

Finbarr O’Connell, Adam Stephens, Colin Hardman and Henry Shinnors of Smith & Williamson LLP were appointed Joint Administrators of London Capital & Finance Plc on 30 January 2019.

We have prepared this document to help Bondholders and other creditors understand what is happening. We hope that it helps.

Thank you

FREQUENTLY ASKED QUESTIONS

about London Capital & Finance Plc (in administration), “LCF” or “the Company”

Date: 31 October 2019

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Section 1 - INSOLVENCY and LCF

NB This Q&A document has been prepared at the time of our appointment. As events and information develops we will update it. References to 'we' mean to the Administrators.

1. What is Administration?

When a company is experiencing financial difficulties it can be placed into administration. Administration is an insolvency process. LCF has entered into administration.

Under insolvency law, the affairs, business and property of a company in administration (such as LCF) are managed by the Administrators. The Administrators have to be independent of LCF.

Section 2 of this document sets out some queries which Bondholders may have.

2. Who are the Administrators?

Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars ("the Administrators") all of Smith & Williamson LLP, were appointed by the Court following an application to Court by the directors of the Company.

3. Why has LCF entered into administration?

LCF filed its application for an administration order on 30 January 2019 because it had become insolvent. There were several factors which have contributed to the insolvency:

1. The FCA have determined that "the manner in which LCF was promoting its bonds was misleading, not fair and unclear" - for further detail see in the FCA's Notice dated 17 January 2019 published on the FCA's website. Here is the link to the Notice:

www.fca.org.uk/publication/supervisory-notices/second-supervisory-notice-london-capital-and-finance-plc-2019.pdf

2. In light of this on 10 December 2018 the FCA deemed it necessary to require LCF to immediately withdraw its financial promotions in relation to the bonds. In order to further protect investors, on 13 December 2018 the FCA imposed certain requirements on LCF including (a) not to dispose of or deal with its assets, save in limited circumstances (b) to cease conducting all regulated activity and (c) not to communicate any financial promotions. These requirements were imposed pursuant to a voluntary application by LCF. The requirement in relation to LCF's assets was subsequently amended on 18 December to further restrict LCF from dealing in any way with its bank accounts without the prior approval of the FCA.
3. As a result of the above, LCF has been unable to raise further monies from investors.

- Professional advice was sought and the Company was advised that LCF was insolvent and that it should be placed into administration to provide the best outcome for Bondholders and other creditors. The Company was also advised that in order for some independent party to be able to deal with the Company's assets for the benefit of the Bondholders and the other creditors that the directors should place the Company into Administration such that the Administrators could perform those essential functions. As LCF is an FCA regulated company, the consent of the FCA is required for the directors of LCF to resolve to place the Company into administration. Accordingly, the consent of the FCA was duly sought and obtained.

Here is a link to the FCA's website as regards LCF:

www.fca.org.uk/news/news-stories/information-london-capital-and-finance-plc-investors

4. How often will I hear from the Administrators?

The Administrators are very mindful of Bondholders' and other creditors' understandable concerns about the current situation.

The Administrators issued their first formal report, the "Proposals" on 25 March 2019 and are obliged to report to Bondholders and creditors within one month of every six month period in the administration. The last progress report was issued on 27 August 2019.

The Administrators will also send regular updates via email, when there are matters that need to be brought to the attention of Bondholders.

All reports and email communications can be accessed via the S&W webpage for LCF as follows: www.smithandwilliamson.com/london-capital

5. When will I get something back, and how much will it be?

Given that the investigation into the failure of LCF and the inability of the Borrowers to repay their loans is still in progress, it is too early for the Administrators to say how much money they will be able to return to Bondholders, and other creditors, and when any payments will be made to them. The Administrators currently estimate that returns to Bondholders will be approximately 25% of their total investments, after costs.

The Administrators are working to maximise returns to Bondholders as quickly as they are able. It was announced at the Creditors' meeting held on 24 April 2019 in London, that the Administrators would aim to pay a dividend in 5% increments, once there are sufficient net funds to allow them to do so. The timing of the first dividend is currently uncertain; further detail on this can be found in the latest progress report.

It is clear that the process of trying to collect each of the Borrowers' loans in order to generate funds to enable any repayment to the Bondholders and other creditors is going to be a lengthy process.

The Administrators' can however confirm that no loans to Borrowers are expected to be settled imminently. The Administrators will report the likely dates of any repayments or part-repayments as soon as they become aware of them.

