

TO ALL KNOWN INVESTORS AND CREDITORS

24 April 2019

Email: investorcollateral@bdo.co.uk

Dear Madams/Sirs

Collateral (UK) Limited - In Administration
Collateral Sales Limited - In Administration
Collateral Security Trustee Limited - In Administration

The following abbreviations are used from time to time throughout this report:

“CUKL”	Collateral (UK) Limited
“CSTL”	Collateral Security Trustee Limited
“CSL”	Collateral Sales Limited
“the Companies”	CUKL, CSTL and CSL, collectively
“the Joint Administrators”	Shane Crooks and Mark Shaw, of BDO LLP
“the Committee”	the Creditors’ Committee
“the Proposals”	the Joint Administrators’ Proposals presented to investors and creditors on 21 June 2018 and approved on 5 July 2018

It is approaching twelve months since my appointment in respect of the Companies, and I am now providing my final report in respect of the administrations before the Companies are placed into Creditors’ Voluntary Liquidation.

This report details the progress made in implementing the Proposals and achieving the statutory purposes of the administrations for the period from 27 October 2018 to 24 April 2019 (“the Period”).

This report should be read in conjunction with my previous reports circulated to investors and creditors. Given the degree of inter-dependence between the Companies’ affairs and for cost-efficiency, the reports for the Companies have been consolidated into one document.

1 Statutory information and background

The Joint Administrators are Shane Crooks (officeholder number: 15110) and Mark Shaw (officeholder number: 8893), both of BDO LLP, 55 Baker Street, London, W1U 7EU. We were appointed by the High Court (Manchester Business and Property Courts) (“the Court”) on 27 April 2018.

Under the provisions of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the Joint Administrators carry out their functions jointly and severally, meaning any action can be done by one Joint Administrator or by both of them.

The background to the Joint Administrators’ appointment is detailed in my previous reports. By way of brief recap, however, the directors took steps to place the Companies into administration on 28 February 2018, and Mr Gordon Craig of Refresh Recovery Limited was purportedly appointed as administrator over the Companies on that date.

Under section 362A of the Financial Services and Markets Act 2000, an administrator cannot be appointed over a company carrying out regulated activities without the consent of the UK Financial

Conduct Authority (“the FCA”). In this case, the FCA’s consent was neither sought nor provided in relation to the proposed appointment of Mr Craig.

Consequently, on 15 March 2018, the FCA made an application to the Court seeking (i) a declaration that the purported appointment of Mr Craig was invalid; and (ii) an order appointing me and Mark Shaw of BDO LLP as Joint Administrators. Following a hearing on 27 April 2018, the Court made an order in those terms. The administration proceedings are dealt with in the Court, and the court case numbers are 2168, 2169 and 2170 of 2018 for CUKL, CSL and CSTL respectively.

The Companies’ registered office is now situated at 55 Baker Street, London, W1U 7EU. The Companies’ registered numbers are 09314729, 10390419 and 10390795 for CUKL, CSL and CSTL respectively.

2 Receipts and payments

I enclose, for your information, a summary of the receipts and payments for the Period. For the purpose of this report, all receipts and payments have been consolidated and included on the summary of receipts and payments for CUKL, notwithstanding the fact that certain receipts and payments may relate to the realisation of assets held on trust by one or more of the Companies for investors (as set out in greater detail in Section 6 of the Proposals, and Section 7 below).

Most of the receipts and payments are self-explanatory, although I specifically note that, during the Period, further receipts of £429,857 have been realised from loan redemptions and settlements and the payment of interest by certain borrowers. This is explained in further detail in Section 5 below.

3 Professional costs in the administrations

I set out below a summary of the professional fees and other expenses which have been paid in the administrations to date, the fees and expenses which have accrued but not yet been paid and, where possible, an estimate of the future costs that are anticipated. The fees of the Joint Administrators are dealt with separately in Section 9 below.

Professional fees and expenses	Accrued £	Paid £	Anticipated £
Osborne & Partners - public relations consultancy	£2,250	£2,250	No further costs anticipated at this time.
Stevens & Bolton LLP - solicitors	£137,284	Nil	Not possible to estimate at this time.
GVA (now Avison Young) & Gordon Brothers - agents and valuers	£26,500	Nil	Not possible to estimate at this time.
Moorcroft Properties - property agents	£5,752	£5,752	No further costs anticipated at this time.

My report of 26 November 2018 provided details of the nature of the above professional costs, with the exception of those provided by Moorcroft Properties (“Moorcroft”). In summary, Osborne & Partners provided public relation advice in relation to press and media enquiries at the outset of the administrations; Stevens and Bolton (“S&B”) are providing ongoing legal advice to the Joint Administrators in relation to various aspects and issues arising in the administrations; and Avison Young (“AY”, previously GVA) and Gordon Brothers provide, respectively, ongoing real estate advice and assistance in relation to the chattel assets.

Moorcroft was engaged by the Joint Administrators to deal with certain security issues arising at the development site in Great Moor Street, Bolton, at a time when the property was still under the control of the relevant borrower.

4 Summary of the Proposals

Investors and creditors approved the Proposals, which were presented in our report dated 21 June 2018. In broad summary, the Proposals allowed for:

- A. The Joint Administrators to continue to manage the Companies' affairs, business and property and realise their assets in accordance with (as appropriate) the statutory objectives set out in paragraphs 3(1)(b) and (c) of Schedule B1 of the Insolvency Act 1986 (i.e. the second and third statutory purposes respectively).
- B. The Joint Administrators to exit the administrations by way of Creditors' Voluntary Liquidation, whereupon Shane Crooks and Mark Shaw would be the Joint Liquidators and would act jointly and severally.
- C. Investors and creditors to appoint a Creditors' Committee to assist the Joint Administrators in their conduct of the administrations, including the consideration and approval of the Joint Administrators' fees (such a committee must comprise of between three and five creditors). A Committee has subsequently been formed, consisting of five investor representatives.

5 Progress and future of the administrations

As set out in the Proposals, the Joint Administrators have conducted the administrations with a view to achieving the second and, insofar as possible, third statutory purposes.

For reference, (i) the second statutory purpose is to achieve a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up (without first being in administration), and (ii) the third statutory purpose is to realise property in order to make a distribution to one or more secured or preferential creditors.

As stated in previous reports, as regards the second purpose, the administration proceedings have allowed the Joint Administrators to take control of the Companies and seek to recover the books and records. This was a critical step in allowing the Joint Administrators to maximise recoveries from the loan books and hence the returns to investors and creditors. As regards the third purpose, there are no secured creditors but there are preferential claims against CUKL and, accordingly, this objective is likely to be achieved. In this regard this objective overlaps, and is consistent, with the second statutory purpose of the administrations.

