

AM10

Notice of administrator's progress report



Companies House

WEDNESDAY



A95H5MGA
A20 20/05/2020 #102
COMPANIES HOUSE

1 Company details

Company number 08120200

Company name in full FundingSecure Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Daniel

Surname Richardson

3 Administrator's address

Building name/number Greg's Building

Street 1 Booth Street

Post town Manchester

County/Region

Postcode M2 4DU

Country

4 Administrator's name ①

Full forename(s) Edward M

Surname Avery-Gee

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Greg's Building

Street 1 Booth Street

Post town Manchester

County/Region

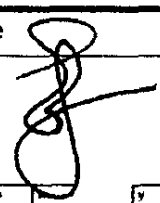
Postcode M2 4DU

Country

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6	Period of progress report											
From date	^d	^d	^m	^m	^y	^y	^y	^y				
	2	3	1	0	2	0	1	9				
To date	^d	^d	^m	^m	^y	^y	^y	^y				
	2	2	0	4	2	0	2	0				
7	Progress report											
<input checked="" type="checkbox"/> I attach a copy of the progress report												
8	Sign and date											
Administrator's signature	Signature 											
	X											
Signature date	^d	^d	^m	^m	^y	^y	^y	^y				
	2	0	0	5	2	0	2	0				

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.
All fields are mandatory unless specified or indicated by *

1

Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2

Insolvency practitioner's name

Full forename(s) Jonathan E
Surname Avery-Gee

3

Insolvency practitioner's address

Building name/number Greg's Building
Street 1 Booth Street
Post town Manchester
County/Region
Postcode M 2 4 D U
Country

AM10

Notice of administrator's progress report



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Edward M Avery-Gee**

Company name **CG&Co**

Address
Greg's Building
1 Booth Street

Post town **Manchester**

County/Region

Postcode **M 2 4 D U**

Country

DX

Telephone **0161 358 0210**



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

FundingSecure Limited
(In Administration)
Joint Administrators' Trading Account

Statement of Affairs £	From 23/10/2019 To 22/04/2020 £	From 23/10/2019 To 22/04/2020 £
TRADING EXPENDITURE		
Salaries	71,410.09	71,410.09
Consultancy Fee	65,316.00	65,316.00
PAYE/NIC	31,490.03	31,490.03
Travel & Expenses	3,006.34	3,006.34
Rent & Service Charge	11,039.86	11,039.86
Sundry Expenses	234.13	234.13
Office sundries	707.94	707.94
Essential storage costs	11,908.35	11,908.35
IT/Phone Costs	4,663.40	4,663.40
Accounts Software	360.24	360.24
Anti Money Laundering Checks	113.93	113.93
	(200,250.31)	(200,250.31)
TRADING SURPLUS/(DEFICIT)	(200,250.31)	(200,250.31)


FundingSecure Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 23/10/2019 To 22/04/2020 £	From 23/10/2019 To 22/04/2020 £
	SECURED ASSETS	
	Completed Property Redemptions	6,509,948.51
	Proceeds from Auction Non Property	25,520.00
	Non-property assets	336,933.53
	Part Payment Redemptions Property	586,369.00
Uncertain	Work in Progress	NIL
Uncertain	Directors/Former Directors Loan Acco	NIL
	Fund held in Client Account 7290	1,977,160.92
	Part Payment Redemption Non Proper	6,810.00
	Funds held in Company's Client Acc	804,160.33
	Insolvency Property Redemptions	4,444,857.95
	Interest Payments	90,000.00
		<u>14,781,760.24</u>
	COSTS OF REALISATION	
	Legal Fees & Disbursements	25,155.95
	Agents/Valuers Fees	6,236.50
	Insurance of Assets	881.19
	Occupancy & Security Check	2,810.00
	Postage & Stationery	11.70
	Quantity Surveyor	1,800.00
	Receivership/Insolvency Costs & Expe	267,472.73
	Receivership/Insolvency Legal Costs	32,283.14
	Direct Chargeholder	819,071.12
		<u>(1,155,722.33)</u>
	SECURED CREDITORS	
	Investors	10,214,124.97
		<u>(10,214,124.97)</u>
	ASSET REALISATIONS	
	Bank Interest Gross - post appointmen	6,532.88
	Bank Interest Gross - pre appointment	1,977.23
	Cash at bank	4,561.37
200.00	Furniture & Fittings	NIL
	Miscellaneous Funds	166.43
500.00	Office Equipment	NIL
Uncertain	Software Development	NIL
	Trading Surplus/(Deficit)	(200,250.31)
		<u>(187,012.40)</u>
	COST OF REALISATIONS	
	Bank Charges	86.54
	Committee Expenses	333.33
	Court Fee	50.00
	Forensic accountancy	4,250.00
	General Legal Fees	75,850.00
	Irrecoverable VAT	115,896.86
	IT Consultancy	4,015.00
	Joint Office Holders Fees	183,548.20
	Jt Admin.Pre Appointment Fee	7,500.00
	Postal Redirection	313.00
	Room Hire	450.00
	Specific Bond	1,800.00
	Statutory Advertising	142.00
		<u>(394,234.93)</u>