6. Are you in contact with the FCA, FSCS or the SFO?

Yes, we are in regular contact with all of the above and have received formal written notice to cooperate with, and provide Company information to them.

Section 2 - BONDHOLDER QUESTIONS

The below questions have been drafted for LCF's Bondholders ('Bondholders'). However, please note that a number of questions and answers in Section 1 to this document are also relevant to Bondholders.

1. Have any of the borrowers defaulted?

The Company's loans to borrowers (of which there are only 12 entities) are the major asset of the Company. Subject to any statutory duties, the Administrators will do nothing which will adversely impact the borrowers' ability to repay their debts due to the Company. We can confirm that since our appointment, we have not received any returned loans or interest.

As detailed in our reports, c.£122m of the funds invested by Bondholders were loaned to London Oil & Gas Limited ("LOG"), which is now also in administration since March 2019, under the joint control of S&W and CMB Partners. Of the £122m loaned to LOG, LOG on-lent c.£38m to Independent Oil & Gas plc ("IOG"), which remains the only recoverable asset of significant value amongst the borrowing entities.

2. Am I covered by the Financial Services Compensation Scheme (FSCS)?

We understand that it is unlikely that Bondholders will be covered by the FSCS. The FCA has stated the following about LCF and the FSCS.

"Issuing mini bonds is not a regulated activity, just as is typically the case with other corporate bonds. This means investors are unlikely to have access to the FSCS in the event the firm is declared in default, but this would be a matter for the FSCS to determine." (Our emphasis in bold type).

For your information, the FSCS aims to protect certain individuals up to certain financial limits when an FCA authorised firm fails or stops trading. It protects certain private individuals and small businesses if an authorised firm becomes insolvent and cannot pay

The affairs, business and property of London Capital & Finance plc ('the Company') are being managed by the joint administrators Finbarr O'Connell, Adam Henry Stephens, Henry Shinnars and Colin Hardman of Smith & Williamson LLP. They act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Henry Stephens, Colin Hardman, and Henry Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. 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. The Fair Processing Notice in relation to the General Data Protection Regulation can be accessed at www.smithandwilliamson.com/rsgdpr Should you wish to be supplied with a hard copy, free of charge, please contact Smith & Williamson's offices.

claims against it. The relevant FSCS eligibility criteria can be found on the FSCS's website here:

www.fscs.org.uk/your-claim/eligibility-rules

Nevertheless, we have been in regular contact with the FSCS and have held meetings with them. The latest statement issued by the FSCS can be found here:

<https://www.fscs.org.uk/failed-firms/lcf>

It is for the FSCS to determine whether Bondholders will be compensated, however, the joint administrators are providing assistance to the FSCS in this process.

Please note that the Company remaining in administration, rather than liquidation, has no bearing on the FSCS' ability to pay compensation to Bondholders, should it be subsequently determined that Bondholders meet the necessary criteria.

3. How many people have bought these bonds?

There are approximately 11,600 people who have bought some 16,000 products, meaning that a number of individuals have multiple investments. We understand that the face value of the bonds issued is approximately £237m.

4. Does LCF need to be authorised by the FCA?

As noted by the FCA, firms are required to be authorised by the FCA if they undertake any of the regulated activities listed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the Order). Authorised firms are subject to a set of overarching principles and rules issued by the FCA. These principles and rules have to be followed when an authorised Firm is carrying on regulated activities in the UK. The Order excludes certain activities from its scope.

The classification of the LCF bonds does not normally involve the carrying on of a regulated activity. Therefore, LCF did not need to be authorized to issue these bonds. However, promotional material for the LCF bonds (depending on the target market) would need to be issued or approved by an FCA authorised person. Once LCF became authorised by the FCA on 7 June 2016, it issued its own promotional material. In doing so, it was subject to FCA's financial promotion rules.

5. I bought my bonds through an ISA. What happens to my ISA?

ISA stands for Individual Savings Account. LCF was an ISA manager.

No ISA transfers to other ISA providers can be actioned by the Administrators, the Company or any third party.

HMRC have confirmed to us that they plan to correspond with all of the Bondholders who have invested in their LCF bonds by way of ISAs promoted by LCF as an ISA manager, when they have completed their investigations in this regard.

