

(Rule 1.35, IR 2016)

IN THE MATTER OF THE INSOLVENCY ACT 1986



Application Notice

CashEuroNet UK, LLC (in administration)

Company number FC032279 CR-2019-007155
Hearing Date: 09 Jul 2020 10:30
at 10.30am or as
soon thereafter

In the High Court of Justice Business and Property
Courts of England and Wales
Insolvency and Companies List (ChD)

Court case number:
CR-2019-007155

Applicants

Christine Laverty, Andrew Charters and Trevor O'Sullivan of Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG, the joint administrators of CashEuroNet UK, LLC (in administration) (the **"Joint Administrators"**)

IN THE MATTER OF CASHEURONET UK, LLC (IN ADMINISTRATION)

This application is made under paragraph 65(3) of Schedule B1 of the Insolvency Act 1986 (the **"Act"**), rule 14.34(2) of the Insolvency (England and Wales) Rules 2016 (the **"Rules"**), and paragraph 76(2)(a) of Schedule B1 to the Act. The court reference number for the proceedings to which this application relates is: CR-2019-007155.

We, the Joint Administrators of CashEuroNet UK, LLC (in administration)

Intend to apply to the ICC Judge on:

Date _____
Time _____
Place _____

The Applicants seek the following order:

1. the Joint Administrators have permission, pursuant to paragraph 65(3) of Schedule B1 to the Act, to make such initial and further distributions as they consider appropriate to the unsecured creditors of CashEuroNet UK, LLC (in administration) (such distributions to be made in accordance with Chapter 3 of Part 14 of the Insolvency Rules 2016 (the **"Rules"**);
2. the Joint Administrators have permission, pursuant to rule 14.34(2) of the Rules, to declare dividends in respect of such distributions, notwithstanding that there may (at the relevant times) be pending applications to the Court to reverse or vary a decision of the Joint Administrators on a proof of debt (or to exclude or reduce the amount claimed), on the basis that full provision will be made for any such disputed proofs of debt;

3. pursuant to paragraph 3 of Schedule 5 to the Rules, the reference to “two months” in rule 14.30(a) is hereby extended to seven months (and the reference to “the two month period” in rule 14.34(1) is likewise extended to a seven month period), such that the Joint Administrators will make any distributions and declare any dividends in respect of such distributions within seven months of the last date for proving;
4. pursuant to paragraph 3 of Schedule 5 to the Rules, the reference to “14 days” in Rule 14.32(1) is hereby extended to four months;
5. pursuant to paragraph 76(2)(a) of Schedule B1 to the Act, the administration of CashEuroNet UK, LLC (in administration) and the term of office of the Joint Administrators be extended until 24 October 2021;
6. pursuant to rule 1.36 of the Rules, the notices and documents that the Joint Administrators are required to send to the Company’s potential creditors under the Act and the Rules be delivered to the Company’s creditors by them being placed on the administration portal; and
7. the costs of the application be paid as an expense of the administration of CashEuroNet UK, LLC (in administration).

On the grounds set out in the witness statement of Christine Lavery dated 11 June 2020.

It is not intended to serve any person with this application.

Dated 11 June 2020

Signed 

Name Slaughter and May Solicitor for The Applicant(s)

Christine Lavery

First Witness Statement

11 June 2020

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

IN THE MATTER OF CASHEURONET UK, LLC (IN ADMINISTRATION)

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

WITNESS STATEMENT OF CHRISTINE LAVERTY

I, CHRISTINE LAVERTY, of Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG, **WILL SAY AS FOLLOWS:**

Introduction

1. As at the date of this witness statement, I am a licensed insolvency practitioner and one of the joint administrators of CashEuroNet UK, LLC (the “**Company**”), along with Andrew Charters and Trevor O’Sullivan, both also of Grant Thornton UK LLP (together, the “**Joint Administrators**”). I have been in this role since our appointment on 25 October 2019.
2. I make this witness statement in support of the Joint Administrators’ application, dated 11 June 2020, seeking permission from the Court:
 - (A) to make a distribution to the creditors of the Company in accordance with Paragraph 65 of Schedule B1 of the Insolvency Act 1986 (the “**Act**”);
 - (B) pursuant to rule 14.34(2) of the Insolvency (England and Wales) Rules 2016 (the “**Rules**”), to declare dividends in respect of such distributions, notwithstanding that

there may (at the relevant times) be pending applications to the Court to reverse or vary a decision of the Joint Administrators on a proof of debt (or to exclude or reduce the amount claimed), on the basis that full provision will be made for any such disputed proofs of debt;

- (C) pursuant to paragraph 3 of Schedule 5 to the Rules, the reference to “two months” in Rule 14.30(a) is hereby extended to seven months (and the reference to “the two month period” in Rule 14.34(1) is likewise extended to a seven month period);
 - (D) pursuant to paragraph 3 of Schedule 5 to the Rules, the reference to “14 days” in Rule 14.32(1) is hereby extended to four months;
 - (E) pursuant to paragraph 76(2)(a) of Schedule B1 to the Act, the administration of the Company and the term of office of the Joint Administrators be extended until 24 October 2021;
 - (F) pursuant to rule 1.36 of the Rules, the notices and documents that the Joint Administrators are required to send to the Company’s potential creditors under the Act and the Rules be delivered to the Company’s creditors by them being placed on the administration portal; and
 - (G) the costs of the application be paid as an expense of the Company’s administration.
3. I am duly authorised to make this witness statement on behalf of the Joint Administrators.
4. Unless I say otherwise, the facts and matters set out in this witness statement are within my own knowledge and are true to the best of my knowledge and belief. Where I refer to information supplied by others, I identify the source and the information is true to the best of my knowledge, information and belief.
5. There is now produced and shown to me, and exhibited hereto marked “CL1”, a bundle of true copies of documents to which I refer in this witness statement using the format “CL1/Tab/Page”.