FundingSecure Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £		From 23/10/2019 To 22/04/2020 £	From 23/10/2019 To 22/04/2020 £
(22,081.00)	PREFERENTIAL CREDITORS		
	Employee Arrears/Hol Pay	NIL	NIL
		NIL	NIL
(3,000,000.00)	FLOATING CHARGE CREDITORS		
	Floating Charge Creditor	NIL	NIL
		NIL	NIL
(502,520.55)	UNSECURED CREDITORS		
	JC Starr Holdings Ltd	NIL	NIL
(434,491.32)	Trade & Expense Creditors	NIL	NIL
		NIL	NIL
(3,525.40)	DISTRIBUTIONS		
	Ordinary Shareholders	NIL	NIL
		NIL	NIL
(3,961,918.27)		2,830,665.61	2,830,665.61
	REPRESENTED BY		
	Barclay's Client Acc 7290		1,762,831.66
	Barclays Company's Client Acc 2014		558,340.58
	General Current a/c		185,351.20
	Post appointment trust account		210,136.55
	Suspense Account		114,005.62
			2,830,665.61

Note:


Edward M Avery-Gee
Joint Administrator

Joint Administrators' Progress Report

**FundingSecure Ltd
- In Administration**

22 April 2020

FUNDINGSECURE LTD - IN ADMINISTRATION

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- 7** Estimated Outcome for Creditors
- 8** Ending the Administration
- 9** Creditors' Rights
- 10** Next Report

APPENDICES

- A** Receipts and Payments Account for the Period from 23 October 2019 to 22 April 2020
- B** Additional Information in Relation to the Joint Administrators' Fees, Expenses & Disbursements

FUNDINGSECURE LTD - IN ADMINISTRATION

THE ADMINISTRATORS' PROGRESS REPORT

1 Introduction

- 1.1 I, together with my partners, Jonathan E Avery-Gee and Daniel Richardson, was appointed Joint Administrator of FundingSecure Ltd (the **Company**) on 23 October 2019. The appointment was made by the Director, Nigel Hackett, following receipt of the notification of approval from the Financial Conduct Authority (FCA).
- 1.2 This Administration is being handled by CG&Co at Greg's Building, 1 Booth Street, Manchester M2 4DU. The Administrators' contact details are by phone on 0161 358 0210 or via email at fundingsecure@cg-recovery.com. The Administration is registered in the High Court of Justice Business and Property Courts in Manchester Insolvency and Companies List (Chd), reference number CR-2019-MAN-1065.
- 1.3 Information about the way that we will use, and store personal data on insolvency appointments can be found at www.cg-recovery.com. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.4 The trading address of the Company was Unit 8 Stokenchurch Business Park, Ibstone Road, Stokenchurch, Buckinghamshire, HP14 3FE.
- 1.5 The registered office of the Company is c/o CG& Co, Greg's Building, 1 Booth Street, Manchester M2 4DU and its registered number 08120200.
- 1.6 As Joint Administrator, I am required to provide a progress report covering the period of six months commencing from the date the Company entered Administration and every subsequent period of six months. This progress report covers the period from 23 October 2019 to 22 April 2020 (**the Period**) and should be read in conjunction with my earlier proposals that were delivered to creditors on 13 November 2019.

2 Progress of the Administration

- 2.1 You may recall that the statutory objective being pursued in the Administration was achieving a better result than would be likely if the company were wound up. In addition to the pursuance of this statutory objective, the Administrators have duties imposed by insolvency and other legislation, some of which may not provide any financial benefit to creditors.
- 2.2 You will recall that creditors and investors requested that a physical meeting of creditors be held to approve the Joint Administrators' proposals and that a creditors committee be formed, which duly happened.
- 2.3 This section of the report provides creditors with an update on the progress made in the Period, both in terms of the achievement of the statutory objective, but also work which is required of the Administrators under other related legislation.
- 2.4 At Appendix A is my Receipts and Payments Account covering the period of this report.
- 2.5 Further information about the basis of remuneration agreed in this case and the Administrators' fees estimate can be found in Section 4 of this report, together with any relevant information about revisions to my initial estimate, where applicable.

FUNDINGSECURE LTD - IN ADMINISTRATION

Administration (including statutory compliance & reporting)

- 2.6 As noted above, the Administrators must comply with certain statutory obligations under the Insolvency Act 1986 and other related legislation. Details about the work that I anticipated would need to be done in this area was outlined in my initial fees estimate/information.
- 2.7 Where the costs of statutory compliance work or reporting to creditors exceeds the initial estimate, it will usually be because the duration of the case has taken longer than anticipated, possibly due to protracted asset realisations, which have in turn placed a further statutory reporting requirement on the Administrators.
- 2.8 As noted in my initial fees estimate/information, this work will not necessarily bring any financial benefit to creditors but is required on every case by statute.

