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Distribution	All Staff
Responsible Officer	CEO and Board

**E-Money Capital Ltd (EMC)  
Living Will/Wind Down Plan**

**Purpose**

This document sets out our procedures to ensure the continued management and administration of loans facilitated by EMC in accordance with the contract terms in the event that EMC ceases to operate its lending platform. We refer to these procedures as our “Living Will”. The Living Will is primarily designed for the benefit of the lenders, but it is also important for borrowers to know how to continue to discharge their contractual obligations. The FCA’s requirements in this regard are set out in SYSC 4.1.8A-DD <https://www.handbook.fca.org.uk/handbook/SYSC/4/1.html>.

The key risks to lenders and borrowers in the event of our failure are that (1) money we receive on their behalf could be claimed by our creditors and (2) no-one will attend to the collection of repayments due to lenders. Our Client Money Policy is designed to safeguard against the risk in (1) and the procedures in this document are designed to safeguard against the risk in (2).

**Arrangements to Ensure Orderly Wind-Down of Loan Book**

In order to ensure the orderly wind-down of the loan book, it is important that we recognise the possibility of EMC being unable to continue administering loans sufficiently in advance of EMC becoming insolvent, at which point our ability to take management decisions will be taken out of our hands pursuant to insolvency law, which may entail the appointment of an insolvency practitioner to manage the company in the best interests of our creditors (who will have different interests to lenders and borrowers under P2P loans).

The Living Will involves assessing the following factors and assessing them on a regular basis as if a party to it:

- The identification of recognised “Trigger Events” for assessing whether to activate the Wind Down Plan passing responsibility for loan administration to the back-up servicer and/or re-structuring EMC’s financial arrangements
- The identification of costs and revenue associated with loan administration to ensure the back-up servicer can continue to administer loans commercially
- The identification of non-financial resources (access to information including IT and banking systems, personnel including wind down co-ordinator and premises,

contractual standing) the back-up servicer will require to administer loans

Each of these factors is considered separately below.

### **Wind Down Coordinator**

Our in-house expertise means our own personnel are best placed to oversee the wind-down of our loan book. We have therefore made arrangements for the continued availability of our own relevant staff in the event of activation of this Living Will.

We have chosen to appoint Jason Ferrando (JF), one of our directors, as our Wind Down Coordinator on the following basis:

- JF has been involved in the origination of all of the loans to date, so has in depth knowledge of the borrowers and their circumstances
- JF understands the platform, how it operates and the programming. He can work closely with the developer. He has worked closely with previous back-office services for the investors and lenders, he would work in conjunction with our current CTO through his company, Learmonth Ltd and other administrative services if required
- JF is currently a director of the company and would be able to work under the FCA permissions currently in place to administer and collect debts due on all loan agreements and, if necessary, to operate the client money account

JF (who is responsible for client money oversight) will liaise with the current CTO/Tech Lead and Finance department to ensure

- that they are aware of any changes made to the systems;
- the loan book is being wound down as quickly as possible;
- the loan servicing process is functioning properly. This process is undertaken every month.

### **Trigger Event and Activation**

The firm is required to maintain financial resources in excess of requirements set under chapter 12 of the FCA's IPRU(INV) Sourcebook (it is also subject to other FCA financial resources requirements in respect of non-P2P business, but it is envisaged that the chapter 12 requirement will be the higher and therefore applicable standard). These are tests devised by the FCA to indicate the levels of financial resources P2P platform operators require as a buffer by reference to the volume of business they are conducting.

If the directors (who should consider the matter as a standing agenda item where cash reserves fall below the Cash Reserves Threshold, as defined below) have reason to believe there is a reasonable possibility of:

- the firm's financial resources falling below the financial resources requirement; or
- the firm ceasing to be able to continue servicing loans; or
- the firm ceasing to have sufficient liquid reserves to pay its debts (including salaries) as they fall due,

this will constitute a “**Trigger Event**”.

There are various situations which could arise where the Board should actively be considering whether a Trigger Event has or might occur. Examples are:

1. General Economic climate at the time
2. Loss of key personnel
3. Fraud
4. Major systems malfunction
5. Lack of appetite for the product on offer
6. Potential liability under major court case
7. A serious regulatory investigation
8. Numerous claims arising from customer complaints
9. Major expenditure that will not yield cash inflows
10. Decision by Investors/board to liquidate the company for any reason

In order to ensure that the Firm has adequate liquid capital reserves, its policy is to hold cash in a ring-fenced account that it will not use for ordinary business expenditure. The level of cash in the account must at all times exceed the following amount:

- The firm’s financial resources requirement; PLUS
- The Net Wind Down Costs of a Worst Case Scenario Insolvent Wind Down (as defined in “Financial resources required for loan wind down” below).