Background to the appointment of the Joint Administrators

6. The Company was incorporated in Delaware as CashEuroNet UK, LLC in 2007 and was registered as a UK establishment of an overseas company on 24 December 2014. Its company number is FC032279 and its UK establishment number is BR017352. The registered office of the Company’s UK establishment is C/O Grant Thornton UK LLP 4 Hardman Square, Spinningfields, Manchester, M3 3EB. Despite being registered in the United States, the Company’s only activity was its consumer lending business in the UK.

7. On 25 October 2019 the directors of the Company (the “**Board**”) filed the necessary documents at court in order to place the Company into administration, with the Joint Administrators being appointed as part of this process.
8. The Company is a wholly-owned subsidiary of CNU Holdings, LLC, and a member of the Enova Group. The Company’s ultimate parent company is Enova International Inc, a publicly traded company whose securities are listed on the New York Stock Exchange. The ownership structure of the Company and its parent companies, as at the date of the Joint Administrators’ appointment, is shown at CL1/Tab 1. Up until the day the Company entered administration, the Board regularly communicated with the Enova Group to update it on the Company’s ability to trade viably.
9. Prior to the appointment of the Joint Administrators, the business of the Company was to provide short term “payday loans” in the UK. The Company had two product offerings: short-term loan products offered under the trading name “QuickQuid”, and instalment loan products offered under the trading names of “Pounds to Pocket” and “On Stride Financial”. The two instalment loan product businesses were consolidated in October 2018, however, the websites for both remained live for continuity purposes. The Pounds to Pocket segment of the business ceased lending activities in February 2019 and all lending activity ceased by 24 October 2019 (prior to the Joint Administrators’ appointment).
10. Prior to April 2014, consumer credit firms, including the Company, were regulated by the Office of Fair Trading. In April 2014, regulation of consumer credit was transferred to the Financial Conduct Authority (the “**FCA**”).
11. In November 2014, the FCA issued its policy statement “*PS14/16, Detailed rules for the price cap on high-cost short term credit, including feedback on CP14/10 and final rules*” as included in CL1/Tab 2 (“**PS14/16**”). PS14/16 imposed a cap on the total fees, charges and repayments which could be charged on high cost short term credit loans. These rules came into effect on 2 January 2015.
12. Whilst some of the Company’s competitors ceased trading following the effective date of PS14/16, the Board opted to continue trading under the new regulatory regime. Whilst this change in regime was relevant to the Company’s eventual decline, the two main factors impacting its financial outlook were, firstly, a determination by the Financial Ombudsman Service (the “**FOS**”) in 2018 regarding the limitation provisions on redress claims, and secondly a significant increase in the level of customer complaints from September 2017 onwards.
13. As a consumer credit firm, the Company was, and remains, subject to the Dispute resolution: Complaints sourcebook, which is part of the FCA handbook (“**DISP**”). DISP provides that an “*eligible complainant*” may raise a complaint which is to be dealt with by the FOS. Paragraph

13(1) of schedule 17 to the Financial Services and Markets Act 2000 (“**FSMA 2000**”) requires the FCA to set time limits for complaints referred to the FOS. The limitation provisions to be applied by the FOS are set out in DISP 2.8. Pursuant to DISP 2.8.1R, a borrower who wishes to complain must first make their complaint to the lender, and, if they are dissatisfied with the lender’s treatment of their complaint, they can then refer their complaint to the FOS.

14. DISP 2.8.2R(2) precludes the FOS from entertaining a complaint if “*the complainant refers it to the Financial Ombudsman Service ... more than (a) six years after the event complained of, or (if later) (b) three years from the date on which they became aware (or ought reasonably to have become aware) that they had cause for complaint*”. DISP 2.8.2R(3) permits the FOS to entertain a complaint outside these time limits where “*the failure to comply with the time limits was as a result of exceptional circumstances*”.
15. At the beginning of 2018, the Company’s assessment of its potential redress liability in relation to borrower’s complaints and its subsequent impact on its cash flows was based on a limitation period of no longer than six years. However, in early 2018 the FOS made an interim determination which held that a borrower complaint older than six years could be considered within the time limits for a valid complaint, provided that it had been made within three years of the complainant becoming aware of their cause for complaint.
16. The Board recognised that if this interim determination was upheld (which it subsequently was), the Company’s existing forecasts for redress liability would be significantly lower than the value of potential customer claims which would likely then follow as a consequence of the FOS’ determination. It was believed that this would have a negative and unquantified impact on the Company’s redress provisioning and a consequential impact on its forecasts for cash flow and profitability.
17. In August 2018, the FOS confirmed its final decision in relation to the borrower complaint on the same terms as the interim determination.
18. The second factor which had a significant impact on the Company’s viability as a business was a material increase in customer complaints from September 2017 onwards. This can be seen in the graph on page 5 of the Joint Administrators’ proposals dated 17 December 2019 (the “**Proposals**”) (CL1/Tab 3/Page 5), which sets out historical claim volumes from September 2015 to May 2019. The majority of these complaints are redress claims made by current or former customers of the Company who believe that they were sold an unaffordable loan
19. As a result of the FOS’s final decision on redress liability in August 2018, together with the increase in customer complaints and a simultaneous reduction in interest rates for the Company’s products, the Board recognised that the Company was unable to trade viably unless it received additional financial support from the Enova Group. During the summer of

2019, the Board discussed the Company's outlook with the Enova Group. The Enova Group informed the Board that, whilst it had concerns over the Company's potential redress liabilities, it believed there was potential for the Company's businesses to continue trading.