The Joint Administrators are now taking the steps necessary to move the Companies from administration to Creditors' Voluntary Liquidation ("CVL"), in accordance with the Proposals. The Companies will move to CVL once this report is filed with Companies House, and Shane Crooks and Mark Shaw will be appointed as Joint Liquidators of the Companies. The remaining matters will be dealt with in the liquidations and, in practice, there will be no impact on the day-to day running of the insolvent estates.

I summarise below the further work that has been undertaken since my last report to investors and creditors on 26 November 2018. During the Period, the Joint Administrators have been working closely with the Creditors' Committee, and keeping it fully informed of all aspects of the administrations.

Electronic data and online platform

The retrieval and recovery of the electronic data previously stored on the Collateral platform remained a key work stream in the Period. My previous reports have highlighted some of the difficulties experienced in locating, securing and accessing the electronic information.

Investors and creditors will recall that the Joint Administrators had managed to identify the third party IT service provider that held the servers previously used by the Companies and had secured a significant amount of data. The retrieved data was not, however, in a user-friendly format that

would allow the extraction of the relevant information in a cost-effective and time-efficient manner.

Accordingly, we have been liaising with BDO's IT experts to find a solution that would allow the retrieval and manipulation of the relevant data. As the information that had been provided to the Joint Administrators at the outset of the administrations (and from which the indicative, pre-completed Proof of Debt forms had been prepared) only provided a summary of each investor's total exposure to the platform, it is particularly important to extract the detailed information required to provide an analysis of each individual investor's exposure to each loan (or tranche of loan) into which they had invested. Recovering this information will be of particular importance if investors are to be able to pursue 'trust' claims in respect of loans.

As a result of the work on the electronic data undertaken to date we have extracted a detailed analysis of each investor's exposure to the loans on the Collateral platform. For a significant number of investor accounts (approximately 85% of the total number of accounts), the detailed analysis reconciles exactly to the summary information provided to the Joint Administrators at the outset of the administrations.

However, the remaining investor accounts do not currently reconcile. In March 2019, we contacted a small number of investors who have the largest discrepancies between the detailed analysis and the summary information balances, in an attempt to identify the cause of the discrepancies. The responses received from some of the investors concerned has provided some very helpful feedback, and further work is now being carried out to establish whether the detailed analysis can be refined further so that the remaining account balances can be reconciled. Once this exercise has been completed, the Joint Administrators would be able to provide detailed analyses to all investors of their exposure to the Collateral platform.

The loan books

Recovery of the value of the loan books has been a key focus of our work during the Period. In this respect, we continue to work very closely with, and to be advised by, our lawyers and agents in relation to the issues being encountered. We also liaise, where appropriate, with the Creditors' Committee.

Investors and creditors will recall that the Companies effectively operated two loan books. The first, and largest, loan book contains loans secured over property (i.e. real estate) assets. Based on the information that had been provided at the outset of the administrations, loans with an aggregate value of c£14.8m were secured over assets with a book value of c£22m. The second loan book relates to 'sale agency agreements', colloquially known as 'chattel loans'. According to the Companies' records, these agreements had an aggregate value of c£1.67m, secured over assets with a book value in excess of £2.4m. All loans had become due by the date of our last report to investors and creditors on 26 November 2018.

Whilst we have continued to liaise closely with the Creditors' Committee, providing detailed updates in respect of each specific loan, for reasons of commercial sensitivity, we are unable to provide the same level of detail in our reports to the general body of investors and creditors. Notwithstanding the above, we provide a general update on progress of the loan books below.

As previously advised, the general approach adopted by the Joint Administrators has been to engage with the borrowers, as far as possible, with a view to reaching a consensual agreement on the refinancing and redemption of the outstanding loans. These discussions have continued with a significant number of the borrowers during the Period, with a number of loans being refinanced. It has, however, been necessary to take enforcement action in relation to a number of the loans during the Period.

Redemptions/settlements from loans against properties

I summarise below those property loans that have been redeemed to date, providing details of the principal loan value and the amount recovered (i.e. including interest):

Property	Principal loan £	Amount recovered £
Old Road, Bromyard, Hereford	210,000	212,174
Bolton Street, Blackpool, Lancashire	105,000	120,419
Barnston Road, Liverpool	74,900	94,087
Miller Street, Blackpool, Lancashire	108,500	129,907
Mullen Road, Wallsend, Newcastle upon Tyne	80,500	85,000
St Albans Crescent, Heaton, Newcastle upon Tyne	133,000	139,000
Total	711,900	780,587

The Joint Administrators continue to negotiate with a number of further borrowers in respect of the redemption of their outstanding loans. In this regard, the Joint Administrators currently anticipate that two further redemptions may close by the end of April 2019.

Should these negotiations fail, or should the borrowers be unable to refinance the loans, the Joint Administrators may be required to take enforcement action over the properties which secure the outstanding loans.

Enforcement over loans against properties

Whilst negotiations with the relevant borrowers continued, it became evident that not all borrowers would be able, or willing, to refinance their outstanding loans, and the Joint Administrators would need to take enforcement action over properties held as security in respect of certain of the loans. We therefore sought legal advice and began taking the steps necessary to ensure that we were in a position to enforce the Companies' rights and security in relation to those loans.

According to the legal advice received, the terms and conditions governing the contractual relationship between investors and the Companies required investors to pass a "Lender Resolution" before the Companies could enforce over any security. As a result, on 21 December 2018, the Joint Administrators wrote to all investors seeking the approval of such a Lender Resolution in respect of all outstanding loans; this would enable the Joint Administrators to take enforcement action as quickly and efficiently as possible.

The required Lender Resolution was obtained in respect of all outstanding property loans. This has, and will, allow the Joint Administrators to proceed with any necessary enforcement action. In this regard, I would advise that fixed charge receivers have already been appointed over a number of properties, as listed below, in order to affect their realisation:

Property	Principal loan £
Meadows House, Park Street, Chelsea, London	595,000
Navigation Building, Station Approach, Hayes, Middlesex	325,300
Pembroke Street, Littleborough	125,000
Great Moor Street, Bolton	5,190,000
Block C, Colne Hall, Manchester Rd, Huddersfield	1,601,000

Investors and creditors will note that it has been necessary to appoint such receivers over properties securing some of the larger loans on the loan book. Partners in AY have been appointed as receivers over the properties in each case, and we are currently working closely with them to formulate an appropriate disposal strategy for each property. Due to reasons of commercial sensitivity, no further detail in relation to the proposed strategy can be provided in this report.

Chattel loans

As advised in our previous reports, all chattel borrowers have elected to return the assets secured by the sales agency agreements rather than make an offer of settlement. Accordingly, we had instructed appropriate agents to facilitate the collection of the relevant assets and to provide valuation advice. We can confirm that those agents have now collected all assets financed by the sales agency agreements that we were made aware of at the outset of the administrations.

As previously advised, further assets are held in the Companies' safe deposit box located in a third party facility in Manchester. This remains under the control of the Joint Administrators.