This amount is the “**Cash Reserves Threshold**”. The firm may keep excess cash in the bank account in which the Cash Reserves Threshold is held, but if it dips below the threshold, this will constitute a Trigger Event.

If a Trigger Event occurs, the directors must:

- Consider whether it is possible to immediately cut expenditure to ensure the firm can operate at a profit.
- Consider whether it is possible to imminently obtain an appropriate capital injection.
- Consider an immediate sale of some or all of the loan book.
- In considering these matters, the directors should arrange for the preparation of a month-by-month schedule of the revenue and costs involved in winding down the business, based on itemised costs and conservative estimates.

If the prospects of remedying the situation appear doubtful, the directors should take steps to wind down the business prior to insolvency, cease facilitating new loans and consider how to minimise ongoing expenditure associated with any ongoing activities, most notably including the administration and wind-down of the loan book (“**Activation**”).

The directors should notify the FCA of this event immediately. All staff must be notified, to ensure that they do not continue trading as usual: there is often an instinct to trade out of a bad situation, so staff must be told clearly if the decision has been reached to stop writing new

business.

In order to reduce the likelihood of a Trigger Event, the directors should aim to ensure that regular revenue above a conservative loan-book size will exceed long-term fixed expenditure, so that fixed overheads are at a level, or can quickly be reduced to such a level, to ensure profitability on a run-down of the loan book. If the company becomes insolvent, the costs of appointing an insolvency practitioner are likely to be considerable and the decision as to whether it will be profitable to wind-down the loan book will rest with that insolvency practitioner, so avoidance of an insolvent wind-down through early planning will greatly enhance the prospects of EMC's shareholders, creditors and clients alike.

Activation is potentially reversible. If EMC is able to resolve its financial resources deficiencies, it may, subject to any FCA objection, reverse the wind-down process and take back the administration of the loan book.

### **Resources required for Loan Wind-Down**

The Wind Down Co-ordinator will need the following resources in order to wind-down the loan book:

#### **Non-financial Resources**

Requirement	Current identified resource
Staff	<ul style="list-style-type: none"> <li>• The Wind Down Co-ordinator shall be required to assess the number of staff required to wind-down the loan book as part of Activation (NB at present, we consider that the Wind Down Co-ordinator and Jamie Learmonth through his company Learmonth Ltd should be able to wind-down the loan book acting together)</li> <li>• The Wind Down Co-ordinator and Learmonth Ltd have each signed a letter of intent that they will work for the company as required for an appropriate fee taking into account the time and level of work required</li> <li>• The Implementation Plan entails assessing the items above, including TUPE implications</li> <li>• As a back up to the Wind Down Co-ordinator, George Allen (Loan Underwriter), is available to take over the role from Jason Ferrando, if required</li> </ul>

<p>Contractual entitlement to administer loans and enforce security</p>	<ul style="list-style-type: none"> <li>• easyMoney may confer contractual authority on any third party to enforce the terms of loan agreements, as provided for in the Borrowers Terms &amp; Conditions and Lenders Terms and Conditions and the Loan Conditions</li> <li>• As the Wind Down Co-ordinator will act on behalf of eMC, the existing contractual arrangements with lenders and borrowers will continue unchanged in the event of eMC winding down</li> </ul>
<p>Access to IT systems</p>	<ul style="list-style-type: none"> <li>• The Wind Down Co-ordinator has existing access to all account details to view existing balances, amounts due and security held in respect of each lender and borrower</li> </ul>
<p>Access to client bank account</p>	<ul style="list-style-type: none"> <li>• The Wind Down Co-ordinator has existing access to all bank account details to view and provide payment instructions</li> </ul>
<p>Insolvency Practitioner access to information</p>	<ul style="list-style-type: none"> <li>• It may be preferable for an insolvency practitioner to be brought on board who would be able to retain the services of the Wind Down Co-ordinator and the current CTO through his company Learmonth Ltd on an appropriate fee/salary rates for as long as it deems desirable to take over the wind down process.</li> </ul>

### Financial resources required for loan wind-down

The income and expenditure involved in winding down the loan book have been prepared by the firm in a separate document. This document considers wind-down in 2 different scenarios:

- Solvent Wind Down Scenario – this scenario is where the firm ceases new lending and manages the existing loan portfolio down in line with the contractual term of the loans.
- Insolvent Wind Down Scenario – this scenario is where the firm appoints an

Administrator to assist with the winding down of the existing loan portfolio.

The directors shall review the resources assessments above on an annual basis and ensure all assumptions remain appropriate (e.g. as to loan book size).

## P2P RESOLUTION MANUAL

The firm keeps all documentation associated with the business (P2P Resolution Manual) on a One-Drive folder that is designed to be straightforward for an insolvency practitioner to access and navigate. The Learmonth Ltd and the Wind Down Co-ordinator will be able to provide the necessary user names and passwords to the insolvency practitioner.

