

# A\$24b Litigation Funding Industry drives demand for Sequince Capital



February 2022

A high demand for litigation funding capital in the UK continues to drive results and investor interest in Sequince Capital's exclusive UK High Yield Income Fund, which targets net annual income returns of 10%.

Sequince Capital's exclusive wholesale UK High Yield Income Fund deploys secured and insured debt into UK Litigation Funding for PPI claims and targets a net income return to investors of 10% pa, paid quarterly.

- As of August 2020, the **total claim book** to date for PPI in the UK is estimated to be **GBP £38bn (AU\$72b)**.
- Approximately **one third of this claim book was funded via Litigation Funding**, which is the primary destination for capital from Sequince Capital's Exclusive UK High Yield Income Fund; IE - circa **GBP £12.7bn (AU\$24bn)**
- Across all law firms in the UK, approximately **200-300,000 PPI claims are being run every month**, with that volume expected to be maintained for 9+ years. After which time there are many other systemic occurrences of mis-selling and miscalculation of fees/interest that will sustain this type of litigation and funding for much longer.
- Litigation Funding attracts a **premium rate of interest and associated financing fees** which in turn allows Sequince Capital to target a high, consistent income return for its investors.
- The **demand for litigation funding in the UK exceeds available capital which creates a unique investment opportunity for Sequince Capital investors.**
- **Capital preservation** mechanisms are built into the underlying investment structure

- There is a **Low correlation** to other typical asset classes like shares, listed property, fixed income bonds or other alternatives; meaning the Fund could serve as an effective diversification and hedging strategy while also throwing off exceptional, regular target income.

## What is PPI and how do we make money?

PPI, which stands for Payment Protection Insurance, was a financial product that was mis-sold by the lenders to their customers who had any loans, credit cards, mortgages, and other types of credit too, like car finance or catalogue accounts. PPI was put in place in the event you could not make the repayments (for example, because you were ill or made redundant, then you could have made a claim with that insurer to cover those repayments)

- The PPI claims saga has been ongoing in the UK since 2008 with a deadline to claim being set in 2019
- Due to PPI being mis-sold by the lender, any customer that was mis-sold could claim back the amount that was paid for PPI.
- Since the deadline to claim mis-sold PPI came to an end in 2019, there has been a new court ruling made in 2020 involving hidden commissions, meaning that even if you were not mis-sold PPI, you can now make a claim because commissions were never disclosed to the customer. This new claim type has been given the ingenious name of PPI 2. This new court ruling has reopened the whole PPI claims market to an even larger audience that were sold PPI, meaning lenders are having to pay out even more money to their customers. This means you could be owed compensation even if you have previously claimed, were declined, or knowingly had PPI on any credit card, loan, or mortgage.
- If there was more litigation funding available in the market, law firms could run even more cases.

## Commentary from Jonathan Chadwick - Director - Global Finance Platform (UK Litigation Funding Partner)

*“The UK PPI market was a booming market for many years generating £billions worth of claims until the deadline closed in 2019. Since the new court ruling was made in 2020 where a new precedent was set creating PPI 2, the floodgates have opened up even wider allowing more customers to claim all of their money back. Each claim requires funding for the law firm to process the case, in order to receive a settlement from the lender. The more funding that is raised, the more cases that can be processed, providing a great secure return to the investors. The investors are investing in legal cases where a precedent has been set, so there is a very slim risk of any case losing, and even if that happens, we have insured every case for that eventuality to cover any risk.”*

**Jonathan Chadwick**  
**Director**  
Global Finance Platform

## Our UK Litigation Funding Partners' figures over the 6 months to January 2022:

- Their partner law firms have engaged with 45,676 clients who have instructed them to request data from the banks and verify whether they have a claim to make
- The estimated conversion rate of those engagements into cases that will go to litigation is approximately 20% (circa 9135 cases)
- The number of cases that can be litigated will increase considerably as funding increases
- The average win rate on those cases that proceed to litigation is >95%
- Even though the win rate is exceptionally high, all cases are fully insured in the event of a loss outcome for further safety and security and to mitigate any potential risk

## Litigation Funding & PPI in the Press:

<https://www.dailyrecord.co.uk/lifestyle/money/new-ppi-claims-23942393>

<https://www.mirror.co.uk/money/millions-customers-can-now-make-23940044>

<https://www.yourmoney.com/insurance/second-wave-of-ppi-claims-on-the-horizon/>

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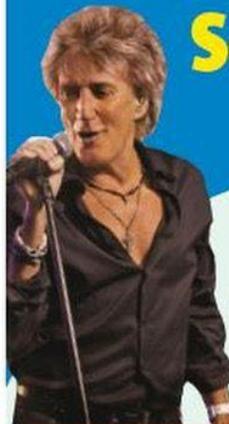
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## RBS faces millions in PPI payouts after court defeat

**Finance** Lawyers line up to lodge fresh wave of claims as bank's appeal rejected

By Stephen Naysmith

THE Royal Bank of Scotland could face a bill running into millions of pounds over its refusal to pay out successful payment protection insurance (PPI) mis-selling claims on people who have been insured.