20. Following its discussions with the Enova Group, the Board explored the options available to the Company to bring certainty to its legacy liability for redress claims whilst continuing as a going concern.
21. Having considered the options available to the Company, the Board believed that the best option was to pursue a scheme of arrangement in order to bind all of the Company's creditors (including the redress creditors) to an arrangement whereby the creditors' claims would be extinguished in return for a distribution (the "**Scheme**"). The Board proposed that the Scheme be funded by the Company's assets and a significant cash contribution from the Enova Group.
22. On 15 October 2019, the Company presented an overview of the Scheme to the FCA. The FCA reviewed the proposed Scheme, and considered, in particular, whether it would pose a threat to any of the FCA's operational objectives. Following its review of the Scheme, mid-October 2019, the FCA informed the Company that, on the basis of the information provided, it was not satisfied that it could provide the appropriate letter of no-objection which would be required in order for the Scheme to be capable of being sanctioned by the Court.
23. Given the FCA's decision, the Board was unable to continue with the proposed Scheme and approached the Enova Group to seek confirmation that it would continue to support the Company. In its response on 24 October 2019 the Enova Group confirmed that it would no longer be in a position to provide the Company with support.
24. On 24 October 2019, having considered all the options available to the Company, and following further dialogue with the FCA, the Board concluded that the Company's administration was unavoidable, and resolved that it would need to cease lending activities with immediate effect. The only option available was a wind down of the business and collect-out of the loan book following the appointment of administrators. Subsequently, on 24 October 2019, the Board therefore issued a notice of intention to appoint administrators and sought the FCA's consent to the appointment of the Joint Administrators, as required by section 362A of FSMA 2000. This consent for the appointment of the Joint Administrators was received on 25 October 2019, following which the Board filed a notice of appointment of the Joint Administrators.
25. A summary of the Company's creditor claim listing as at 31 May 2020 is shown at CL1/Tab 4. As described at paragraph 40 below, there are expected to be a large number of redress creditors and the number of claims from potential redress creditors has increased significantly since the Joint Administrators' appointment.

Purpose and conduct of the administration

Purpose of the administration

26. As noted in the Proposals, the purpose of the administration is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).
27. On 17 December 2019, the Proposals were sent to each of the Company's known unsecured creditors (including those potential redress creditors who had submitted claims prior to, and following, the Company entering into administration), together with notice of the decision procedure. The Proposals were approved on 2 January 2020 by a resolution of the Company's known unsecured creditors. The Proposals, in summary, highlighted that the strategy of the administration is to undertake an orderly wind down of the activities of the Company. This included:
- (A) realisation of the loan book and sale of other assets;
 - (B) developing an automated process for redress claims; and
 - (C) preservation of IT infrastructure and retention of relevant staff for loan book collection and redress claim adjudication.
28. The Proposals also indicated that the Joint Administrators would (i) seek permission to distribute funds to the Company's unsecured creditors, (ii) seek approval of the Court for an extension of the administration and (iii) end the administration either by conversion to a creditors voluntary liquidation or dissolution.

Progress of the administration

29. To date, the Joint Administrators have sought to achieve this purpose by retaining key staff and systems to support the collection and realisation of the Company's main asset, its loan book. This has required the Company to enter into a services agreement with the Enova Group in respect of key services required for the wind down activities described above. The Joint Administrators' initial strategy has been to collect loans as normal whilst they investigate any opportunities to sell the residual loan book and any other assets of the Company, including certain intellectual property rights and fixed assets. Whilst a formal campaign has not yet been conducted, the Joint Administrators have received several initial expressions of interest in respect of the Company's loan book.
30. As part of the collections and the wind-down of the business, the Joint Administrators have maintained, and kept operational, core areas of the business. As of 31 May 2020, the Joint Administrators have retained 8 of the Company's UK based employees and 69 of the

Company's US based employees. These employees have been retained to support various functions, including collections, customer support and complaints handling, ongoing compliance matters and other operational needs, including the development of the redress claims portal and assessment tool.

31. The Joint Administrators are, by this application, seeking an extension of the 12-month administration period in accordance with paragraph 76(2)(a) of Schedule B1 to the Act and as contemplated in the Proposals. Thereafter, it is proposed that the administration will end by the Company entering into a creditors' voluntary liquidation or, if there are no further matters to be resolved, by dissolution of the Company. If the Company enters into a creditors' voluntary liquidation, it is anticipated that the administrators in office at that date will be appointed as the Company's liquidators.

Communications with the Company's creditors

32. As described at paragraph 27 above, the Joint Administrators provided notice to the Company's known unsecured creditors in the Proposals of the proposed approach of (i) submission of claims through the Portal (as defined below), (ii) an automated assessment approach (as described below), and (iii) adjudicating claims using the limitation provided for under DISP (as explained below). The Joint Administrators provided an update to the Company's known unsecured creditors with in its first progress report, which was sent to creditors on 19 May 2020, and which covered the Joint Administrator's progress in achieving the purpose of the administration during the six months from their appointment up until 24 April 2020 as shown at CL1/Tab 5/Page 7 (the "**First Progress Report**"). In particular, the First Progress Report noted that the Joint Administrators were intending to issue this application for permission to distribute.
33. Furthermore, the Joint Administrators will publish a copy of this witness statement on the administration portal on the same day it is filed with the Court such that the Company's creditors will have at least 14 days' notice of this application and its substance. The Joint Administrators intend to upload a copy of this witness statement to the administration portal and publish an administrator update on the administration and Company websites which includes a link to the administration portal where the witness statement can be viewed. It is also proposed that the Joint Administrators will conduct an email campaign to all known unsecured creditors, including potential redress creditors who have submitted a claim to date, that will include a link to the administration portal. The Joint Administrators intend to include all former customers of the Company who have made a claim in this email campaign. These updates will include a statement inviting creditors wishing to object to this application to get in touch, by sending a written objection that will be communicated to the Court at the hearing. Details will also be provided upon request as to how creditors can attend this hearing if they wish to do so.