Trading

- 2.9 The Company did not continue to trade in terms of new investor loans but it was deemed necessary to retain staff and consultants to the Company and the operation of the Company's trading premises for the initial period of the Administration to maintain the maximum control possible and address the pertinent issues in relation to lenders and borrowers.
- 2.10 As the Administration has progressed, the staff levels have been reviewed and as more understanding of the Company's systems and the position on each outstanding loan has been quantified, the level of staff and consultants has been reduced accordingly. There is currently one full time member of staff remaining and two consultants.
- 2.11 The trading premises were vacated on 12 February 2020 and a request was made to the landlord's agents to accept an informal surrender of the lease. I am awaiting confirmation of the landlord's position in respect of this issue. The remaining staff member and consultants are all working remotely.

Realisation of Assets

Loan Book

- 2.12 To date, total gross loan realisations amount to £11,993,628.99. Appendix 1 attached gives a summary of the category of each loan.
- 2.13 It should be noted that £114,033.73 is currently held in a suspense account following the sale of a property by Receivers. This is based on legal advice as the borrower has raised a complaint in relation to the security and the appointment of Receivers (which pre-dates the Administration), and their entitlement to sell the property. At this stage, the funds cannot be released to investors.
- 2.14 At the onset of the Joint Administrators' appointment, the Company had 470 loans (which related to 242 assets) of which 379 had been deemed by the Company as "performing loans" and 91 as "defaulted loans".
- 2.15 Since the Joint Administrators' appointment, each individual loan has been reviewed and the investors for each specific loan have been given regular updates on the progression of redemption of the loan.
- 2.16 As at the date of this report, the remaining defaulted loans are 165 and performing loans amount to 6. The total capital invested amounts to £67,594,265. It is not possible to provide an estimate on timing for dealing with the remaining assets, in particular the property assets, given the impact that the COVID-19 pandemic is having on the property market.
- 2.17 It is not considered practicable to give specific information in respect of each loan within the progress report. Investors should continue to observe the platform in respect of their specific investments.

FUNDINGSECURE LTD - IN ADMINISTRATION

- 2.18 At the time of our appointment various Receivers and Administrators were appointed in relation to assets, and the Joint Administrators have continued to work with these professionals. Where necessary, the Joint Administrators have appointed their choice of Receivers to recover assets that are in default with no clear exit strategy.

Bank Accounts

- 2.19 The Company operated its banking functions through Barclays Bank PLC ("Barclays"). The Company held five bank accounts. Three of which were operational. A Euro and US dollar account had been opened but had remained dormant throughout the period of trading.
- 2.20 To enable the Company to correctly function under the FCA's Client Assets Sourcebook Rules ("CASS") it was necessary for the Company to have separate bank accounts for investor and Company funds. The Company operated two functioning client accounts and one general office account.
- 2.21 As at the date of appointment, funds held in one client account, this being the account that was connected to the electronic platform amounted to £1,977,160.92.
- 2.22 Funds amounting to £797,160.33 were held in client account two. Since our appointment, there has been a further deposit made into client account two of £7,000. It is believed that the remittance of the £7,000 relates to an old closed loan, which has been paid in error. Client account two had the main function of holding payments on account of redemptions prior to the funds being remitted to the e-wallet account. Currently held in client account two, are funds in respect of partial redemptions.
- 2.23 Following a review and reconciliation of the client accounts, there were no concerns in relation to funds held, which matched those shown in the investors e-wallets on the platform.
- 2.24 The general office account was operated in the usual manner with the function of making normal trading payments and holding funds in respect of fees billed by the Company.

Directors' Loan Account

- 2.25 As advised in the Joint Administrators' proposals, there are amounts due back to the Company in relation to amounts that have been loaned by the directors and former directors from the Company. The total amount outstanding to the Company is £166,717.94. This is split as follows:

Director		£
Nigel Hackett		78,923.92
Richard Luxmore		87,794.02

- 2.26 There is a discrepancy between the Directors Loan Account figure stated in the proposals in comparison to the above figure in the progress report.
- 2.27 The Joint Administrators were advised that the Directors Loan Account was £206,286.00 in the Statement of Affairs of 23 October 2019 but it has since become apparent that £35,000 related to a debtor who is now in Liquidation. The Joint Administrators will be making a claim in the Liquidation for the £35,000 debt.
- 2.28 The former Director, Noman Akram's loan has been removed as prior to the Joint Administrators appointment, the Company purchased his shares which cancelled down the loan.
- 2.29 The holiday pay and loss of notice owing to Nigel Hackett at the date of insolvency has been offset against his Directors Loan Account which has been reduced to £78,923.92 as a result.

FUNDINGSECURE LTD - IN ADMINISTRATION

- 2.30 The remaining funds are being pursued.