Our agents have undertaken a valuation of all assets recovered in respect of the chattel loans and the safe deposit facility. It is apparent that there are certain variances between this independent valuation and the book values contained in the Companies' books and records that were made available to us at the outset of the administrations. We have asked the directors for an explanation in respect of these variances, before we take any steps to dispose of the assets. Further updates will be provided to investors and creditors in due course, subject to any commercial sensitivity constraints.

The Joint Administrators have also been advised, both by members of the Creditors' Committee and directly by certain investors, that there may be further chattel loans that the Joint Administrators were not made aware of at the outset of the administrations. We are continuing to investigate this matter and have sought an explanation from the directors to establish the correct position. Again, further updates will be provided in due course.

The Companies' bank accounts

As previously reported, the Joint Administrators took steps to secure the Companies' bank accounts immediately upon their appointment, and balances of £383,243 and £429,307 were held in the CUKL office and client account respectively. There is a discrepancy between the balance held in the client account and the very little accounting information currently available to the Joint Administrators. Our investigations in relation to this matter continue, and are linked to our ongoing work in relation to the extraction of the electronic data.

Other assets

I can confirm that there are no assets of a peculiar or special nature, which cannot be sold.

Consequently, there has been no distribution of unsold assets to investors and creditors, as mentioned in Rules 18.10/14.13 of the Insolvency (England & Wales) Rules 2016 ("the Rules").

Communication with stakeholders

Investors and creditors will recall that the Joint Administrators have set up a dedicated website that provides information to investors, creditors and borrowers of the Companies. Please note the website details below:

<https://www.bdo.co.uk/en-gb/collateral-companies-in-administration>

The website is updated periodically and is used to provide appropriate updates to stakeholders on the progress of the administrations (and subsequent liquidations). Frequently asked questions ("FAQs") have been uploaded to the website address from time to time to deal with the most common queries received from investors and creditors. This approach has been adopted so that we can share answers to questions raised by individual investors and creditors with all investors and creditors.

We have also set up a dedicated email address for investors at investorcollateral@bdo.co.uk and for borrowers at borrowercollateral@bdo.co.uk.

The Joint Administrators continue to provide periodic updates to the FCA in relation to progress in the administrations.

Creditors' Committee

The third formal meeting of the Creditors' Committee took place on 12 March 2019, and the committee members have played a key role in helping to develop the administration strategy and deal with issues as they arise.

The Creditors' Committee will continue to serve the same role in the liquidations, with the same membership, as a Liquidation Committee. The first meeting of the Liquidation Committee is scheduled to take place in June 2019.

6 Investigations

The Joint Administrators have a duty to investigate the affairs of the Companies to establish if there are any actions that can be pursued for the benefit of investors and creditors as a whole, including investigations into the conduct of the Companies' officers (including de facto and shadow officers).

In this latter respect, the Joint Administrators must submit a confidential report to the Secretary of State regarding the conduct of all appointed, de facto and shadow directors during three years preceding the administration appointments.

The Joint Administrators have continued to progress their investigations into the affairs of the Companies during the Period. As touched upon above, we have sought explanations from the directors in relation to a number of issues that have arisen, and we currently await their substantive response.

If any investor or creditor holds any information that they wish to bring to our attention, which may assist us in the administrations (or liquidations) or which they believe merits further investigation, they should contact the Joint Administrators c/o BDO LLP, 55 Baker Street, London, W1U 7EU or by email at investorcollateral@bdo.co.uk.

7 Prospects for creditors

Secured creditors

Based on current information, the Companies have no secured creditors.

Preferential creditors

Certain amounts due to former employees in respect of arrears of wages and accrued holiday pay at the date of the administrations will be classed as preferential claims.

As previously reported, the directors advised the Joint Administrators that staff were paid up to 28 February 2018. The Joint Administrators wrote to the former employees to establish whether there were any amounts due to them in respect of accrued holiday or notice pay.

To date, former employees of CUKL have claimed c£6.2k in respect of accrued holiday and payment in lieu of notice (this latter element ranking as unsecured claims). The Government's Redundancy Payments Service has paid c£5.9k of that amount to the employees. Of the residual claims, approximately £1.2k rank as preferential claims in the liquidation of CUKL.

Prescribed Part

Under Section 176A of the Insolvency Act 1986 where, after 15 September 2003, a company has granted to a creditor a floating charge, a proportion of the net property of that company must be made available purely for the unsecured creditors.

None of the Companies has granted a floating charge to any creditor after 15 September 2003 and consequently there will be no prescribed part in these administrations.

Claims of unsecured creditors and investors

As set out in greater detail in the Proposals, the Joint Administrators' preliminary view was that any client monies and assets may be held on trust for investors pursuant to the FCA Client Assets Sourcebook ("CASS") Rules.

Additionally, the Joint Administrators were advised that investors can also be treated as creditors of the Companies as a consequence of s26 of the Financial Services and Markets Act 2000 ("FSMA 2000") and the fact that the Companies were carrying on regulated activity in contravention of the general prohibition. This analysis has remained unchanged although, as previously advised, it will be kept under review as and when further information comes to light.

As a consequence of the above analysis, investors may, therefore, have two types of claim:

- 'Trust claims', arising from the fact that the majority of the assets were 'client assets' held on trust by the Companies for the benefit of relevant investors; and/or
- To the extent required, 'creditor claims' in respect of any shortfall arising from any trust claims (arising as a consequence of s26 of FSMA 2000). These would be claims against any non-trust assets held by the Companies.

As previously advised, the practical implication of the above analysis is that the Joint Administrators will not be able to estimate the level of investor or creditor claims until such time as the relevant trust assets have been determined and realised, and the level of any shortfall claims identified. This will depend on the quality of the loan books and the level of the subsequent realisations, and to the extent to which the Companies' records can be recreated to provide the necessary analysis of each investor's exposure to specific loans. The progress achieved to date in relation to the latter point is analysed in Section 3 of this report.

In addition to the claims of investors, the Joint Administrators have received three claims to date from unsecured creditors, totalling c£758,000. These claims are still being reviewed by the Joint Administrators and have not yet been adjudicated.

8 Pre-administration costs

As previously reported, BDO LLP incurred certain costs in preparing and planning for the administrations. Allowable pre-appointment costs fall into the following categories:

- (i) The fees charged by the Joint Administrators' firm;
- (ii) The expenses incurred by the Joint Administrators' firm;
- (iii) The fees charged (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner.

The pre-appointment work of BDO LLP primarily involved preparing for and attending Court in Manchester for the initial and adjourned hearings on 16 March 2018 and 27 April 2018, liaising with the FCA and legal advisors and preparing and planning the Joint Administrators' indicative strategy in respect of the proposed appointments.

The table below summarises the time spent prior to the Joint Administrators' formal appointment, which has been split equally between the Companies as an appropriate apportionment basis.