34. A summary of the main categories of the Company's creditors appears at section 7 of the Proposals (CL1/Tab 3/Page 17). Since our appointment, the Joint Administrators have communicated with the Company's preferential creditors, intracompany creditors and trade creditors by post, and will continue to do so.
35. As mentioned above, there are a large number of current and former customers of the Company who may have redress claims in respect of unaffordable loans, all of whom are potential redress creditors. When the Company was conducting business with customers, it customarily communicated with them by email. In these circumstances, the Joint Administrators understand that the potential redress creditors are deemed to have consented to the electronic delivery of documents in the administration pursuant to Rule 1.45(4) of the Rules. The Joint Administrators therefore consider that email is the appropriate method of communicating with and delivering documents to the potential redress creditors who they hold valid email addresses for. Those potential redress creditors who have not yet made a claim should be aware of the Company's administration because it has been widely reported in the press and the Joint Administrators have kept the Company's website updated in respect of the progress of its administration. However, as the Joint Administrators believe that they may no longer hold or have up to date email addresses for a number of the potential redress creditors, we are also seeking an order pursuant to Rule 1.36 that the Joint Administrators are permitted to deliver any future documents or notices to creditors by them being uploaded to the administration portal and publishing an administrator update of the administration and Company websites which includes a link to the administration portal where the documents or notices can be viewed. This is set out in more detail at paragraphs 42 to 47 below.

The Joint Administrators' interactions with the FCA and the FOS

36. The Joint Administrators have continued to engage with the FCA and the FOS following their appointment on 25 October 2019. In particular, the Joint Administrators have kept the FCA abreast of the Joint Administrators' strategy in relation to the conduct of the administration and the approach to potential redress creditors, including the communications plan described in paragraph 35 above. The FCA have provided a statement of no objection in respect of this application as shown at CL1/Tab 6. The FCA have been advised of the proposed timings in respect of the notice of intention to distribute and the last date for proofs and have not raised any objections.

The Company's creditors

37. Based upon anticipated realisations, there will be funds available to distribute to the Company's unsecured creditors. As there is no qualifying charge holder, the prescribed part provisions set out in Section 176A of the Insolvency Act 1986 will not apply. As the level of redress claims remains uncertain, the Joint Administrators are currently unable to indicate

the level of dividend that may be available to unsecured creditors. This will depend on the level of redress claims.

38. The Company has no secured creditors. The total amount of preferential claims made or intimated against the Company, as at the date of this witness statement, is £24,570 which relates to holiday pay entitlements only (there are no wage arrears owing). Other employee claims relating to redundancy and contractual notice are £7,994 and £9,952, respectively. These amounts will rank as unsecured claims in the administration. As certain employees have been retained to support with the strategy of the administration, the Joint Administrators anticipate that these amounts may be subject to change. The Joint Administrators believe that proper provision has been, and will be, made in respect of preferential claims because the Joint Administrators anticipate that the Company will have sufficient assets to repay its preferential creditors in full. In any event, no distribution will be made to the general body of unsecured creditors unless and until the preferential creditors have been paid or provided for in full.
39. The Joint Administrators anticipate that the total level of unsecured claims against the Company will be significant. In addition to the redress claims outlined in paragraphs 55 to 64 below, the Company, as at 31 May 2020, has unsecured creditor claims totalling approximately £78 million, made up, primarily, of trade creditors and intragroup debts of approximately £71 million due to the Enova Group. The Joint Administrators have not yet formally adjudicated on trade creditor claims or intragroup debts due to the Enova Group and so may be subject to change.
40. The Joint Administrators have received approximately 26,000 redress claims and continue to receive approximately 15 to 25 additional claims on a daily basis. The Company continues to acknowledge all claims, explaining that the claim has been received and will be assessed by the Joint Administrators when they are in a position to do so. The Joint Administrators expect to see a significant rise of redress claims once the Portal (as defined below) goes live. There are approximately 1.9 million potential redress creditors, and therefore the total level of unsecured claims is heavily dependent on the number of potential redress creditors who successfully prove in the administration. Until all redress claims have been assessed by the Claims Process (as defined in paragraph 55 below) the total unsecured liability associated with redress claims will remain unquantifiable.
41. A number of the Company's redress creditors could be considered as vulnerable persons. This is because, due to the nature of the Company's business, they will have required short-term high-cost credit at some point in the past and may not have had access to traditional credit providers due to their circumstances. A number of redress creditors may have debt repayment/management plans or will have sought the aid of consumer debt charities such as StepChange. Because of this, the Joint Administrators are seeking to simplify the claims process for redress creditors and the administration as much as possible. This includes the

Joint Administrators' interactions with the Court and trying to minimise the potential confusion for redress creditors which a directions application may create. Similarly, as outlined in more depth below, the Joint Administrators have designed the Portal and the Claims Process (each as defined in paragraph 55 below) to make the process as straightforward for redress creditors as possible, as well as maximising the returns for all unsecured creditors by minimising the cost to the administration estate.