In broad summary, HMRC have confirmed that all of LCF's ISA accounts (being for the tax years 2017/2018 and 2018/2019) are void. Having made enquiries of HMRC on behalf of the Bondholders, we are advised by HMRC that appealing HMRC's decision to void the ISAs is not possible, as the investments held in LCF's ISAs are not exempt from tax under the ISA regulations. HMRC's statement on this, issued on 19 March 2019, can be accessed here: <https://smithandwilliamson.com/media/3771/london-capital-hmrc-communication-to-isa-investors-19032019.pdf>

ISA holders can contact HMRC by email at savings.audit@hmrc.gsi.gov.uk with regard to any specific questions they have relating to the tax status of their ISAs.

6. Will I be able to access the LCF online portal to see my investment?

The Company's investor portal is maintained by a third party. However, it may still be able to login to the website at: www.londoncapitalandfinance.co.uk/login, using your individual login details, with which you were issued by LCF, at the time of your investment.

Please be aware that the system has limited functionality and, for instance, you will not be able to actually make withdrawals. The information currently available on the Company's platform is based on the Company's records at the time of the FCA's intervention in December 2018. We have been advised by the third party provider that they will shortly be removing access to this platform. The administrators hold details for all investors, therefore should the platform be disabled, this will not adversely affect bondholders.

7. Do I need to make a claim for my bonds?

If you have not already done so, please complete and return a Proof of Debt form to the administrators, which can be downloaded from the S&W webpage:

www.smithandwilliamson.com/london-capital

8. Changes to personal details/deceased Bondholders

If you have not yet contacted the administrators regarding changes to your contact details, please do so by emailing the following: londoncapital@smithandwilliamson.com

In the distressing event of the death of a Bondholder, the next of kin or executor should contact the administration team by email as above and you will be advised of the necessary steps to follow. Likewise, if you have been granted Power of Attorney by a Bondholder, please notify the joint administrators accordingly.

The joint administrators' team review emails and voice messages on a daily basis and will respond to relevant queries as soon as they can.

9. Can I sell my bond to someone else?

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LCF have previously advised Bondholders that the bonds you have purchased are non-transferable which means that they cannot be sold to third parties.

10. I have been approached by someone claiming that they can get my investment back for a fee.

Where financial firms enter into administration, experience is that fraudsters may sometimes approach investors claiming to be able to recover their investment in return for an advance fee. Sometimes the fraudsters claim to be from the company or the administrators. You should be wary of any unexpected call, email or other contact which asks you for money in this manner. FCA guidelines are available at:

www.fca.org.uk/consumers/protect-yourself-scams

As stated above, no bond investments can be redeemed or transferred, in addition, no ISA transfers to other ISA providers can be actioned at this time.

11. I purchased my bonds through a financial adviser. I have queries about the advice I received.

Although we are aware that very few products, if any, were sold via a financial adviser, if you think this was the case, you should contact your financial adviser directly.

12. Can I complain to the Financial Ombudsman Service ('FOS')?

We are in dialogue with FOS. FOS has asked us to state the following:

“Unfortunately, LCF’s entry into administration means the FOS can’t take your complaint forward. This is because it is now for the administrators to determine whether customers will be able to recover any money out of LCF’s assets.”

GDPR Fair Processing Notice

As part of our role as Administrators, we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements.

Information about the way that we will use and store personal data in relation to insolvency appointments can be found at www.smithandwilliamson.com/rsgdpr . If you are unable to download this, please contact the Administrators and a hard copy will be provided free of charge.

It is important that you read this Fair Processing Notice so that you are truly aware of how and why we are using your data. This Fair Processing Notice supplements any other notices the Company may have served on you and is not intended to override them.

To the extent that you hold any personal data on the Company’s data subjects provided to you by the Company or obtained otherwise, you must process such data in accordance with data protection legislation. Please contact us if you believe this applies.

Section 3 - NON-BONDHOLDER CREDITORS

1. I am a creditor of LCF, what should I do regarding outstanding balances due to me?

In the unlikely event that you have not yet received a communication from the administrators, please write to us, with details of your claim, to the address below, together with the supporting paperwork.

Section 4 - Contact information

Write to us (preferred)

FAO: The Administrators
London Capital & Finance plc (in administration)
c/o Smith & Williamson LLP
25 Moorgate
London
EC2R 6AY

Telephone us:

020 7131 4266

This is a dedicated mailbox number and you will be able to leave a message if no one is available to speak to you.

Email us:

LondonCapital@smithandwilliamson.com

Website:

The following website will be updated (including with this FAQ document)

[London Capital & Finance Plc | Smith & Williamson](#)

Thank you