Company	Hours	Cost £
CUKL	28.17	12,154.41
CSTL	28.17	12,154.41
CSL	28.17	12,154.41
Total	84.51	36,463.23

The quantum of these pre-appointment fees has been approved by the Creditors' Committee, and will shortly be drawn from non-trust asset realisations.

9 Joint Administrators' remuneration

The Joint Administrators are obliged to fix their remuneration in accordance with Rule 18.16 of the Rules. This permits remuneration to be fixed either as: (i) a percentage of the assets realised and distributed; (ii) by reference to the time the Joint Administrators and their staff have spent attending to matters in the administrations; or (iii) as a set amount. Remuneration may be fixed on one or a combination of any of these bases. In this particular matter, we have sought to have our remuneration fixed on a time costs basis.

As previously reported, the issue of the Joint Administrators' remuneration is complicated by the nature of the Companies' assets and the fact the Joint Administrators consider that they may well be dealing with both 'trust' assets and 'company' assets.

As set out in greater detail in the Proposals, the Joint Administrators have established an internal time recording protocol to split time charged to this assignment between specific or general trust assets, and non-trust, or company, assets. In relation to non-trust issues, such time is also split between the Companies as appropriate.

Schedules summarising the time that has been spent in dealing with each of the administrations in the Period, together with schedules summarising total time costs in the administrations to date, are attached to this report. As set out in the Proposals, the charge out rates for all BDO partners and staff working on the administrations have been discounted to the rates agreed with the FCA prior to the Joint Administrators' appointment. The analysis splits the time spent dealing with assets potentially subject to trusts from that spent dealing with what may be the Companies' own assets, or other issues. Due to the inter-linked nature of the Companies' affairs, and pending certainty over the Companies' financial positions, you will note that the 'non-trust' costs have at this stage been allocated evenly across the Companies. We will keep under review the appropriate allocation of costs across the Companies as further information/analysis comes to light.

You will note that total time costs for the Period total £61,408 in respect of time spent dealing with non-trust assets and £148,534 in respect of time spent dealing with trust assets, as per the detailed breakdown provided in the schedules at the end of this report. The Joint Administrators are liaising with the Creditors' Committee in relation to the approval of these, and all other outstanding, fees. To date, the Creditors' Committee has approved the Joint Administrators' costs, for the period 27 April 2018 to 21 September 2018, in the sums of £87,526 plus VAT and £189,758 plus VAT in respect of time spent dealing with non-trust and trust assets respectively.

Also attached to this report is a revised fee estimate, annotated with a column showing the time costs accrued in respect of each activity to date. This revised fee estimate has already been discussed with the Creditors' Committee. The original fee estimate was included in the Proposals and was therefore prepared at the outset of the administrations. As the administrations have progressed, we have inevitably obtained better clarity on the key issues and work streams including, in particular, the complexities of working out the loan books and the ongoing efforts to restore the electronic data. As such, the revised estimate represents a more accurate assessment of the likely costs. This will continue to be refined as time passes into the liquidations.

For guidance, I also enclose 'A Creditors' Guide to Administrators fees', together with a document that outlines the policy of BDO LLP in respect of fees and disbursements.

10 Disbursements

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. Category 1 disbursements totalling £180 have accrued in the Period.

Some administrators recharge expenses, for example printing, photocopying and telephone costs, which cannot economically be recorded in respect of each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP in respect of this appointment is not to charge any category 2 disbursements with the exception of mileage on the basis of the mileage scale approved by HMRC, being 45p per mile unless otherwise disclosed to the creditors. No category 2 disbursements have accrued in the Period.

Total disbursements of £3,407 have been incurred in the administrations to date as detailed below:

	CUKL £	CSTL £	CSL £
Bonding	200	200	200
Staff travel & accommodation	2,349		
Statutory advertising	52	53	53
Staff expense	188		
IT equipment	112		
Total	2,901	253	253

No disbursements have been drawn during the administrations to date.

11 Creditor rights and enquiries

Investors and creditors with the concurrence of at least 5% in value of the claims of investors and unsecured creditors may within 21 days of this report request in writing further information regarding the remuneration and expenses set out in this report. In accordance with Rule 18.9(3) of the Rules, within 14 days of a request we will provide further information or explain why further information is not being provided. Investors and creditors may access information setting out creditors' rights in respect of the approval of an administrator's remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

Investors and creditors with the concurrence of at least 10% in value of the claims of investors and creditors may apply to the Court if they consider that the remuneration of the Joint Administrators, or the basis fixed for the remuneration of the Joint Administrators or expenses charged by the Joint Administrators are excessive (Rule 18.34 of the Rules). Such an application must be made within 8 weeks of receiving this report.

The texts of Rules 18.9 and 18.34 are set out at the end of this report.

The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this appointment. A copy of the code is at <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>.

Investors and creditors may access information setting out creditors' rights in respect of the approval of the Joint Administrators' remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

The Insolvency Service has established a central gateway for considering complaints in respect of insolvency practitioners. In the event that you make a complaint to me but are not satisfied with my response, you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

If you require any further information in relation to this report, please contact investorcollateral@bdo.co.uk.

Yours faithfully
For and on behalf of
The Companies



Shane Crooks
Joint Administrator
Authorised by the Institute of Chartered Accountants in England & Wales in the UK

Enclosures

Receipts & Payments Accounts
Detailed SIP 9 Time Costs for the Period & Administrations
Fee Estimate to Accrued Time Comparison
BDO LLP policy in respect of Fees & Disbursements
Statement of Creditors' Rights in respect of Fees and Disbursements

Collateral UK Limited - in Administration
Summary of receipts and payments for the period 27 April 2018 to 24 April 2019

	27 April 2018 to 26 October 2018	Period since Joint Administrators' Progress Report - 27 October 2018 to 24 April 2019	Total
Receipts	£	£	£
Client Account	429,307.30	-	429,307.30
Office Account	383,243.54	-	383,243.54
Receipt from Refresh	48,000.00	-	48,000.00
Redemption of Loans	315,000.00	396,900.00	711,900.00
Interest on Loans	35,731.50	32,957.10	68,688.60
Bank Interest	180.23	418.80	599.03
	<u>1,211,462.57</u>	<u>430,275.90</u>	<u>1,641,738.47</u>
Payments			
Professional Fees	2,250.00	-	2,250.00
Insurance	2,642.04	-	2,642.04
Property Agents	-	5,752.50	5,752.50
Legal Disbursements	-	2,252.98	2,252.98
Committee Expenses	-	1,439.46	1,439.46
Bank Charges	9.00	91.40	100.40
Input VAT	450.00	1,601.10	2,051.10
	<u>5,351.04</u>	<u>11,137.44</u>	<u>16,488.48</u>
Balance in hand			1,625,249.99
			<u>1,641,738.47</u>

BDO LLP

55 Baker Street
London
W1U 7EU

Shane Crooks
Joint Administrator
24 April 2019

Notes

- 1 Statement of affairs comparatives are not presently available as, to date, the directors have not been in a position to prepare such statements for the Companies.
- 2 All receipts and payments have been consolidated and included on the summary of receipts and payments for CUKL, notwithstanding that it is recognised that certain of these receipts and payments will relate to the realisation of trust assets.