Application pursuant to Rule 1.36

42. The Joint Administrators intend for all potential redress creditors to be able to access the same information as if they were known redress creditors of the Company by posting such information on the administration portal. In order to comply with the Rules, the Joint Administrators are required to deliver certain notices and documents to the Company's creditors as a result of this Application. This includes:
- (A) pursuant to rule 14.29 of the Rules, individual notices to creditors of their intention to make a distribution to creditors;
 - (B) pursuant to Rules 14.35, a further notice when a dividend is declared; and
 - (C) any other notices or documents that the Joint Administrators are required to, or elect to, send to the Company's creditors.
43. I understand that, if the Court does not make an alternative order pursuant to Rule 1.36 of the Rules, then:
- (A) the Joint Administrators will be required to send these documents to all of the Company's creditors individually by email or post; and
 - (B) even if the Joint Administrators were to give notice under Rule 1.50 of the Rules that future documents and notices will be posted on the Company's website, the Joint Administrators would be required to send any notice that is excluded from the scope of Rule 1.50 (including any notice in accordance with Rule 14.29) individually to the Company's creditors individually by email or post.
44. The difficulty with sending these documents to each creditor individually is that the Joint Administrators may not have up to date contact details (email or postal address) for all of the potential redress creditors. I understand that, pursuant to rule 1.37(1) of the Rules, the Joint Administrators can satisfy the requirement to deliver documents to creditors by delivering them to all creditors of whose address they are aware. Nevertheless, for the reasons set out below, I consider that it is appropriate for the Court to grant an order under Rule 1.36 that the Joint Administrators are permitted to deliver any future documents or notices to creditors by them being uploaded to the administration portal and publishing an administrator update

on the administration and Company websites which includes a link to the document or notice upload to the administration portal.

45. As noted above, in general the Joint Administrators intend to communicate with the Company's potential creditors by post or email. For the majority of the documents, the intention is to deliver individual creditors a notice pursuant to rule 1.49(2) stating that the document is available for viewing and downloading from the administration portal. However, the Joint Administrators believe that they may no longer hold or have up to date email or postal addresses for a number of the potential redress creditors, including, in particular, those customers whose loans were subject to the Portfolio Sales (as described and defined in paragraph 61 below). As there are 1.9 million potential redress creditors, it would be both time consuming and expensive to contact all of them in order to check whether they still have access to the email or postal address held by the Joint Administrators. If the Joint Administrators do not hold a current or up to date email or postal address then the only way of contacting that creditor would be to conduct a tracing exercise. Considering the large number of former customers, such a process would require significant cost and time expenditure and the Joint Administrators consider that this exercise would be disproportionate. Although the value of the Company's assets available for distribution are currently unknown, the Joint Administrators believe that the cost of tracing contact details for all of these creditors is likely to be disproportionate and will deplete the dividend available for unsecured creditors
46. In these circumstances, the Joint Administrators seek an order pursuant to Rule 1.36 of the Rules dis-applying the requirement to provide creditors with notices and documents individually, and instead enabling them to be delivered to the Company's creditors by publication on the administration portal. This will be carried out in addition to the delivery of notices to all potential creditors individually by post or email (as appropriate) such that they are aware that documents will be posted to the administration portal. It is proposed that, in addition to individual email communications, the Joint Administrators will regularly update the Company's website and the administration website with any notices in the administration. The Joint Administrators also intend to undertake an advertising campaign across a range of national and local publications which will be selected to balance maximising the notification of the demographics of the Company's potential redress creditors against the cost of such an exercise. Since the Joint Administrators are already intending to take these steps (see page 15 of the Proposals), this would not impose any additional costs burden on the administration estate.
47. The Joint Administrators estimate that, considering the large number of potential redress creditors, an order pursuant to Rule 1.36 of the Rules enabling notice and documents to be delivered by publication online, rather than individually to all creditors, will provide significant cost savings as it is expected that the cost of determining a potential unknown creditors' contact details would represent a large portion of their expected distribution. The Joint

Administrators have conducted a high-level preliminary analysis and estimate that such cost savings could exceed approximately £1.4 million (although such amount has been calculated using a number of subjective assumptions based on the information available to the Joint Administrators at the time and the true figure may vary significantly).

Application for permission to distribute

Distribution in administration

48. As noted above, the Joint Administrators are seeking permission to make distributions to the Company's unsecured creditors in accordance with paragraph 65(3)(b) of schedule B1 to the Act. The Company's known unsecured creditors were informed of the Joint Administrators' intention to make this application in the Proposals (CL1/Tab 3/Page 11), which they approved on 2 January 2020 (CL1/Tab 7/Page 3) and were reminded of in the First Progress Report (CL1/Tab 5/Page 21).
49. The Joint Administrators are conducting the administration of the Company with a view to the orderly wind down of the Company's business and the sale or realisation of the Company's key assets. The Joint Administrators consider that this process is likely to maximise the value obtained for the Company's assets, as compared with the Company's immediate entry into liquidation. In turn, the Joint Administrators are satisfied that this strategy will maximise the value available for the Company's creditors, and note that this strategy has already given rise to funds that can be distributed to creditors through the ongoing collect out of the Company's loan portfolio.
50. Considering the Company's status as an FCA regulated entity, the Joint Administrators provide regular updates to the FCA and consult with the FCA in respect of the conduct of the administration.
51. The Joint Administrators do not consider that there is a need to convert to the Company's administration into a liquidation in order to effect a distribution and are not aware of any benefit in doing so considering the need to develop the Claims Process (as defined below). In these circumstances, placing the Company into liquidation in order to effect a distribution would result in unnecessary costs being incurred as the distribution can be made during the Company's administration which is required due to the Claims process, thereby reducing the distribution available for unsecured creditors.
52. In addition to the above, the Joint Administrators are satisfied that there will be sufficient funds available, in excess of any amounts set aside for preferential claims, to make distributions to unsecured creditors. However, as the level of redress creditors who will prove in the administration is currently unknown, the Joint Administrators are not yet able to indicate the level of dividend available to unsecured creditors.

