

Dear Bondholders

## HM Treasury Compensation Scheme

As you will be aware, HM Treasury has recently confirmed that a new compensation scheme (“the Scheme”) will be set up for the purpose of providing compensation to eligible LCF Bondholders. HM Treasury is taking the necessary steps to implement the Scheme and, as a result, has issued some new documentation online regarding LCF. As you may come across these documents online we have provided a brief summary of what they are and what they mean to assist with Bondholders’ understanding of them.

### 1. Written Ministerial Statement re new HM Treasury Compensation Scheme

HM Treasury has released a written ministerial statement regarding the Scheme which can be found here: <https://www.gov.uk/government/publications/london-capital-finance-compensation-scheme>.

The purpose of that statement is to ensure the business of the Government is put on official record and in the public domain. The written ministerial statement in respect of LCF provides similar information regarding the Scheme to the information contained within HM Treasury’s announcement of 19 April 2021. It also mentions Dame Elizabeth Gloster’s independent review which concluded that the FCA did not discharge its functions in respect of LCF in a manner which enabled it to effectively fulfil its statutory objectives during the relevant period. The Scheme will compensate Bondholders for 80% of the Bondholders’ initial investment, up to a maximum payment of £68,000 (which is 80% of the FSCS compensation limit of £85,000) and will be administered by the FSCS, alongside its existing compensation scheme. ***Accordingly, it will still be beneficial if Bondholders are found to be eligible for the FSCS compensation scheme rather than just for the HM Treasury Scheme.***

There remains no need for Bondholders to do anything following the release of this written ministerial statement and HM Treasury will provide further details on the Scheme in due course. Our summary of HM Treasury’s announcement of 19 April 2021 can be found on our webpage at: <https://smithandwilliamson.com/london-capital/>.

## 2. Compensation (London Capital & Finance plc and Fraud Compensation Fund) Bill

The Government has presented a bill to Parliament to provide for the following 2 matters:

- the payment of compensation to customers of LCF from government monies; and
- the making of loans to the board of the Pension Protection Fund for the purpose of its fraud compensation functions. Please note that this Department for Work and Pensions measure is wholly separate from the LCF measure and the provisions of each do not interact in any way. (Such measures are often packaged together in this way for the sake of efficiency, and to make best use of Parliamentary time).

The first reading of the bill in the House of Commons took place on Wednesday 12 May 2021 with a date for the second reading of the bill in the House of Commons yet to be announced. The current version of the bill can be found here: <https://bills.parliament.uk/bills/2863>, along with further information on how a bill becomes law. Again, there is no action that needs to be taken by LCF Bondholders at this stage to participate in the Scheme and further details will be released by HM Treasury in due course.

We would like to remind Bondholders that the joint administrators play no part in determining who is compensated, or to what extent, and we do not have a role in the operation of the Scheme, other than confirming details of the Bondholders, including the amounts of their investments, to HM Treasury. Therefore, we are unable to answer questions as to how the Scheme will operate or the timing of any compensation payments to Bondholders. However, we will continue to provide updates on this matter to the LCF Bondholders as and when they become available.

Kind regards  
The Joint Administrators of LCF

The affairs, business and property of the Company are being managed by the administrators Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff Rowley who act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff Rowley are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Further information regarding the administration can be found at the joint administrators' webpage: [www.smithandwilliamson.com/london-capital](http://www.smithandwilliamson.com/london-capital) London Capital & Finance PLC is incorporated in England and Wales under the Companies Act 2006 with registered number 08140312. The Company is authorised and regulated by the Financial Conduct Authority with FRN 722603.

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