Collateral UK Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 October 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	5.57	3,332.00	12.07	3,959.43	12.07	2,414.77	1.77	123.27	31.47	9,829.47	312.38
Creditor & Investor Claims and Queries	0.83	500.00	9.60	3,196.80	0.33	67.00	0.08	5.17	10.85	3,768.97	347.37
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	0.33	200.00	0.47	100.80			4.27	295.73	5.07	596.53	117.74
Establishment of, and reporting to, the Creditors' Committee	4.42	2,650.00	6.27	2,086.80	7.65	1,537.65			18.33	6,274.45	342.24
	11.15	6,682.00	28.40	9,343.83	20.05	4,019.42	6.12	424.17			
							Total		65.72	20,469.42	311.48

Collateral Sales Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 October 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	5.57	3,332.00	12.07	3,959.43	12.07	2,414.77	1.77	123.27	31.47	9,829.47	312.38	
Creditor & Investor Claims and Queries	0.83	500.00	9.60	3,196.80	0.33	67.00	0.08	5.17	10.85	3,768.97	347.37	
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	0.33	200.00	0.47	100.80			4.27	295.73	5.07	596.53	117.74	
Establishment of, and reporting to, the Creditors' Committee	4.42	2,650.00	6.27	2,086.80	7.65	1,537.65			18.33	6,274.45	342.24	
	11.15	6,682.00	28.40	9,343.83	20.05	4,019.42	6.12	424.17				
									Total	65.72	20,469.42	311.48

Collateral Security Trustee Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 October 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	5.57	3,332.00	12.07	3,959.43	12.07	2,414.77	1.77	123.27	31.47	9,829.47	312.38	
Creditor & Investor Claims and Queries	0.83	500.00	9.60	3,196.80	0.33	67.00	0.08	5.17	10.85	3,768.97	347.37	
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	0.33	200.00	0.47	100.80			4.27	295.73	5.07	596.53	117.74	
Establishment of, and reporting to, the Creditors' Committee	4.42	2,650.00	6.27	2,086.80	7.65	1,537.65			18.33	6,274.45	342.24	
	11.15	6,682.00	28.40	9,343.83	20.05	4,019.42	6.12	424.17				
									Total	65.72	20,469.42	311.48

Collateral UK Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	9.85	5,898.00	25.05	8,200.00	23.64	4,739.08	7.10	535.41	65.64	19,372.49	295.12
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	1.33	800.00	12.93	3,982.13	10.38	2,083.11	7.15	448.00	31.79	7,313.25	230.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	11.75	4,406.88	13.32	4,020.55	24.67	5,451.78	8.93	600.67	58.67	14,479.87	246.82
Establishment of, and reporting to, the Creditors' Committee	14.58	8,750.00	16.30	5,429.90	42.86	8,614.53			73.74	22,794.43	309.11
	37.52	19,854.88	69.20	22,069.25	120.19	24,581.97	29.50	2,055.89			

Total 256.41 68,561.99 267.39

Collateral Sales Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	9.85	5,898.00	25.05	8,200.00	23.64	4,739.08	7.10	535.41	65.64	19,372.49	295.12
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	1.33	800.00	12.93	3,982.13	10.38	2,083.11	7.15	448.00	31.79	7,313.25	230.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	11.75	4,406.88	13.32	4,020.55	24.67	5,451.78	8.93	600.67	58.67	14,479.87	246.82
Establishment of, and reporting to, the Creditors' Committee	14.58	8,750.00	16.30	5,429.90	42.86	8,614.53			73.74	22,794.43	309.11
	37.52	19,854.88	69.20	22,069.25	120.19	24,581.97	29.50	2,055.89			

Total 256.41 68,561.99 267.39

Collateral Security Trustee Limited - in Administration

Joint Administrators' time spent dealing with non-trust matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 12 April 2019

Description	PARTNER		MANAGER		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
Steps on Appointment including initial preparation of statutory documentation and establishing control.			1.35	394.92	18.32	3,626.48	3.55	233.91	23.22	4,255.31	183.29
General Administration, including investigations, liaising with lawyers and the FCA, cashiering, planning and strategy.	9.85	5,898.00	25.05	8,200.00	23.64	4,739.08	7.10	535.41	65.64	19,372.49	295.12
Employee Matters			0.25	41.75	0.33	67.00	2.77	237.90	3.35	346.65	103.48
Creditor & Investor Claims and Queries	1.33	800.00	12.93	3,982.13	10.38	2,083.11	7.15	448.00	31.79	7,313.25	230.04
Reporting, including preparation of the Joint Administrators' Proposals, maintenance of dedicated webpage and FAQ's.	11.75	4,406.88	13.32	4,020.55	24.67	5,451.78	8.93	600.67	58.67	14,479.87	246.82
Establishment of, and reporting to, the Creditors' Committee	14.58	8,750.00	16.30	5,429.90	42.86	8,614.53			73.74	22,794.43	309.11
	37.52	19,854.88	69.20	22,069.25	120.19	24,581.97	29.50	2,055.89			

Total 256.41 68,561.99 267.39

Collateral UK Limited
 Collateral Sales Limited
 Collateral Security Trustee Limited - All in Administration

Joint Administrators' time spent dealing with trust asset matters

Summary of Time Charged and Rates Applicable for the Period From 27 October 2018 to 12 April 2019

Description	PARTNER		DIRECTOR		MANAGER		EXECUTIVE		GRAND TOTAL		AV RATE
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£
IT platform specific work	11.50	6,900.00	2.00	630.00	9.10	3,030.30	34.00	6,834.00	56.60	17,394.30	307.32
General administration, including liaising with lawyers, meetings and correspondence with Mr Craig and the Directors	8.75	5,250.00			19.55	6,510.15	15.50	3,115.50	43.80	14,875.65	339.626712
Assets Realisation/Dealing (i.e dealing with realisation of loan books)	35.75	21,450.00			49.35	16,433.55	78.30	15,738.30	163.40	53,621.85	328.16
Time attributed to specific trust assets.	26.25	15,750.00			136.35	45,404.55	7.40	1,487.40	170.00	62,641.95	368.482059
	82.25	49,350.00	2.00	630.00	214.35	71,378.55	135.20	27,175.20			
							Total		433.80	148,533.75	342.40

Collateral UK Limited
 Collateral Sales Limited
 Collateral Security Trustee Limited - All in Administration

Joint Administrators' time spent dealing with trust asset matters

Summary of Time Charged and Rates Applicable for the Period From 27 April 2018 to 12 April 2019