Physical Assets

- 2.31 An offer was received to purchase the physical assets upon vacation of the trading premises and have been removed from the trading premises. Any assets remaining are deemed to be unworthy of sale or collection, as the cost to remove the same would outweigh the realisable amount. The offer received in the sum of £500 was reviewed by independent valuer, Mr S McLaren of ITC Valuers Limited, who recommended acceptance of the offer. The funds received are outside the reporting period and will show in the next progress report.

Software

- 2.32 There have been no offers received for the Company's bespoke software that is noted to have a book value in the company's accounts as at 31 October 2018 and it is considered that there will be no realisation in respect of this asset.
- 2.33 It is considered that the work the Administrators and their staff have undertaken to date will bring a financial benefit to creditors. This may be a distribution to secured creditors of the Company only (from which a Prescribed Part fund may be derived for the benefit of unsecured creditors) or may, depending on realisations and the extent of any 3rd party security, result in a distribution to the preferential and unsecured creditors of the Company.

Assets Remaining to be Realised

- 2.34 The Joint Administrators are continuing to collect the outstanding loan book and collect the overdrawn directors' loan accounts.

Litigation

- 2.35 At the date of Administration there were two pieces of litigation on foot where the Company was the Claimant. One of these was the litigation referred to in Annex 1 of the Administrators' Proposals against various defendants in respect of inappropriate allocations of investors' monies which did not appear to have been properly approved in accordance with the terms and conditions of the Company's Lending Platform (Inappropriate Allocation Litigation) and another in connection with the alleged fraud of a particular borrower in respect of a number of art loans (Art Loan Litigation). Following consultation with the Creditors' Committee, the Inappropriate Allocation Litigation and the Art Loan Litigation were sold to third parties, as detailed below.
- 2.36 Following a Resolution from the Creditor's Committee approving the sale of the Inappropriate Allocation Litigation, the Inappropriate Allocation Litigation was sold to a litigation funder in January 2020. The litigation is ongoing. In exchange for the litigation funder assuming all cost risks in the litigation and providing the Company and the Administrators with an indemnity, the Company will receive an agreed percentage of the ultimate proceeds of the Inappropriate Allocation Litigation. It is too early at this stage to estimate what the likely recovery will be.
- 2.37 The Art Loan Litigation was also sold to a number of investors in March 2020. The level of return under the Art Loan Litigation is highly speculative so as to result in the Administrators concluding that it was not possible to put a value on the same. The sale of the Art Loan Litigation was also on the basis that the Company will receive an agreed percentage of the ultimate proceeds of the litigation.
- 2.38 As stated below, the Joint Administrators' Investigations have also identified some additional areas which may result in further litigation being pursued.

Creditors (claims and distributions)

- 2.39 Further information on the anticipated outcome for creditors in this case can be found at Section 5 of this report. The Administrators are not only required to deal with correspondence and

FUNDINGSECURE LTD - IN ADMINISTRATION

claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.

- 2.40 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service ("RPS") following dismissal.
- 2.41 The above work will not necessarily bring any financial benefit to creditors generally; however, the Administrators are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrators in dealing with those claims.
- 2.42 I consider the following matters worth noting in my report to creditors at this stage:
- There are approximately 40 unsecured creditor claims in this case with a value per the director's statement of affairs of £937,011.87.
 - There are two secured creditors. Rajinder Kumar that is owed £1,594,595.20 and EZ Invest Limited that is owed £1,237,470.00.
 - As at the date of appointment, there were 7 employees. It has been necessary to review operations on a continual basis and scale back payroll costs, as necessary. One employee remains contracted to the Company.
 - I anticipate claims from preferential creditors amounting to circa £2,000. It is anticipated that preferential creditors will be paid in full.
 - After seeking a workable resolution to the client fund issue, the operating function of the investors individual e-wallets, is now fully operational in respect of funds that were held prior to the Administrators' appointment and funds that have been recovered post the Administrators' appointment on recovered loans. This includes the transfer of ISA's where funds permit. To date, withdrawal requests have been processed and paid in the sum of £10,214,124.97.

Creditors Committee

- 2.43 Creditors made the request to form a creditors committee. The members of the committee are as follows:
- Spencer Tarring
 - Alan Jones
 - Craig Goodfellow
 - Marc Mason
 - Paul Mundy

- 2.44 To date there have been two committee meetings that have assisted with the Administration.

Outstanding Matters

- 2.45 With the exception of asset realisations, there is a matter of concern by the investors, which is not an investigatory matter, but relates to the fee that is levied by the Company in accordance with the terms and conditions between the Company and the investors. In accordance with the agreement, the Company is entitled to levy a 5% charge of the loan value from the net redemption in priority to the repayment of investors.

FUNDINGSECURE LTD - IN ADMINISTRATION

- 2.46 In respect of this fee, there has been periodic concerns raised by certain investors advising that they were not aware that such a fee existed, and that the Company has on various occasions waived this fee.
- 2.47 The Joint Administrators have sought legal opinion on this issue from three independent solicitors, who have stated that the fee has been correctly levied and is payable.