The P2P Resolution Pack contains the following broad categories of document:

<p>‘1. Cass Resolution Pack (CRP) including – Critical staff, IT systems, Records</p>	<ul style="list-style-type: none"> <li>• See Cass resolution pack for details</li> </ul>
<p>2. Policies and Procedures a) Current b) Processes</p>	<ul style="list-style-type: none"> <li>• How the system records and amends the information held</li> </ul>
<p>3. Legal a) Legal Agreements General b) Company Secretarial  c) Insurance d) office lease</p>	<ul style="list-style-type: none"> <li>• Digital copies are held on One Drive,</li> <li>• The firm only has one office with 3 desks situated at 168 Fulham Road. Currently staff mainly work from home and it is anticipated that staff would work remotely in the event of a wind-down. The lease is renewable on a six monthly term.</li> </ul>
<p>4. Suppliers a) Technical b) Other</p>	<ul style="list-style-type: none"> <li>• See P2P Resolution pack and CASS resolution pack</li> </ul>
<p>5. Personnel a) DBS certificates b) Personnel Files</p>	<ul style="list-style-type: none"> <li>•</li> </ul>
<p>6. Terms and Conditions a) Lender Terms and Conditions b) Borrower Terms and Conditions</p>	<ul style="list-style-type: none"> <li>• The Lender Terms and Conditions and the Borrower terms and Conditions provide authority for eMC and any nominee to enforce the loan terms</li> </ul>

## TRIGGER EVENT PROCEDURES

The Board of the company is responsible for the decisions of how and when the Wind Down Plan should be activated. It must be remembered that the Wind Down Plan is there for the protection of the lenders, although ensuring an orderly wind-down will also be in the interests of all concerned.

As a matter of course the Compliance Officer reports the financial situation of the company on a quarterly basis to the FCA including capital adequacy. If a Trigger Event occurs, the board must on at least a quarterly basis review the following:

1. General state of the market
2. Management Accounts and forecast cashflow for the company, with pressure points if applicable – if the company is not financially secure it is potentially not viable
3. Review investment requirements and action if decided
4. Staff reviews, identify key employees
5. Complaints reviews
6. Review of Wind Down Plan, update details re administrator to be appointed
7. Document any items which can be rectified and organise for this to happen.

It is considered good practice that EMC holds wind-down discussions with the department representatives to ensure the plan is kept up to date on a regular basis.

### **ACTIVATION PROCEDURES**

1. Activation decision by Board
2. Advise FCA of intention to activate the wind down plan
3. Stop loan origination
4. Review Wind Down Plan to ensure it is up to date on quarterly basis
5. Review all policies and procedures to ensure information is correct and up to date
6. Review internal policies re HR
7. Review financials – sufficient funds to finance wind down
8. Review wider implications to the group and mitigate any negative potential
9. Minimise non-essential expenditure
10. Review and consider the board's responsibilities as directors including considering taking advice on identification of insolvency and related obligations
11. Implement Wind down plan
  - a. Determine key staffing requirements – decide what time periods they will be required.
  - b. Obtain agreement from key staff to any change in role
  - c. Advise all staff that no more clients either borrower or lender to be taken on
  - d. Adjust website to remove further loans
  - e. Apart from current lenders remove ability of other interested parties to enter the portal
  - f. Take insolvency steps, if required
  - g. Advise FCA of current situation and start the process of removing from regulatory area
    - i. FCA will review and confirm outstanding fees
    - ii. Consider how to reduce possibility of detriment to lenders and borrowers
    - iii. Returning cash to clients
    - iv. Handle any complaints in a manner that does not give unfair preference to one client over another

- v. When process is complete, apply to de-register as authorised firm
- h. Maintain a regular dialogue with the FCA on process of wind down
- i. Download all current lenders and borrowers information and details of account movements
- j. Advise Gocardless, Natwest/Lloyds Bank/other providers/and Amazon of wind down so they can be ready to work with Wind Down Co-ordinator
- k. Consider whether public announcements are desirable or required in the circumstances (NB announcement may encourage borrowers not to honour repayment obligations and may not be in lender interests)
- l. Organise redundancies for personnel no longer required and hand out notice letters
- m. Keep payroll reporting going and close payroll when appropriate
- n. Pay staff as required
- o. Give notice re non-essential office/utilities/memberships etc
- p. Place statutory notices e.g. de-registering company and directors
- q. Arrange for deep archive of records/destruction of records not required
- r. Mitigate any potential affects further afield.
- s. Ensure Wind Down Coordinator is in complete control of all information

*Last reviewed 23.8.24*