In a long-awaited ruling at the Court of Session, judges threw out an appeal by RBS against an earlier ruling. The decision could help thousands of people who have been refused payouts.

After a five-year battle, the bank has been told it must pay refunds and interest on pay misss even in respect of customers who previously owed the bank money but whose debts have been discharged.

Industry sources say lawyers specialising in financial claims have thousands of similar cases on their books awaiting the court's ruling. One insider said: "I know of three firms who, just between them, have people on their files who are due £10m for claims that have already been upheld."

When all claims are taken into

account, RBS could be forced to disburse hundreds of millions of pounds in payouts it had hoped to avoid, he said.

The case heard at the Court of Session relates to Alison Donnelly, who borrowed money from RBS between 1997 and 2013. She was also sold PPI.

Mrs Donnelly became insolvent in 2006 and signed a trust deed appointing a trustee to resolve her debts. Creditors, including RBS, received payments but only around one-fifth of what they were due.

Under the terms of the 1985 Bankruptcy Act, once this was done, with her assets distributed and the trustee paid for its role, Mrs Donnelly's debts were legally discharged in full.

However when she subsequently put in a successful claim - along with millions of others - over having been mis-sold PPI, the bank refused to pay. Having agreed to settle her claim for £11,927, RBS sent her just one instalment of £1,111.63, then stopped it when she asked to offset the award



RBS could be forced to pay hundreds of millions of pounds to settle claims

against more than £21,000 which it claimed she still owed the bank as a result of the loans.

Mrs Donnelly disagreed and at the Court of Session the Lord Justice Clerk Lady Derrin, Lord Macneil and Lord Glennie backed the view of her lawyers that the debt no longer existed in law.

Many people, including those affected by the financial crisis of

2007/8, signed trust deeds, with about 8,000 being agreed annually until the figure began to dip in recent years. Many have received similar letters from RBS to those sent to Mrs Donnelly, refusing payments and citing debts not fully repaid under trust deeds.

RBS, and to a lesser extent Capital One are the only banks thought to have written this notice.

In his opinion, Lord Glennie rejected the argument of the RBS lawyers in what he said was an "important and novel point of law" regarding insolvency.

He said it was not disputed the bank could no longer pursue Mrs Donnelly for the loans she had defaulted on as the termination of a trust deed discharged those debts in full.

The case hinged on whether the bank could use what was unpaid as a "shield" against claims such as the PPI repayments.

However, Lord Glennie said this argument would undermine the clarity of insolvency proceedings.

He said: "If in the meantime the trust deed or insolvency of the debtor was not fully discharged from all his debts due to his creditors, in the sense of his liability for those debts being extinguished, this would leave him in a state of uncertainty."

Meanwhile, the ruling would disadvantage other creditors, potentially allowing the bank

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## Hospital fears Under-fire health board in 'special measures'

By Helen McArdle

NHS Greater Glasgow and Clyde has been placed under "special measures" amid concern over how its leadership has handled infection crises.

Health Secretary James Frazer has confirmed the troubled health board is being escalated to Level 4, the second highest banding reserved for cases where there is deemed to be a significant risk to the organisation's financial sustainability, reputation, governance, quality of care or patient safety.

Mr Frazer said: "The intention of the escalation would ensure appropriate governance is in place to increase public confidence and strengthen current approaches that are in place to manage avoidable harms."

She added the decision had been taken in light of "ongoing issues around the systems, processes and governance in relation to infection prevention, management and control at the Queen Elizabeth University Hospital and the Royal Hospital For Children and the associated communication and public engagement issues".

An Oversight Board will be established, chaired by Scotland's Chief Nursing Officer Fiona McQueen, to monitor NHSGGC.

The intervention comes a week after a whistleblower revealed up to 26 children had contracted

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## Parents of murdered backpacker weep as man is found guilty of killing her

A MAN has been found guilty of the murder of Irish backpacker Grace Milne, whose body was found buried in a suitcase.

Ms Milne, 21, from Essex, was strangled by a man she

had met on dining site Tinder and with whom she spent several hours drinking in the centre of Auckland, New Zealand, in 2018.

The pair returned to his hotel room and Ms Milne

was killed either that night or in the early hours of the next morning - the date of her 22nd birthday.

The jury of seven women and five men returned a unanimous verdict yesterday

after five hours of deliberation at Auckland High Court.

The Crown successfully argued the man, who will cannot be named for legal reasons, strangled her and shoved her body inside a

suitcase before burying her in a forested area outside Auckland.

Ms Milne was assumed missing and her father, David, flew to New Zealand as local authorities spent a week

searching until her body was found by police.

Mr Milne and his wife Gillian wept after the verdict was delivered.

Parents' agony: Page 9

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Inventor joins the race to tackle waste in space

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