53. Accordingly, the Joint Administrators consider that it would be in the best interests of the Company's creditors as a whole for the Company to remain in administration, with the Joint Administrators being given permission to distribute, rather than for the Company to enter into liquidation at this point.
54. Although the Joint Administrators seek permission to distribute in general terms, it is their current intention that the first distribution they make to the general body of unsecured creditors will also be a final distribution in order to prevent the significant additional costs of successive distributions to the large number of creditors which the Joint Administrators currently expect.

Approach to adjudication

55. In preparation for the Scheme, the Company was developing an online claims portal which would be used for the submission and acknowledgement of claims on a substantially automated basis (the "**Portal**"). An adjudication tool was also being developed in parallel to the Portal that could be used to assess claims submitted through the Portal on an automated basis (the "**Adjudication Tool**" and together with the Portal, the "**Claims Process**"). Considering the anticipated number of redress creditors, the Joint Administrators are continuing to progress the development of the Claims Process such that it can be used to acknowledge and adjudicate claims using a substantially automated process to minimise costs to the estate. The Claims Process is expected to be launched no later than the end of July 2020. The Joint Administrators have been working with the technological developers within the Company and wider Enova Group to ensure that the Portal is both functional and secure. The work has involved comprehensive testing to ensure functionality, ease of use and data security.
56. To submit a proof of debt, CEU's customers will be asked to confirm they understand the purpose of the claims Portal, review and agree to Portal terms and conditions, and provide personal identifiable information associated with their account. Personal identifiable information includes name, date of birth, email, address and banking details. Customers will not need to provide any information in relation to their specific loans. A verification process is conducted to ensure the validity of banking details and the customer's identity. If the details entered by the customer match that held by CEU, the customer will receive a confirmation email that their claim has been received and will be assessed by the Joint Administrators.
57. Once the Portal has received a proof of debt, and the customer has been successfully identified, the proof of debt will be placed in an automated queue for the claim to be assessed. The Joint Administrators will then be able to assess the customer's history of loans and interaction with the Company in the automated assessment tool. The customer will receive further notification once their claim has been assessed.

58. The Joint Administrators consider the use of the automated Claims Process will be more time efficient and cost effective than undertaking a manual review of each claim submitted by a redress creditor, and the cost savings achieved thereby will therefore increase the recoveries made to the creditors as a whole. The Joint Administrators estimate that there are approximately 1.9 million potential redress creditors, of which approximately 26,000 have already submitted claims, and the Joint Administrators anticipate that this number is likely to increase substantially after the Portal is launched. In these circumstances, the Joint Administrators consider that the costs of undertaking a wholly manual review of each redress claim at the outset would likely result in little or no funds being available for distribution to unsecured creditors (including redress creditors).
59. When assessing and valuing the claims of redress creditors automatically this tool will consider customer information available to the Company including (but not limited to):
- (A) Affordability: the customer's loan value and/or loan repayments as a proportion of their reported income;
 - (B) Sustainability: the total time in loan, or number of loans, to identify repeat borrowing without a significant break; and
 - (C) Vulnerability: additional affordability factors, for example a customer became bankrupt, was put into hardship or worked with debt management services.
60. The Joint Administrators believe that the Adjudication Tool meets the requirements of DISP which governs how a regulated firm is to handle customer complaints. In particular, DISP 3.6.1R requires the FOS to determine a redress creditor's complaint "...by reference to what is, in his opinion, fair and reasonable in all the circumstances of the case". The Adjudication Tool has been developed in a way that is aligned with all relevant legal requirements so far as reasonably practicable to provide a fair and reasonable assessment of claims. The Joint Administrators believe, considering the circumstances of the administration and the data points available to the Joint Administrators, that the Adjudication Tool is fair and reasonable. Moreover, the Adjudication Tool also allows a redress creditor to appeal his or her adjudication result (for example if a redress creditor disagrees with the quantum or if his or her claim had been rejected). Upon appeal, a manual review would, on submission of appropriate evidence by the relevant claimant, be undertaken. The Joint Administrators therefore believe that the Adjudication Tool provides the redress creditors with a fair and reasonable adjudication process, while also providing a benefit to creditors as a whole through the cost savings inherent in the process. The Joint Administrators expect that the Portal will remain open for six (6) months.
61. Between 2008 and 2019, the Company had entered into a number of sale and purchase agreements in respect of the sale of portfolios of the Company's loans (the "**Portfolio Sales**"). The Joint Administrators have been investigating what information the Company

holds in respect of the Portfolio Sales in an effort to determine how claims by potential redress creditors, who have had loans sold as part of the Portfolio Sales, can be adjudicated. The Joint Administrators have an ability to access certain information in relation to sold loans for the period up until the date of sale of a particular loan. Accordingly, the Joint Administrators will have access to information allowing them to adjudicate the relevant sold loans. However, the Joint Administrators do not have sufficient information at this time to include such loans in the same quantification methodology as loans of potential redress creditors which were not sold as part of the Portfolio Sales.

62. Following consultation with the FCA, the Joint Administrators have concluded that a targeted exercise to use reasonable efforts to obtain data from the counterparties to the Portfolio Sales would be beneficial to creditors as a whole, provided that reasonable time limits and other parameters are placed upon such an exercise. The relevant time limits and parameters will include (without limitation) the following: (i) only requesting information in respect of former customers who make a redress claim which includes one or more loan(s) that were sold as part of the Portfolio Sales which the Joint Administrators have determined are suitable for redress considering the information the Company has in respect of such loan for the time period leading up to its sale, (ii) information being requested and provided in a standardised manner and format, (iii) in the absence of receiving sufficient information from a debt purchaser, the relevant former customer would be given the opportunity to provide such information, and (iv) a maximum amount of time of 21 days (unless the Joint Administrators determine that a longer period of time would be appropriate) for either a debt purchaser or the former customer to provide sufficient information. In the absence of receiving sufficient information, having followed the process described above, the Joint Administrators will seek to quantify the relevant claim using the information which is available to them.
63. As part of this process, the Joint Administrators have begun to engage with the counterparties to the Portfolio Sales, issuing a request for additional information in relation to the Portfolio Sales, which was also shared with the FCA prior to issuing to the counterparties. Once this initial exercise has been carried out to a reasonable and proportionate extent, the Joint Administrators will share the responses received to the request for additional information in relation to the Portfolio Sales with the FCA and proceed with the wider data gathering exercise as described above and take steps to adjudicate such loans with reference to the information available to the Joint Administrators, including information obtained from such data gathering exercise.
64. The Joint Administrators are not seeking any relief or directions from the Court in respect of the Claims Process. This background has been provided to the Court for information only for the sake of completeness and so that the Company's creditors would have a more fulsome understanding if they wished to object to this application..

Disapplication of the small debts regime

65. I understand that Rule 14.3(3) of the Rules (known as the “small debts regime”) provides that an officeholder may deem that a creditor has proved for the purposes of the determination and payment of a dividend where the debt is a small debt (that is, of £1,000 or less) and certain other conditions have been met. Rule 14.31(2) provides that, where the Joint Administrators intend to treat a debt as proved, the notice of intention to declare a dividend under Rule 14.29 must state (amongst other information) the amount of the debt which the Joint Liquidators believe to be owed to the creditors according to the accounting records or statement of affairs of the Company. The Joint Administrators do not believe that it is appropriate to rely upon the small debts regime under Rule 14.31 in this case. This is primarily because it is expected that the vast majority of claims by redress creditors will be submitted through the Portal during the course of the administration and, in any event, that each of these claims will likely be greater than £1,000. In addition, given that the Claims Process will be automated, there would be no substantial cost saving in applying the small debts regime.

Urgency

66. As part of the adjudication process, the Claims Process will apply insolvency set-off in accordance with Rule 14.24 of the Rules. Once the Joint Administrators have delivered a notice of their intention to make a distribution pursuant to Rule 14.29, the provisions of Rule 14.24 apply such that an account must be taken of the position between the company and its creditors in respect of their mutual dealings as at the date of that notice (Rule 14.24(2)). In such circumstances, redress creditors will be notified during the adjudication process as to how set-off may impact an outstanding loan balance. This adjudication will not have an impact upon a redress creditor’s right to equitable set-off prior to the Joint Administrators issuing a notice of their intention to make a distribution.
67. This application has been issued on an urgent basis so that the notice pursuant to Rule 14.29 can be delivered as soon as possible, in order to trigger the date on which the account is to be taken for the purpose of insolvency set-off. This is expected to make the Claims Process operationally easier, while also helping to discharge the Company’s obligations as a regulated entity. Lastly, the Company’s former customers who may now be creditors are likely to benefit from a distribution being made as soon as reasonably practicable as a number of them may be considered as financially vulnerable persons.

Notice of this hearing

68. As noted above in paragraph 33, the Joint Administrators intend to provide the Company’s potential creditors with notice of this application and its substance with at least 14 days’ notice. In order to do this, the Joint Administrators intend to publish a copy of this witness

statement to the administration portal and then publish an administrator update on the administrators' and Company's websites which will include a link to the administration portal where this witness statement can be viewed. The Joint Administrators also propose to use an email campaign to contact creditors, including potential redress creditors who have submitted a claim to date or have an upheld final response letter, that will have a link to the administration portal. These updates will include a notice inviting creditors wishing to object to this application to get in touch by sending a written objection that will be communicated to the Court at the hearing. Any creditors wishing to attend this hearing will be invited to contact the Joint Administrators, who will take steps to ensure that those creditors can attend the virtual hearing, if practicable. The FCA has provided a statement of no objection in relation to this application.

Declaration of a dividend despite a pending application to the Court

69. I understand that pursuant to Rule 14.34(2) of the Rules, the Joint Administrators must not declare a dividend as long as there is pending an application to the Court to reverse or vary a decision of the office-holder on a proof (or to exclude a proof or reduce the amount claimed) unless the Court gives permission. Accordingly, the Joint Administrators seek the Court's permission to declare a dividend notwithstanding that there may (at the relevant times) be pending applications to the Court to reverse or vary a decision of the Joint Administrators on a proof of debt. As discussed below, there are certain operational difficulties which the Joint Administrators will need to overcome in the time period between the last date for proofs and when a dividend is required to be declared. As the Joint Administrators would like to declare a dividend as soon as reasonably practicable, and considering the nature of the redress creditors, the Joint Administrators do not want there to be undue delay between the last date for proofs and the declaration of a dividend. Such delay could be caused by pending applications to the Court in respect of the Joint Administrators' decisions on proofs of debt. If this permission is granted then, in accordance with Rule 14.34(2), full provision will be made by the Joint Administrators in respect of any pending applications at the point of the declaration of a dividend and as such no creditor will be prejudiced by this relief.

Extension of time period required to be included in a Rule 14.29 notice

70. Under Rule 14.30 of the Rules, the Joint Administrators are required to include, within a notice pursuant to Rule 14.29, a statement that they intend to make a distribution to creditors or declare a dividend within the period of two months from the last date for proving. Under Rule 14.34(1), the Joint Administrators are required to declare the dividend in the two month period referred to in Rule 14.30 in accordance with the notice of intention to declare a dividend unless the Joint Administrators have cause to postpone or cancel the dividend.
71. The Joint Administrators do not believe that two months will be a sufficient amount of time following the last date for proofs for such a distribution or declaration. This is because it will

be operationally difficult, considering: (i) the significant volume of redress creditors; (ii) the potential amount of manual appeals considering the nature of the redress creditors; (iii) the potential additional time required to provide adjudication in respect of the loans sold as part of the Portfolio Sales; and (iv) the logistics required in determining the appropriate dividend rate (taking into account the possibility of appeals to the Joint Administrators' decisions on proofs of debt), for the Joint Administrators to declare a dividend within two months from the last date for proving. Since the process will be done using the Company's system and staff, there will be a handover to the systems used by the Joint Administrators in admitting the redress creditors as creditors and uploading, auditing and reviewing claims before payment can be released to all creditors which may take some time.

72. The Joint Administrators do not believe that, in the circumstances, and considering in particular the volume of potential redress creditors and the nature of the redress creditors, that it would be appropriate for this time period to be extended at the relevant time (pursuant to Rule 14.33) as this would require a new notice under Rule 14.29 to be issued which would create a new last date for proving. In turn, this would trigger a new date for insolvency set-off under Rule 14.24, thus negating the advantages described in paragraph 67 above. The Joint Administrators believe that this would cause confusion amongst redress creditors and cause a disproportionate increase in operational costs.
73. The Joint Administrators have experience from their appointment in respect of the administration of a business similar to the Company in respect of how long the distribution will take to prepare, especially considering the potential volume of redress creditors. The Joint Administrators therefore request that the two month period referred to in Rule 14.30(a) and Rule 14.34(1) is extended to seven months. The Joint Administrators expect the last date for proving to be set six months from the date the Claims Process is expected to be launched (no later than the end of July 2020), meaning that a distribution is expected to be declared by the end of August 2021. These proposed timings have been discussed with the FCA, who has not raised an objection.

Extension of time period required to in which to admit or reject proofs

74. Under Rule 14.32 of the Rules, the Joint Administrators are required to, within 14 days of the last date for proving, either (i) admit or reject (in whole or in part) proofs delivered to the Joint Administrators, or (ii) make such provision in relation to them as the Joint Administrators think fit. In this case, the Joint Administrators do not believe that 14 days will be a sufficient amount of time following the last date for proofs in which to admit or reject proofs or to make provision for them. As described in paragraph 62, the Joint Administrators expect that it will be necessary to request certain information in respect of loans sold as part of the Portfolio Sales in order to quantify those redress claims. Given the anticipated timeframe described in paragraph 62, the Joint Administrators' target time to adjudicate a claim made by a potential redress creditor in respect of a sold loan is three months and so in the event that a

claim is made on the last day for proving it is likely that that the Joint Administrators will be unable to admit or reject such a claim within 14 days. The Joint Administrators do have the option, pursuant to Rule 14.32, to make provision for such a claim. However, given the large number of potential redress creditors, the Joint Administrators expect, considering their experience in respect of a similar administration, that there may be a large number of claims submitted toward the end of the time period for proving. In this case, the Joint Administrators anticipate that it would be operationally difficult to be able to review each of these claims within 14 days to make suitable provision for them. Therefore, Joint Administrators request that the 14 day time period in rule 14.32(1) be extended to four months after the last date for proving, in order to provide sufficient time for them to adjudicate on all such claims.

Extension of the administration

75. The present term of the administration expires on 24 October 2020. As set out in the Proposals and the First Progress Report, the Joint Administrators anticipated that the administration would continue for longer than 12 months.
76. As described in the First Progress Report, the following tasks within the administration remain outstanding:
 - (A) realising certain assets of the Company;
 - (B) collecting the balance of the loan book, as far as possible;
 - (C) pursuing a sale of the loan book if deemed appropriate;
 - (D) assessing and valuing the claims of redress creditors in order to determine the level of unsecured creditors;
 - (E) finalisation of the Company's tax affairs, including completion of corporation tax and VAT returns and settlement of any liabilities;
 - (F) assessment of all creditor claims (including the process as described above); and
 - (G) distribution to all creditors.
77. The Joint Administrators estimate that it will require an additional twelve months from the current expiry of the Company's administration to complete these outstanding tasks. Accordingly, the Joint Administrators seek for the administration to be extended by twelve months, to 24 October 2021 in order for the purpose of the administration to be achieved.

The issue of this application

78. In the circumstances and for the reasons set out in this statement, I respectfully request that the Court make the orders sought.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true.



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Christine Lavery

Dated this 11 day of June, 2020

IN THE HIGH COURT OF JUSTICE

**BUSINESS AND PROPERTY COURTS OF
ENGLAND AND WALES**

INSOLVENCY AND COMPANIES LIST (ChD)

**IN THE MATTER OF CASHEURONET UK,
LLC (IN ADMINISTRATION)**

**AND IN THE MATTER OF THE
INSOLVENCY ACT 1986**

**FIRST WITNESS STATEMENT OF
CHRISTINE LAVERTY**

Slaughter and May
One Bunhill Row
London
EC1Y 8YY
Tel: 020 7600 1200

Solicitors for the Joint Administrators