Description	PARTNER		DIRECTOR		MANAGER		EXECUTIVE		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	
IT platform specific work	25.25	15,150.00	72.00	22,680.00	53.48	20,246.68	149.54	30,065.49	300.26	88,142.17	293.55	
General administration, including liaising with lawyers, meetings and correspondence with Mr Craig and the Directors	55.00	33,600.00			71.28	23,887.58	62.63	12,575.59	188.90	70,063.16	370.90	
Assets Realisation/Dealing (i.e dealing with realisation of loan books)	77.00	46,200.00	5.00	2,367.00	158.25	52,682.45	123.35	24,793.35	363.60	126,042.80	346.65	
Time attributed to specific trust assets.	65.50	39,300.00			305.56	101,751.16	22.15	4,269.40	393.21	145,320.56	369.58	
	222.75	134,250.00	77.00	25,047.00	588.56	198,567.86	357.66	71,703.83				
									Total	1,245.97	429,568.69	344.77

Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited - All In Administration

Joint Administrators' updated fee estimate

Summary Activity	Fees Estimate as per Joint Administrators' proposals dated 21 June 2018			Time Costs as at 12 April 2019			Updated costs estimate	Note
	Total Hours	Blended Rate £	Estimated Fee £	Total Hours	Blended Rate £	Total Fee £	Total Fee £	
Steps on appointment	91.33	186.32	17,016.00	69.65	183.29	12,765.92	12,765.92	1
Planning and strategy, including liaising with lawyers in relation to legal issues	130	405.46	52,710.00					2
General administration, compliance issues and investigations	235	188.94	44,400.00	196.93	295.12	58,117.47	95,000.00	3
Asset realisation/dealing, including recovery of loans and dealing with data/platform issues	750	360.47	270,350.00	1,190.82	360.73	429,568.29	575,000.00	4
Employee Matters	17	247.35	4,025.00	10.05	103.48	1,039.96	4,025.00	5
Investor/creditor claims – adjudication and distribution	300	331.82	99,545.00	95.38	230.02	21,939.74	99,545.00	6
Reporting	175	257.43	45,050.00	176.00	246.82	43,439.61	65,000.00	7
Committee reporting and liaison				276.38	247.42	68,383.28	85,000.00	8
General provision							50,000.00	9
TOTAL			533,276.00			635,254.27	986,335.92	
Solicitors' fees			125,000.00			137,284.00	230,000.00	10
Agents and valuers' fees			30,000.00			26,500.00	50,000.00	11

Assumptions and caveats

- (i) The Joint Administrators have attempted to revise the fee estimate on a prudent basis, reflecting the issues and complexities that have arisen since the preparation of the original fee estimate. Notwithstanding this, there are still many uncertainties regarding the amount of work required and likely duration of the assignment. This is particularly the case in respect of the work required on the realisation of the loan books and the restoration of the data. The estimate must therefore be caveated accordingly.
- (ii) If the Joint Administrators are required to commence or defend litigation against any parties, costs will likely increase.
- (iii) Whilst the estimate includes work required for adjudicating investor and creditor claims and dealing with the distribution of realisations, if there are any protracted disputes with investors or creditors regarding the quantum or nature of their claims, costs may increase.
- (iv) The revised fee estimate includes time that will be charged once the administrations have converted into Creditors' Voluntary Liquidations.

Notes

1. No further costs are anticipated in respect of this work stream.
2. In practice, this time has mostly been incorporated into the 'asset realisation' category: please see note 4.
3. Given the difficulties experienced in recovering the loans, the administrations/liquidations will take longer than originally expected. The estimate for this work stream has increased as a result.
4. The estimate for this work stream has increased substantially, reflecting: (i) the ongoing issues in restoring the data; and (ii) the fact that realising the loan books will be a significantly more complex and protracted work stream than originally anticipated. In particular, it is now apparent that the Joint Administrators will be required to take enforcement action in respect of a number of the property loans.
5. The costs associated with this work stream are not expected to change materially.
6. We continue to consider that significant time will need to be spent on this work stream, which includes the adjudication of over 1,100 investor claims, calculating and declaring distributions and, potentially, seeking Court directions.
7. Given the difficulties experienced in recovering the loans, the administrations/liquidations will take longer than originally expected. The estimate for this work stream has increased as a result.
8. The Joint Administrators consider that there will be an ongoing requirement to liaise closely with the Committee, given the number of complex issues arising.
9. A general provision has prudently been included to cover unforeseen costs and additional work streams.
10. Estimated solicitors' fees have increased to reflect the fact that realising the loan books will be a significantly more complex and protracted work stream than originally anticipated. The increased estimate does not include the costs arising from any litigation.
11. Estimated agents' fees have also increased as a result of the complexities associated with realising the property loan book. It remains very difficult, at the current stage, to accurately estimate the level of agents' fees, as they will depend to a significant extent on the number of properties over which the Joint Administrators are required to appoint receivers.



Collateral (UK) Limited
Collateral Sales Limited
Collateral Security Trustee Limited - All in Administration

In accordance with best practice, I provide below details of the policies of BDO LLP in respect of fees and expenses for work in relation to the above administrations.

The following charge out rates per hour of staff were agreed with the FCA prior to the Joint Administrators' appointment in relation to this matter. These rates are discounted from BDO's standard charge out rates by between 10% and 20%, depending on grade.

Grade	London	Manchester
Partner	600	416
Director	462	324
Senior manager	392 - 428	275 - 300
Manager	295 - 333	206 - 235
Assistant manager	266	186
Senior executive	248	176
Executive	182 - 224	127 - 158
Trainee	92 - 165	66 - 115

This in no way implies that staff at all such grades will work on the case.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories:

- Pre Appointment
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues.

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners.

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.



Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories:

Category 1 expenses

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), land registry searches, fees in respect of swearing legal documents etc. In each case the recharge will be reimbursement of a specific expense incurred.

Category 2 expenses

Insolvency practice additionally provides for the recharge of expenses such as printing, stationery, photocopying charges, telephone, email and other electronic communications eg webhosting, which cannot be economically recorded in respect of each specific case. Such expenses, which are apportioned to cases, must be approved by the creditors in accordance with the Insolvency (England and Wales) Rules 2016, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP in respect of this appointment is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged.

A further disbursement under this heading is the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 45p per mile is raised which is in line with the HM Revenue & Customs Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff. Where costs are incurred in respect of mileage, approval will be sought in accordance with the Insolvency (England and Wales) Rules 2016 to recover this disbursement. We do not anticipate that any such disbursements will be incurred in relation to this assignment.

Where applicable, all disbursements will be subject to VAT at the prevailing rate.