Investigations

- 2.48 Some of the work the Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (CDDA 1986) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrators can pursue for the benefit of creditors.
- 2.49 I can confirm that I have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986. As this is a confidential report, I am unable to disclose the contents.
- 2.50 Shortly after appointment, I made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment considered information provided by creditors either at the initial meeting (where held) or as a response to my request to complete an investigation questionnaire.
- 2.51 The main arrears of concern relate to negligence of Receivers and/or office holders appointed by the Company prior to our appointment and potential claims against valuers. At this juncture, it is not deemed appropriate to disclose further details in respect of these matters as this could prejudice potential recovery action.

Connected Party Transactions

- 2.52 In accordance with Statement of Insolvency Practice 13, I would advise you that the following assets were sold to Mr Rajinder Kumar, a former director of the Company:

Date of Transaction	Assets Involved & Nature of Transaction	Consideration Paid & Date (Plus VAT)	Sold To	Relationship
03/02/2020	Computer and office equipment	£500 received on 06/05/2020	Rajinder Kumar	Former Director

3 Pre-Administration Costs

- 3.1 On 17 December 2019, the following amounts in respect of pre-administration costs were approved by the creditors committee:

Name of Recipient	Brief Description of Services Provided	Total Amount Approved (Plus VAT) £
CG&Co	Advice in respect of the insolvency of the Company	7,500.00
Drydensfairfax Solicitors	Advice in respect of the insolvency of the Company	3,600.00

4 Joint Administrators' Remuneration

- 4.1 The basis of the Administrators' fees has been fixed in the Administration by resolution of the Creditors at the meeting held on 28 November 2019 which was ratified and confirmed by the

FUNDINGSECURE LTD - IN ADMINISTRATION

creditors committee at the first meeting of the committee held on 17 December 2019, and confirmed by the signing of the minutes of the meeting as follows:

- Under Rule 18.16 of the Insolvency Rules that the basis of the Administrators' remuneration be fixed at 2.5% of the "defaulted" assets realised (those loans where the term has expired) (exclusive of VAT and disbursements) and 0.125% of the "in term" assets realised (those loans where the term has not expired) during the conduct of the Administration (exclusive of VAT and disbursements) and the allocation of those fees, costs and expenses on pro rata basis amongst all creditors and investors of the Company as detailed in the Administrators' Report and Statement of Proposals.
 - Under Rule 18.16 a set amount of £25,000 (exclusive of VAT) in respect of statutory formalities
- 4.2 In respect of the agreed fee as a percentage of asset realisations on defaulted and in term loans, fees have been drawn in the sum of £183,548.20 plus VAT.
- 4.3 There have been no amounts drawn in respect of the set amount agreed in respect of statutory duties.
- 4.4 A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/creditor-guides/>
- 4.5 Attached at Appendix B is additional information in relation to the Administrators' fees, expenses, and disbursements, including where relevant, information on the use of subcontractors and professional advisers. It should be noted that the Company is not registered for Value Added Tax ("VAT"). Therefore, receivable VAT is irrecoverable and is noted accordingly as an expenditure on the Receipts and Payments account.

5 Investors

- 5.1 As detailed in the Joint Administrators' proposals, there were issues concerning the position of the investors, in relation to their entitlement to funds held within the client accounts relating to their lending on specific loans, as the operation of the lending platform had not been strictly adhered to, as per the CASS system under FCA rules.
- 5.2 As advised to investors, it was necessary to place a freeze on the funds currently held in the investors e-wallets as at the date of the appointment, and a separate client account was opened to hold post appointment redemptions, whilst clarity was sought on the issue of investors have a trust status.
- 5.3 To assist with this issue, advice was sought from solicitors and it was initially intended that an Opinion would be sought from Leading Counsel and (if necessary thereafter, following consideration by the Creditors Committee) by application to Court for formal Directions on the treatment status of investors who participated in loans made by the Company. It was considered necessary to engage an accountancy practice to review the operation of the client accounts, with a view to seeking Leading Counsel's opinion on the specific matter.
- 5.4 The report received from the accountants was not conclusive and advised that significant time and substantial costs would need to be spent to give a more definitive report which could properly form the basis of suitable instructions to Leading Counsel for the purpose of any Opinion and subsequent application to Court for Directions if necessary thereafter. On this basis the Joint Administrators decided to pursue an alternative approach which would provide a better and more expedient method to releasing funds to investors without incurring the substantial costs to the estate or creating further significant delay to the distribution of assets to investors. The approach adopted was to propose to the secured creditors (who would benefit from increased realisations of assets covered by their security) that they formally consent under a Deed of Waiver and Indemnity to the treatment of investors via the Company's operating

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platform as "trust beneficiaries" under such arrangements for all purposes. This would mean that all realisations (subject to costs and expenses) would be payable to those investors in the loans in which they participated without the need to examine and/or confirm the trust nature of the loans transactions within which they participated.

