims, without the risk that an investor will subsequently challenge the distribution and/or seek to appeal the adjudication of the quantum of their claim.

The Joint Liquidators filed the application with the Court on 22 March 2022, with an initial hearing being listed for 17 May 2022. Below investors can find links to the sealed copy of the notice of the Joint Liquidators' application to Court and a copy of the draft Order that the Joint Liquidators are seeking.

Any investors who wish to review the supporting evidence to the application (which consists of a lengthy witness statement and the corresponding exhibit) should email the dedicated email address: investorcollateral@bdo.co.uk, or write to the Joint Liquidators c/o BDO LLP, 55 Baker Street, London W1U 7EU, requesting a copy of the supporting evidence.

Further updates in relation to the application will be uploaded to the website in due course. As a reminder, the next statutory report in the Liquidations will be made available to all investors and creditors in July 2022.



Form IAA
Rule 1.35

Insolvency Act Application Notice

See Form IAA-N for
guidance notes on
how to complete
this Form IAA

Insert case number if
the court has
assigned one

Delete/
complete as
necessary:

Insert name of
Debtor/bankrupt or
company

CR-2018-001528

Hearing Date: 17 May 2022 12:30
t/e 15 minutes. Or

Case No: 1526, 1527, as soon thereafter.
1528 of 2018

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY AND COMPANIES LIST (ChD)**

**IN THE MATTER OF COLLATERAL (UK) LIMITED (IN
LIQUIDATION)**

**AND IN THE MATTER OF COLLATERAL SALES LIMITED (IN
LIQUIDATION)**

**AND IN THE MATTER OF COLLATERAL SECURITY TRUSTEE
LIMITED (IN LIQUIDATION)**

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

BETWEEN

Insert name(s) of
applicant(s)

**MARK SHAW AND SHANE CROOKS
Acting as Joint Liquidators of Collateral (UK) Limited,
Collateral Sales Limited and Collateral Security Trustee
Limited (the "Companies")**

APPLICANTS

AND

Insert name(s) of
respondent(s)

**(1) COLLATERAL (UK) LIMITED (company no: 09314729)
(2) COLLATERAL SALES LIMITED (company no: 10390419)
(3) COLLATERAL SECURITY TRUSTEE LIMITED
(company no: 10390795)
(ALL IN LIQUIDATION)**

RESPONDENTS

Delete/complete as
applicable

This application is made under section 112 of the Insolvency Act 1986 AND/OR
under the Court's inherent jurisdiction to assist with the administration of trusts.

Insert required
details (name,
address, etc) of
applicant(s)

The Applicants are Mark Shaw and Shane Crooks (acting as Joint Liquidators of
the Companies) of BDO LLP, 55 Baker Street, London W1U 7EU

Insert required
details (name,
address, etc) of
respondent(s)

The Respondents are (1) Collateral (UK) Limited (2) Collateral Sales Limited (3)
Collateral Security Trustee Limited (all in Liquidation) c/o BDO LLP, 5 Temple
Square, Temple Street, Liverpool L2 5RH

Insert required
details of the
debtor or company
that is the subject
of the proceedings

The application concerns (1) Collateral (UK) Limited (2) Collateral Sales Limited (3)
Collateral Security Trustee Limited (all in Liquidation)

Identify level of judge and court or hearing centre (as per heading)

This application is made to the ICC Judges in the Business and Property Courts of England and Wales, Insolvency and Companies List

Delete as applicable and if YES, insert the number assigned by the court

Is this application within existing insolvency proceedings? **YES/NO**

The court reference number for the proceedings to which this application relates is: 1526, 1527, 1528 of 2018

The Applicants seek the following order:

- (a) As set out in the draft Order appended to the present application; and
- (b) Such further orders or relief as the court sees fit.

Provide details of basis for application or identify the witness statement made in support

The matters on which the Applicants rely are set out in the fourth witness statement of Shane Crooks (Joint Liquidator of the Companies) dated 22 March 2022

Insert names, addresses of those on whom the application is to be served (if any)

The names and addresses of the persons on whom it is intended to serve this application are:

It is not intended to serve any person with this application

Insert names, addresses of those to whom notice of the application is to be given (if any)

The names and addresses of the persons to whom it is intended to deliver notice of this application are:

The Companies' investors by way of a notice to be posted on the Joint Liquidators' website, namely <https://www.bdo.co.uk/en-gb/collateral-companies-in-liquidation>

This is the address that the court will use for all communications to the Applicant until notified otherwise in writing

The address for service for the Applicants is:

Stevens & Bolton LLP (Solicitors for the Applicants)

Wey House

Farnham Road

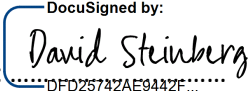
Guildford

Surrey GU1 4YD

Tel. +44 (0) 1483 302264 email: David.Steinberg@stevens-bolton.com

If the Application is authenticated by the sole member of a body, this fact and the body in question must be identified

Dated: 22 March 2022

Signed:  DFD25742AE944ZF...

Solicitor for The Applicants

Name: David Steinberg

Position Held: Partner

For court use

(Where the Application is issued by e-filing, the endorsement will normally be on the front of the Application, beneath the seal)

Endorsement by the Court

This application will be heard:

Date

Time

Place

Insert address of
court in which
Application is to be
issued

This application was issued at the Rolls Building, 7 Rolls Buildings, Fetter Lane,
London, EC4A 1NL

IN THE HIGH COURT OF JUSTICE (FOLLOWING TRANSFER FROM THE
MANCHESTER DISTRICT REGISTRY)

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

INSOLVENCY AND COMPANIES LIST

Before:

Date:

IN THE MATTER OF COLLATERAL (UK) LIMITED (IN LIQUIDATION)

AND IN THE MATTER OF COLLATERAL SALES LIMITED (IN LIQUIDATION)

AND IN THE MATTER OF COLLATERAL SECURITY TRUSTEE LIMITED (IN
LIQUIDATION)

(TOGETHER, THE "COMPANIES")

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Draft/ORDER

UPON THE APPLICATION by way of application notice dated 22 March 2022 of:

- (1) Collateral (UK) Limited (in liquidation) ("**CUKL**"), Collateral Sales Limited (in liquidation) ("**CSL**") and Collateral Security Trustee Limited (in liquidation) ("**CSTL**") (the "**Companies**"); and
- (2) Shane Crooks and Mark Shaw, of BDO LLP, 55 Baker Street London, W1U 7EU, being the joint liquidators of each of the Companies (the "**Liquidators**"),

made pursuant to section 112 of the Insolvency Act 1986 (in the Liquidators' case) and/or pursuant to the Court's inherent jurisdiction to assist with the administration of trusts (the "**Application**")

AND UPON the Companies, prior to their entry into administration on 27 April 2018, having carried on regulated business without the requisite authorisation of the Financial Conduct Authority ("**FCA**"), specifically the operation of an online peer-to-peer lending platform, in breach of the general prohibition under the Financial Services and Markets Act 2000 ("**FSMA**")

AND UPON client money being held by CUKL on behalf of investors in a client account (the "**Client Money Account**"), which was treated as being subject to a "*primary pooling event*" (the "**PPE**") upon the entry of the Companies into administration on 27 April 2018, the appointment of administrators having amounted to a *failure of the firm*" for the purposes of rule 7A.2.2R(1) of the Client Asset Rules (the "**CASS**")

Rules”) as set out in the handbook of the rules and guidance published by the FCA (the CASS Rules being treated as applicable for the purposes of the holding and distribution of funds in the Client Money Account)

AND UPON further funds having been received by CUKL following the PPE on 27 April 2018, specifically in respect of interest payments and security realisations received in respect of various loans entered into by CUKL on behalf of various investors ("**Investors**") with various borrowers ("**Borrowers**") (the "**Loans**") (the "**Loan Realisations**")

AND UPON CUKL holding these Loan Realisations as client money in various blocked bank accounts (one in respect of each Loan) on behalf of those Investors with exposures to the various Loans in question (the "**Loan Accounts**"), with further Loan Realisations expected to be received into some of the Loan Accounts in the future (the CASS Rules also being treated as applicable for the purposes of the holding and distribution of funds in the Loan Accounts)

AND UPON the Liquidators having sent detailed schedules to each of the Investors whom they were able to identify from the Companies’ records, setting out the Liquidators’ understanding as to that Investor’s entitlement to the client money in the Client Money Account and/or their exposure to one or more of the various Loans (the "**Detailed Exposure Schedules**")

AND UPON the Companies and the Liquidators seeking, by way of the present Application, relief from the Court in relation to the monies held in the Client Money Account as well as the monies held (including any monies which may be received in future) in the various Loan Accounts, in particular directions and orders establishing (a) an appropriate mechanism for the distribution of the monies held in those accounts to those Investors with a proprietary claim to them, (b) a mechanism for the resolution of any disputes in relation to Investors’ proprietary claims to these funds and (c) a bar date for the notification of appeals by Investors disputing the contents of the Detailed Exposure Schedules relating to them and/or the notification of any new proprietary claims

AND UPON the FCA having been notified of the present Application on 7 March 2022 and having confirmed on 15 March 2022 that it does not object to it

AND UPON the creditors’ committee for the Companies having been first notified of the intention to make the present Application on 28 May 2021 and having since made no objection to it

AND UPON the present Application having been advertised by way of a website update on the Liquidators’ website, namely <https://www.bdo.co.uk/en-gb/collateral-companies-in-liquidation> (the "**Website**") on [date], and no objection from any Investor or from any other creditor of the Companies having been received in response

AND UPON reading the fourth witness statement of Mr Shane Crooks ("**Crooks4**"), as well as the exhibits thereto

AND UPON hearing Alex Riddiford for the Applicants

IT IS ORDERED AND DIRECTED that:

A. DETAILED EXPOSURE SCHEDULES

1. The Liquidators do, prior to [date], resend a Detailed Exposure Schedule to each of the Investors identified by the Liquidators, using those contact details which are available to the Liquidators.

B. DISTRIBUTIONS TO INVESTORS

2. Subject to paragraphs 3 to 9 below, the Liquidators be permitted to cause CUKL to make interim and/or final distributions to Investors out of the Client Money Account and the Loan Accounts.
3. In effecting distributions in accordance with paragraph 2 above (and subject to the provisions of Section C below), the Liquidators be permitted to rely upon the statement of each Investor's entitlement to the funds contained in the Client Money Account and/or the Loan Accounts as set out in that version of the Detailed Exposure Schedule which has most recently been sent to each of the Investors. For the purposes of effecting distributions to Investors out of the Client Money Account and/or the various Loan Accounts:
 - (1) The Liquidators be permitted to remit funds from the Client Money Account and the various Loan Accounts into a central pool account (the "**Pool Account**"), from which payments shall then be made to Investors (such that, if a given Investor has an entitlement to payment from more than one of the underlying accounts upon any interim or final distribution, a single payment may be made to that Investor from the Pool Account (rather than multiple payments being made to that Investor from various underlying accounts)). Each such payment to an Investor from the Pool Account shall be referred to as a "**Pool Payment**";
 - (2) If, in respect of any given interim distribution, a particular Investor's Pool Payment would be in a sum less than £5, then the Liquidators be entitled to withhold payment to that Investor (such a withheld payment being referred to as a "**Withheld Payment**"). Any such Withheld Payment shall be added to that Investor's next Pool Payment upon the subsequent interim or final distribution;
 - (3) In the event that, upon the making of the final distribution, an Investor's Pool Payment would still be in a sum less than £5, then the Liquidators be permitted to treat that Investor as having no entitlement to that sum for the purposes of effecting that final distribution.
4. If and to the extent that the funds held in the Client Money Account and/or in any of the Loan Accounts (net of costs) prove insufficient to pay in full all of those Investors who establish that they have a proprietary claim to those funds, then that shortfall shall be borne rateably among those Investors entitled to them, subject only to the following proviso:

- (1) In those cases where the Liquidators are satisfied that certain Investors have agreed that their proprietary entitlement to particular Loan Realisations shall be subordinated to the proprietary entitlement of other Investors, the Liquidators be permitted to give effect to any such agreement by withholding payment to the subordinated Investor or Investors until all prior ranking Investors have been repaid in full; and
- (2) Where Investors have agreed to subordinate their participation in Loan Realisations in the manner described at sub-paragraph (1) above and there is a shortfall preventing payment in full of all Investors in a particular tranche (whether that tranche be a subordinated one or prior-ranking), that shortfall shall be borne rateably among those Investors in that particular tranche where the value has broken.

C. BAR DATE AND APPEAL PROCESS

5. If and to the extent that any Investor wishes to appeal the Liquidators' calculation of his or her proprietary entitlement to the funds contained in the Client Money Account and/or in any of the Loan Accounts as set out in that version of the Detailed Exposure Schedule which he or she has most recently received from the Liquidators (an "**Appeal**"), then details of that Appeal (together with any evidence relied upon by that Investor in support of that Appeal) must be communicated to the Liquidators by email to [] by 4pm on [date] (the "**Bar Date**").
6. If any person wishes to assert a proprietary claim to any of the funds contained in the Client Money Account or in any of the Loan Accounts but has not received a Detailed Exposure Schedule from the Liquidators (a "**Claim**"), then he or she shall submit details of that Claim (together with any evidence relied upon by that person in support of the Claim) to the Liquidators by email to [] by 4pm on the Bar Date.
7. The Liquidators shall communicate their decision to any person who has lodged an Appeal or a Claim as soon as practicable. If that person is dissatisfied with the Liquidators' decision:
 - (1) That person may apply to the Court for the Liquidators' decision to be reversed or varied. Any such application must be made by way of application notice to this Court under this paragraph 7 of this Order.
 - (2) An application under this paragraph must be filed with the Court within 21 days of that person receiving notice of the Liquidators' decision.
 - (3) Any person who has filed an application under this paragraph 7 (an "**Applicant**") must forthwith give notice to the Liquidators of the filing of that application.
 - (4) Where application is made to the Court under this paragraph 7, the Court shall fix a venue for the application to be heard, notice of which shall be sent by the Applicant to the Liquidators.

- (5) Neither the Liquidators nor any of the Companies shall be personally liable for costs incurred by an Applicant or any other person in respect of an application under this paragraph 7, unless the Court otherwise orders. The Liquidators' costs of and occasioned by such an application shall be borne by the assets of the trust or trusts to which it relates, subject to the Court ordering that they be borne instead by the Applicant.
8. In effecting any distribution pursuant to paragraph 2 above, the Liquidators shall make a reserve in respect of any Claim, any Appeal or any application issued under paragraph 7 above which has not yet been finally determined (or otherwise finally resolved).

D. MISCELLANEOUS

9. For the avoidance of doubt, the Liquidators shall act in accordance with this Order solely as agents of CUKL in its capacity as trustee of the monies held in the Client Money Account and in the Loan Accounts, as the case may be. Nothing in this Order, or in the Liquidators' performance of their obligations or in their exercise of their powers pursuant to the provisions of this Order, shall result in the Liquidators assuming liability as trustees.
10. The costs of and occasioned by the present Application shall be paid out of the funds held in the Client Money Account and the Loan Accounts.
11. The Liquidators and the Companies shall have liberty to apply to the Court including to vary or modify the terms of this Order.
12. The Liquidators shall upload a copy of this Order to the Website by 4pm on [date].

Service of the order

The Court has provided a sealed copy of this order to the serving party:

Stevens & Bolton LLP (Solicitors for the Applicants)
Wey House
Farnham Road
Guildford
Surrey GU1 4YD