BDO LLP
24 April 2019

Statement from the Insolvency (England and Wales) Rules 2016 regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:

Creditors' and members' requests for further information in administration, winding up and bankruptcy

18.9.—(1) The following may make a written request to the office-holder for further information about remuneration or expenses (other than pre-administration costs in an administration) set out in a progress report under rule 18.4(1)(b), (c) or (d) or a final report under rule 18.14—

- (a) a secured creditor;
 - (b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);
 - (c) members of the Companies in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the Companies;
 - (d) any unsecured creditor with the permission of the court; or
 - (e) any member of the Companies in a members' voluntary winding up with the permission of the court.
- (2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.
- (3) The office-holder must, within 14 days of receipt of such a request respond to the person or persons who requested the information by—
- (a) providing all of the information requested;
 - (b) providing some of the information requested; or
 - (c) declining to provide the information requested.
- (4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—
- (a) the time or cost of preparation of the information would be excessive; or
 - (b) disclosure of the information would be prejudicial to the conduct of the proceedings;
 - (c) disclosure of the information might reasonably be expected to lead to violence against any person; or
 - (d) the office-holder is subject to an obligation of confidentiality in relation to the information.
- (5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.
- (6) A creditor, and a member of the Companies in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—
- (a) the office-holder giving reasons for not providing all of the information requested; or
 - (b) the expiry of the 14 days within which an office-holder must respond to a request.
- (7) The court may make such order as it thinks just on an application under paragraph (6).

Remuneration and expenses: application to court by a creditor or member on grounds that remuneration or expenses are excessive

18.34.—(1) This rule applies to an application in an administration, a winding-up or a bankruptcy made by a person mentioned in paragraph (2) on the grounds that—

- (a) the remuneration charged by the office-holder is in all the circumstances excessive;
- (b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or
- (c) the expenses incurred by the office-holder are in all the circumstances excessive.

(2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—

- (a) a secured creditor,
- (b) an unsecured creditor with either—
 - (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or
 - (ii) the permission of the court, or
- (c) in a members' voluntary winding up—
 - (i) members of the Companies with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the Companies, or
 - (ii) a member of the Companies with the permission of the court.

(3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question (“the relevant report”).

Applications under rules 18.34 and 18.35 where the court has given permission for the application

18.36.—(1) This rule applies to applications made with permission under rules 18.34 and 18.35.

(2) Where the court has given permission, it must fix a venue for the application to be heard.

(3) The applicant must, at least 14 days before the hearing, deliver to the office-holder a notice stating the venue and accompanied by a copy of the application and of any evidence on which the applicant intends to rely.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the office-holder is entitled to charge;
- (b) an order reducing any fixed rate or amount;
- (c) an order changing the basis of remuneration;
- (d) an order that some or all of the remuneration or expenses in question is not to be treated as expenses of the administration, winding up or bankruptcy;
- (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Companies, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
- (f) any other order that it thinks just.

(5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.

(6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration, winding up or bankruptcy.

Applications under rule 18.34 where the court's permission is not required for the application

18.37.—(1) On receipt of an application under rule 18.34 for which the court's permission is not required, the court may, if it is satisfied that no sufficient cause is shown for the application, dismiss it without giving notice to any party other than the applicant.

(2) Unless the application is dismissed, the court must fix a venue for it to be heard.

(3) The applicant must, at least 14 days before any hearing, deliver to the office-holder a notice stating the venue with a copy of the application and of any evidence on which the applicant intends to rely.



- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
- (a) an order reducing the amount of remuneration which the office-holder is entitled to charge;
 - (b) an order reducing any fixed rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration or winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Companies, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration or as winding up or bankruptcy.

1 Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:
- rescuing the company as a going concern, or
 - achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or, if the administrator thinks neither of these objectives is reasonably practicable
 - realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established by the creditors through a Qualifying Decision Procedure (Correspondence [written resolution]; electronic voting; Virtual meeting; and if requested by the creditors, a Physical meeting) which the administrator is required to convene within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's remuneration

4.1 Basis

The basis for fixing the administrator's remuneration is set out in Rule 18.16 Insolvency (England and Wales) Rules 2016, which states that it shall be fixed:

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration, or
- as a set amount.

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

4.2 Advance information where remuneration not based on time costs

Prior to the determination of the basis of remuneration, the administrator must give the creditors details of the work the administrator proposes to undertake, and the expenses he considers will be, or are likely to be, incurred. However, where the administrator proposes to take any part or all of his remuneration on a time cost basis, he must provide more detailed information in the form of a 'fees estimate', as explained below.

4.3 Fees estimates where remuneration to be based on time costs

Where the administrator proposes to take remuneration based on time costs, he must first provide the creditors with detailed information in the form of a 'fees estimate'. A fees estimate is a written estimate that specifies -

- details of the work the administrator and his staff propose to undertake;
- the hourly rate or rates the administrator and his staff propose to charge for each part of that work;
- the time the administrator anticipates each part of that work will take;
- whether the administrator anticipates it will be necessary to seek approval or further approval under the Rules; and
- the reasons it will be necessary to seek such approval.

In addition, the administrator must give the creditors details of the expenses he considers will be, or are likely to be, incurred.

The fees estimate and details of expenses may include remuneration anticipated to be charged and expenses anticipated to be incurred if the administrator becomes the liquidator where the administration moves into winding up.

4.4 Who fixes the remuneration

It is for the creditors' committee (if there is one) to determine on which bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 18.16 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.5 If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be fixed by the creditors, via a decision procedure, having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment.

4.6 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of -

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors -
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

Note that there is no requirement to convene a decision procedure for creditors in such cases unless it is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company (Paragraph 52(2) (a) of Schedule B1 to the Insolvency Act 1986).

4.7 Creditors approval in respect of an Administrator's remuneration is obtained by Qualifying Decision Procedure (Correspondence [written resolution]; electronic voting; Virtual meeting; Physical meeting.).

5. Review of remuneration

- 5.1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed, the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

6. Approval of pre-administration costs

- 6.1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency practitioner. Disclosure of such costs must be included in the administrator's proposals and should follow the principles and standards set out in section 7.

- 6.2 Where there is a creditors' committee, it is for the committee to determine whether, and to what extent, such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator, or other insolvency practitioner who has incurred pre administration costs, considers the amount agreed to be insufficient, approval may be given by convening a qualifying decision procedure for creditors. Where the circumstances described in paragraph 4.3 apply, the determination may be made by the same creditors as approve the administrator's remuneration.

- 6.3 The administrator must convene a meeting of the committee or a Qualifying Decision Procedure for the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination.

7 What information should be provided by the administrator?**7.1 General principles**

- 7.1.1 The administrator should provide those responsible for approving his remuneration with sufficient information to enable them to make an informed judgement about the reasonableness of the administrator's request. The information should be presented in a manner which is transparent, consistent throughout the life of the case and useful to creditors, while being proportionate to the circumstances of the case.

- 7.1.2 The administrator should disclose:

- payments, remuneration and expenses arising from the administration paid to the administrator or his or her associates;
- any business or personal relationships with parties responsible for approving the administrator's remuneration or who provide services to the administrator in respect of the insolvency appointment where the relationship could give rise to a conflict of interest.