- 5.5 It was considered that the only potential challenge in respect of confirming the trust status of investors via the Company's operating platform could be made by the secured creditors who would suffer reduced realisations if the trust arrangements did not (in fact) operate as fully effective trusts in respect of those investors who participated via the Company's operating platform. On this basis discussions were undertaken with the secured creditors, who agreed in principle with the approach of the Joint Administrators and advised that they would sign a waiver and indemnity, to enable funds to be paid out to investors. The Deeds of Waiver and Indemnity were duly signed by the relevant secured creditors and (on the basis of the executed deeds) the Administrators were advised that they could treat investors as trust beneficiaries in respect of the loans in which they invested via the Company's operating platform.
- 5.6 The Joint Administrators engaged with the creditors committee who formally resolved to accept the treatment of investors as beneficiaries and executed a resolution to that effect. Upon receipt of the signed documentation the e wallets were reactivated.
- 5.7 Whilst this matter was under review a specific task was undertaken to review the Company's money laundering procedures. Investors who had not provided sufficient anti money laundering documentation were contacted, as the Joint Administrators were unable to process the requests of any investor who did not pass the money laundering criteria.
- 5.8 Withdrawal requests were processed and paid and are now generally processed on a weekly basis. In addition, ISA requests to transfer to another provider are now processed as and when received, subject to the availability of funds in respect of each investor.

6 Financial Conduct Authority ("FCA")

- 6.1 There has been regular contact with the FCA in respect of all matters concerning the Administration.
- 6.2 The Joint Administrators will continue to furnish the FCA with the necessary information that they require and will advise the FCA of pertinent issues.

7 Estimated Outcome for Creditors

- 7.1 Given the volume and value of loans remaining to be concluded, it is not considered possible or appropriate to provide an Estimated Outcome Statement at this stage.

Secured Creditors

- 7.2 Rajinder Kumar holds a fixed and floating charge over the Company's assets dated 12 October 2018. At the date of the Administration the indebtedness to the secured creditor was reported at £1,594,595.20. There have been no payments made to date in respect of this security.
- 7.3 In addition, EZ Invest Limited holds a fixed and floating charge dated 15 May 2019. At the date of the Administration the indebtedness to the secured creditor was reported at £1,237,470.00. There have been no payments made to date in respect of this security.
- 7.4 It should be noted that the security held by Rajinder Kumar ranks in priority to EZ Invest Limited.

Preferential Creditors

- 7.5 A summary of preferential claims is detailed overleaf.

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Preferential claim	Agreed Claim £	Statement of Affairs Claim £	Dividend paid p in the £1
Employee claims (Total number of claims = 3)	TBC	22,081.00	n/a

- 7.6 It is anticipated that preferential creditors will be paid in full.
- 7.7 The Director noted in the estimated statement of affairs the amounts that were due as at the date of the insolvency. As advised in the proposal and earlier in the progress report, certain members of staff were retained, and employment contracts adopted as their employment was deemed necessary to facilitate matters in the Administration. As a result, they have been paid the amounts due under the terms of their employment contracts by the Administrators as and when their contracts of employment have been terminated.
- 7.8 There are three former employees who were dismissed prior to the adoption of their contracts by the Administrators. These employees have made claims through the Redundancy Payments Service ("RPS"), who become a subrogated creditor for the amounts paid.
- 7.9 The RPS have made a preferential claim in the sum of £2,050.85. There are no known excess preferential amounts due to the employees.

Unsecured Creditors

- 7.10 I have received claims totalling £594,917.10 from 24 unsecured creditors. I have yet to receive claims from approximately 35 unsecured creditors whose debts total circa £790,000.00 as per the Company's statement of affairs.
- 7.11 The Company granted a floating charge to Rajinder Kumar and EZ Invest Limited. Subject to the review of their security, I am required to create a fund out of the Company's net floating charge property for unsecured creditors (known as the **Prescribed Part**).
- 7.12 At the present time, I am unable to estimate the value of the Company's net floating charge property as asset realisations are far from complete and due to the nature of the assets, coupled with the default positions and the fluctuating costs to realise the assets, the dividend position to unsecured creditors has to be noted as uncertain.
- 7.13 Should a dividend be available to the unsecured creditors other than from the Prescribed Part and unless it is more expedient to make an application to court to allow this to be distributed in the Administration, I anticipate that the Company will exit into creditors' voluntary liquidation in due course to facilitate the payment of a dividend to the unsecured creditors. Further details will be provided in due course.

8 Ending the Administration

- 8.1 Contained within the Joint Administrators' proposals were various exit routes dependent upon the success of the asset recoveries.
- 8.2 Creditors should note that it has been considered necessary to extend the term of the Administration. This is predominantly due to the length of time it is considered it will take to finalise the realisation of the assets held under the loan agreements, which is likely to take longer given the impact the COVID-19 pandemic is having on the property market. The Administrators will therefore seek the relevant consent from Creditors to the extension of the Administration and/or make an application to Court to extend the period of Administration where required. In this regard for the foreseeable future the Company will remain in Administration.
- 8.3 The Administrators will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

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9 Creditors' Rights

- 9.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 9.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Administrators, as set out in this progress report, are excessive.

10 Next Report

- 10.1 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised.

For and on behalf of
FundingSecure Limited



E M Avery
Joint Administrator

**FundingSecure Limited
(In Administration)**

Appendix A

**Receipts and Payments Account
23 October 2019 to 22 April 2020**

INCOME	Total (£)
Completed Property Redemptions	6,509,948.51
Proceeds from Auction Non-Property	25,520.00
Non-property assets	336,933.53
Part Payment Redemptions Property	586,369.00
Insolvency Property Redemptions	4,444,857.95
Interest Payments	90,000.00
Fund held in Client Account 7290	1,977,160.92
Part Payment Redemption Non-Property	6,810.00
Funds held in Company's Client Acc	804,160.33
Miscellaneous Funds	166.43
Cash at bank	4,561.37
Bank Interest Gross - pre appointment	1,977.23
Bank Interest Gross - post appointment	6,532.88
	<hr/> 14,794,998.15 <hr/>
 EXPENDITURE	
Salaries	71,410.09
Consultancy Fee	65,316.00
PAYE/NIC	31,490.03
Travel & Expenses	3,006.34
Rent & Service Charge	11,039.86
Sundry Expenses	234.13
Office sundries	707.94
Essential storage costs	11,908.35
IT/Phone Costs	4,663.40
Accounts Software	360.24
Anti-Money Laundering Checks	113.93
Legal Fees & Disbursements	25,155.95
Agents/Valuers Fees	6,236.50
Insurance of Assets	881.19
Occupancy & Security Check	2,810.00
Postage & Stationery	11.70
Quantity Surveyor	1,800.00
Receivership/Insolvency Costs & Expenses	267,472.73
Receivership/Insolvency Legal Costs	32,283.14
Direct Charge holder	819,071.12
Investors	10,214,124.97
Specific Bond	1,800.00
Pre-Appointment Fee	7,500.00
Joint Office Holders Fees	183,548.20
Court Fee	50.00
General Legal Fees	75,850.00
Irrecoverable VAT	115,896.86
Forensic accountancy	4,250.00
IT Consultancy	4,015.00
Committee Expenses	333.33
Room Hire	450.00
Statutory Advertising	142.00
Postal Redirection	313.00
Bank Charges	86.54

**FundingSecure Limited
(In Administration)**

**Receipts and Payments Account
23 October 2019 to 22 April 2020**

	11,964,332.54
Balance	2,830,665.61
MADE UP AS FOLLOWS	
General Current a/c	185,351.20
Suspense Account	114,005.62
Post appointment trust account	210,136.55
Barclay's Client Acc 7290	1,762,831.66
Barclays Company's Client Acc 2014	558,340.58
	2,830,665.61

Additional Information in Relation to the Joint Administrators' Fees, Expenses & Disbursements

1 Staff Allocation and the Use of Sub-Contractors

- 1.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 1.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment.
- 1.3 There have been no subcontractors utilised to date.

Professional Advisors

- 1.4 On this assignment the Joint Administrators have retained the services of the following professional advisors listed below in respect of the collection of the loan book. I have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Scotts Wright Limited	Hourly rate and disbursements
Thompson Crooks Solicitors Limited	Hourly rate and disbursements
Avison Young (UK) Limited	Hourly rate and disbursements
Thomas Del Mar Limited	Hourly rate and disbursements
OKT	Hourly rate and disbursements
Templeton LPA Limited	Hourly rate and disbursements
Adam Partridge Auctioneers	Hourly rate and disbursements
Anthony Cribb Auctioneers	Hourly rate and disbursements
Lindsays	Hourly rate and disbursements
Quantuma LLP	Hourly rate and disbursements
Kuits Solicitors	Hourly rate and disbursements

- 1.5 On this assignment the Joint Administrators have instructed the following professional advisors listed below in respect of the collection of the loan book.

Name of Professional Advisor	Basis of Fee Arrangement
Drydensfairfax LLP	Hourly rate and disbursements
Brabners LLP	Hourly rate and disbursements
Brightstone Law LLP	Hourly rate and disbursements
Brechers LLP	Hourly rate and disbursements
Mazars LLP	Hourly rate and disbursements
Cowgills Business Recovery LLP	Hourly rate and disbursements
Begbies Traynor Group Plc	Hourly rate and disbursements
Begbies Traynor (Central) LLP	Hourly rate and disbursements
Behr & Co Limited	Hourly rate and disbursements
Wilman Building Consultancy Limited	Hourly rate and disbursements
Occasio Legal Limited	Hourly rate and disbursements
Memery Crystal LLP	Hourly rate and disbursements
TLT LLP	Hourly rate and disbursements
TLT NI LLP	Hourly rate and disbursements
FRP Advisory LLP	Hourly rate and disbursements
Hill Dickinson LLP	Hourly rate and disbursements
Humphrey & Gray Ltd	Hourly rate and disbursements
Leonard Curtis Business Solutions Group	Hourly rate and disbursements
Waterfold Asset Management Limited	Hourly rate and disbursements

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Mitchells Robertson Ltd	Hourly rate and disbursements
Shakespeare Martineau LLP	Hourly rate and disbursements
AJA Insolvency Risk Services Limited	Risk based premium
Addleshaw Goddard LLP	Hourly rate and disbursements
ITC Valuers Limited	Percentage of Realisations and disbursements

- 1.6 The following professional advisors have been instructed in respect of the general issues of the case.

Name of Professional Advisor	Basis of Fee Arrangement
Brocher LLP	Hourly rate and disbursements
TLT Solicitors	Hourly rate and disbursements
Hacker Young	Hourly rate and disbursements
Drydensfairfax solicitors	Hourly rate and disbursements
Exchange chambers	Hourly rate
Lopian Gross Barnett & Co	Hourly rate and disbursements
GARC Ltd	Hourly rate and disbursements

- 1.7 Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

- 1.8 The decision was made to continue with the services of the Law of Property Act Receiver ("LPA Receivers") that were in office at the onset of the insolvency as the LPA Receivers fees would be paid in priority to another office holder and this would made a duplication of costs.

2 Joint Administrators' Expenses & Disbursements

- 2.1 As you are aware, the Joint Administrators expedited the drafting of the proposals and advised that due to the vast array of loans and the complexity of matters relating to the loans and the case in general that it would be difficult to give an accurate estimate of the costs that would be incurred for the entire duration of the case. Below is the estimate that was provided in the Joint Administrators' proposals, below:

Expense	Estimated cost (plus VAT) £
Counsel opinion	15,000.00
Solicitors' costs in relation to Counsels opinion	10,000.00
Statutory advertising (per advert)	71.00
Specific penalty bond	1,800.00
Court fee	50.00
Computer specialist	745.00
Category 2 disbursements charged by the firm:	
Business mileage	
0.45 pence per mile	

Current Position of the Joint Administrators' Expenses Specifically in Relation to the Case

- 2.2 An analysis of the expenses paid to the date of this report, together with those incurred but not paid at the date of this report is provided below:

	Paid in the period covered by this report £	Incurred but not paid to date £	Total anticipated cost £
Salaries	71,410.09	-	
Consultancy Fee	65,316.00	-	
PAYE/NIC	31,490.03	-	
Travel & expenses	3,006.34	-	3,006.34
Rent & service charge	11,039.86	-	
Sundry expenses	234.13	-	
Office sundries	707.94	-	

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Storage costs	11,908.35	-	
IT/Phone costs	4,663.40	-	
Accounts software	360.24	-	
Anti-Money Laundering checks	113.93	-	
Postage & stationery	11.70	-	50.00
Specific bond	1,800.00	-	1,800.00
Insurance		-	
Court Fee	50.00	-	50.00
General legal costs	75,850.00	70,000.00	180,000.00
Forensic accountant	4,250.00	-	4,250.00
Committee expenses	333.33	-	
Counsels opinion	0.00	5,000.00	18,000.00
IT Consultancy	4,015.00	-	
External meeting room hire	450.00	-	450.00
Re-direction of the Company's mail	313.00	-	626.00
Statutory advertising	142.00	-	
Bank charges	86.54	-	
Category 2 disbursements			
Business mileage			
0.45 pence			

- 2.3 It should be noted that there has been continual assistance in respect of this case from legal advisers and it was considered necessary for a solicitor to be present at the creditors meetings, committee meetings and during the conference calls with the FCA.

Current Position of the Expenses Specifically Incurred in Respect of Loan Redemptions

	Paid in the Period Covered by This Report £
Legal fees and disbursements	25,155.95
Agents valuers fee	6,236.50
Insurance of assets	881.19
Occupancy & security check	2,810.00
Quantity surveyor	1,800.00
Receivership & insolvency costs	267,472.73
Receivership & insolvency legal costs	32,283.14

- 2.3 As advised in the Joint Administrators proposals the costs that would be incurred in respect of each specific loan would be difficult to accurately advise. In the main the above costs have been deducted at source from the gross realisation or is a payment that has been made that will be recoverable from the specific loan and is a necessary disbursement in respect of the recovery action for that loan and will be repaid in priority to the amounts recovered for investors.
- 2.4 It should be noted that the Company is not registered for Value Added Tax ("VAT"). Therefore, receivable VAT is irrecoverable and is noted accordingly as an expenditure on the Receipts and Payments account.
- 2.5 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. These disbursements are included in the tables of expenses above.
- 2.6 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Details of Category 2 disbursements charged by this firm (where appropriate) were provided in the Administrators' Proposals Report and approved by creditors. Any Category 2 disbursements incurred are specifically highlighted in the tables of expenses above.