The administrator should inform creditors of their rights under insolvency legislation, and should advise them how they may access suitable information setting out their rights within the first communication with them and in each subsequent report.

- 7.1.3 Where the administrator sub-contracts out work that could otherwise be carried out by the administrator or his or her staff, this should be drawn to the attention of creditors with an explanation of why it is being done.

7.2 Key issues

- 7.2.1 The key issues of concern to those with a financial interest in the level of payments from the insolvency estate will commonly be:

- the work the administrator anticipates will be done, and why that work is necessary;
- the anticipated cost of that work, including any expenses expected to be incurred in connection with it;

- whether it is anticipated that the work will provide a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute);
- the work actually done and why that work was necessary;
- the actual costs of the work, including any expenses incurred in connection with it, as against any estimate provided;
- whether the work has provided a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute).

When providing information about payments, fees and expenses, the administrator should do so in a way which facilitates clarity of understanding of these key issues. Narrative explanations should be provided to support any numerical information supplied. Where it is practical to do so, the administrator should provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration.

- 7.2.2 When approval for a fixed amount or a percentage basis is sought, the administrator should explain why the basis requested is expected to produce a fair and reasonable reflection of the work that the administrator anticipates will be undertaken.

7.3 Fee estimates and subsequent reports

- 7.3.1 When providing a fee estimate, the administrator should supply that information in sufficient time to facilitate that body making an informed judgement about the reasonableness of the administrator's requests. The estimate should clearly describe what activities are anticipated to be conducted in respect of the estimated fee. When subsequently reporting to creditors, the actual hours and average rate (or rates) of the costs charged for each activity should be provided for comparison.

7.4 Disbursements

- 7.4.1 Costs met by and reimbursed to the administrator in connection with the administration will fall into two categories:

- Category 1 disbursements: These are payments to independent third parties where there is specific expenditure directly referable to the administration. Category 1 disbursements can be drawn without prior approval, although the administrator should be prepared to disclose information about them in the same way as any other expenses.
- Category 2 disbursements: These are costs that are directly referable to the administration but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the administrator or their firm, and that can be allocated to the administration on a proper and reasonable basis.

When seeking approval, the administrator should explain, for each category of cost, the basis on which the charge is being made. If the administrator has obtained approval for the basis of Category 2 disbursements, that basis may continue to be used in a sequential appointment where further approval of the basis of remuneration is not required, or where the administrator is replaced.

- 7.4.2 The following are not permissible as disbursements:

- a charge calculated as a percentage of remuneration;
- an administration fee or charge additional to the administrator's remuneration;
- recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges.

8. Exceeding the amount set out in the fees estimate

Remuneration must not exceed the fees estimate without approval by the body which fixed the original basis of the remuneration. The request for approval must specify -

- the reason why the administrator has exceeded, or is likely to exceed, the fees estimate;
- the additional work the administrator has undertaken or proposes to undertake;
- the hourly rate or rates the administrator proposes to charge for each part of that additional work;
- the time that additional work has taken or the administrator anticipates that work will take;
- whether the administrator anticipates that it will be necessary to seek further approval; and
- the reasons it will be necessary to seek further approval.

9 Progress reports and requests for further information

9.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include:

- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it);
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount
- without any apportionment for the period of the report);
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report;
- a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period;
- where appropriate, a statement -
 - that the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate;
 - that expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration; and
 - the reason for that excess.
- the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate;
- the expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration; and
- the reasons for that excess;
- the date of approval of any pre-administration costs and the amount approved;
- a statement of the creditors' rights to request further information, as explained in paragraph 8.2, and their right to challenge the administrator's remuneration and expenses.

9.2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court.

9.3 The administrator must provide the requested information within 14 days, unless he considers that:

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
- the administrator is subject to an obligation of confidentiality in relation to the information requested, in which case he must give the reasons for not providing the information.

Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information.

10. Provision of information - additional requirements

The administrator must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is -

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

11 What if a creditor is dissatisfied?

- 11.1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the administrator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court.
- 11.2 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8.1 above). If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing.
- 11.3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration.

12 What if the administrator is dissatisfied?

- 12.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

13 Other matters relating to remuneration

- 13.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or convene a decision procedure meeting for creditors.
- 13.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.
- 13.3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.
- 13.4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.

14. Effective date

This guide applies where a company enters administration on or after 1 October 2015 (Rev 03/2017).

Appendix

Suggested format for the provision of information

Professional guidance issued to insolvency practitioners sets out the following suggested format for the provision of information when seeking approval of remuneration. However, the level of disclosure suggested below may not be appropriate in all cases, and will be subject to considerations of proportionality. In larger or more complex cases the circumstances of each case may dictate the information provided and its format.

Narrative overview of the case

In all cases, reports on remuneration should provide a narrative overview of the case. Matters relevant to an overview are:

- the complexity of the case;
- any exceptional responsibility falling on the administrator;
- the administrator's effectiveness;
- the value and nature of the property in question.

The information provided will depend upon the basis or bases being sought or reported upon, and the stage at which it is being provided. An overview might include:

- an explanation of the nature, and the administrator's own initial assessment, of the assignment (including the anticipated return to creditors) and the outcome (if known);
- initial views on how the assignment was to be handled, including decisions on staffing or subcontracting and the appointment of advisers;
- any significant aspects of the case, particularly those that affect the remuneration and cost expended;
- the reasons for subsequent changes in strategy;
- the steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, and fee drawing;
- any existing agreement about remuneration;
- details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees;
- in a larger case, particularly if it involved trading, considerations about staffing and managing the assignment and how strategy was set and reviewed;
- details of work undertaken during the period;
- any additional value brought to the estate during the period, for which the administrator wishes to claim increased remuneration.

Time cost basis

Where any part of the remuneration is or is proposed to be calculated on a time costs basis, requests for and reports on remuneration should provide:

- An explanation of the administrator's time charging policy, clearly stating the units of time that have been used, the grades of staff and rates that have been charged to the assignment, and the policy for recovering the cost of support staff. There is an expectation that time will be recorded in units of not greater than 6 minutes.
- A description of work carried out, which might include:
 - □ details of work undertaken during the period, related to the table of time spent for the period;
 - □ an explanation of the grades of staff used to undertake the different tasks carried out and the reasons why it was appropriate for those grades to be used;
 - □ any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- Time spent and charge-out summaries, in an appropriate format. It is useful to provide time spent and charge-out value information in a tabular form for each of the time periods reported upon, with work classified (and sub-divided) in a way relevant to the circumstances of the case

The following areas of activity are suggested as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The level of disclosure suggested above will not be appropriate in all cases, and considerations of proportionality will apply:

- where cumulative time costs are, and are expected to be, less than £10,000 the administrator should, as a minimum, state the number of hours and average rate per hour and explain any unusual features of the case;
- where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features);
- where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted.