

**IN THE HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER  
CR2021MAN000118**

**HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED - (IN ADMINISTRATION)**

**THE JOINT ADMINISTRATORS' FINAL ACCOUNT**

**21 February 2023**

**This report has been prepared for the sole purpose of updating the creditors for information purposes. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than updating them for information purposes, or by any other person for any purpose whatsoever.**

**Frank Ofonagoro, Jeremy Woodside and Frank Wessely were appointed Joint Administrators of House Crowd Finance (Security Agent) Limited on 25 February 2021. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability.**

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## **ABBREVIATIONS**

For the purpose of this report the following abbreviations shall be used:

The Act	The Insolvency Act 1986
The Borrower	An individual or Company which has entered into a loan agreement with HCFSa
CASS	Client Assets Sourcebook (Financial Conduct Authority)
CDDA	Company Directors Disqualification Act 1986
The Company	House Crowd Finance (Security Agent) Limited
The Court	High Court of Justice Business and Property Courts in Manchester
The Court Order	High Court of Justice Business and Property Courts in Manchester CR-2021-MAN-000118
CVL	Creditors' Voluntary Liquidation
DSG	DSG Accountancy and Business Services Limited
EOS	Estimated Outcome Statement
FCA	Financial Conduct Authority
HCD SPV(s)	House Crowd Development SPVs typically named House Crowd Development 1, 2 etc.
HCF	House Crowd Finance Limited
HCFSa	House Crowd Finance (Security Agent) Limited
HCPM	House Crowd Property Management Limited
HCP SPV(s)	House Crowd Property SPVs typically named House Crowd Project 1, 2 etc.
HMRC	HM Revenue & Customs
The House Crowd Business	Collectively THC, HCF, HCFSa, HCPM, HCD SPVs & HCP SPVs
IFISA	Innovative Finance ISA
ISA	Individual Savings Account
The Joint Administrators	Frank Ofonagoro, Jeremy Woodside and Frank Wessely of Quantuma Advisory Limited
Joint Administrators' Proposals	The Statement of the Joint Administrators' Proposals prepared pursuant to Paragraph 49(1) of Schedule B1 of the Act
LLP	Limited Liability Partnership
NIC	National Insurance Contributions
P2P	Peer-to-Peer

PAYE	Pay-as-you-earn Tax
Platform	<a href="http://www.thehousecrowd.com">www.thehousecrowd.com</a>
Prescribed Part	The Prescribed Part of the Company's net property subject to Section 176A of the Act
Reporting Period	Period Covered by the report from 25 August 2022 to 24 February 2023
Retail Lender/Investor	A registered member of the Platform
The Rules	Insolvency (England & Wales) Rules 2016
SIP	Statement of Insolvency Practice (England & Wales)
SPV	Special Purpose Vehicle
THC	The House Crowd Limited
VAT	Value Added Tax

## **INTRODUCTION**

This report has been prepared to provide creditors with an update on the progress of the Administration of the Company since our last report dated 21 September 2022.

A schedule of statutory information in respect of the Company is attached at Appendix 1.

This report should be read in conjunction with all previous reports issued by the Joint Administrators.

The report has been prepared in accordance with insolvency legislation to provide members and creditors, the Registrar of Companies and the Court with details of the progress made during the Reporting period, and with an overview of the conduct of the Administration and summary of the information provided in the progress report(s) that have been issued during the Administration. Copies of these reports are available on request.

The Joint Administrators' proposals were approved by creditors on 4 May 2021 via a deemed consent procedure. A formal notice confirming this was sent to all creditors on 10 May 2021. Attached at Appendix 2 is a summary of the Joint Administrators' Proposals, as approved.

The Joint Administrators performed their functions with an aim to achieve the Administration objective of achieving a better result for the creditors as a whole than would be likely to be achieved if the Company were wound up (without first being in Administration).

The Administration was scheduled to end on 24 February 2022, but the term of the Administration was originally extended by 12 months with the consent of the relevant creditors on 7 January 2022.

The Joint Administrators have previously referenced the need to extend the Administration process further until February 2025 in order that assets are realised for the benefit of investors. However, having been able to achieve the statutory purpose of the Administration, and in order to make a distribution to unsecured creditors, the Joint Administrators are now of the opinion that there is no need to continue the Administration process and that steps should be taken to move from Administration to Creditors Voluntary Liquidation. Investors should note that this step will not impact their interests and trust assets will still be realised by the Joint Liquidators and distributed as and when applicable to investors.

### **Details of the appointment of the Joint Administrators**

Frank Ofonagoro, Jeremy Woodside and Frank Wessely of Quantuma Advisory Limited were appointed Joint Administrators of the Company on 25 February 2021.

The Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either one or multiple of them.

## **THE PROGRESS OF THE ADMINISTRATION**

In this section, we have summarised of main asset realisations during the Reporting Period and in the Administration as a whole, together with details of the associated realisation and statutory costs. For a detailed list of work undertaken by the Joint Administrators, please see Appendix 4.

### **Realisation of assets**

As previously reported, since the Joint Administrators' appointment, they have primarily focused on securing and realising the Company's bridging and development loan books for the benefit of Investors.

#### **Bridging Loan Book**

As previously reported, at the date of the Joint Administrators' appointment, the Company had a P2P bridging loan book consisting of 29 loans with a total gross loan value of c.£15.1m. All of the loans were already in default.

#### **Development Loan Book**

As previously reported, at the date of the Joint Administrators' appointment, the Company's development loan book consisted of 12 live development projects, of which eight were substantially completed, with sales agents instructed by THC's directors to commence a property sales process.

Some of the remaining development projects required significant work to reach a stage of practical completion. Following HCFSAs exit from Administration and into Creditors' Voluntary Liquidation, the Joint Liquidators and the directors of the HCD entities (Frazer Fearnhead and Justin Molloy) will remain responsible for the day-to-day management of the projects and the HCD entities.

During the Reporting Period, the Joint Administrators have overseen the sale of a further 21 properties across the developments, resulting in gross realisations of c.£4m.

Overall, throughout the Administration process, the Joint Administrators have overseen the sale of 85 properties and achieved gross realisations of c.£20.3m.

The proceeds of each sale were reconciled by the Joint Administrators with monies then transferred to a ring-fenced fixed charge receivables bank account. In some instances, an element of these monies was used for further deployment on ongoing development work.

Only when all the developments are completed and sold will the amount of net realisations available for distribution to retail lenders / investors become known. We will continue to provide updates on realisations made and prospects of repayment to investors.

During the Reporting Period, the Joint Administrators carried out a number of specific tasks pertaining to the development loan book including, but not limited to the following:-

- Engaging with the directors of relevant HCDs in our role as security agent in relation to pertinent matters arising on development sites;
- Providing a treasury function (discussed in detail below) for certain development sites to ensure payment of site contractors but also to ensure that the integrity of development cash flows were maintained;
- Corresponding with third party funders / lenders where they are providing additional finance on certain development sites; and
- Providing regular updates to the FCA and retail lenders on the progress of site completion and development realisations

## **Treasury Function**

As previously reported, the Joint Administrators provided a treasury function to the developments, by overseeing the continued operation of the pre-appointment bank accounts used to manage the HCD SPVs for certain development sites, and pay costs required to complete these developments from ongoing property sales.

This arrangement was critical in ensuring that the Joint Administrators had clear visibility of build costs; early warning of any unexpected cash leakage; and ensure contractors were paid on time as work was completed which was key to avoiding any further delays to site completion timelines. This process proved effective in protecting the interests of Investors and ensuring that their loans were properly used to fund necessary development works.

The Joint Administrators continued to operate this function consistently across three sites and made an additional c.£964k in payments to third parties during the Reporting Period with these payments having totalled c.£4.3m from the start of the Administration.

The Joint Administrators, where applicable, have also facilitated smaller payment transactions on sites with snagging issues (HCD25 & HCD3 as examples).

Following the move into Creditors' Voluntary Liquidation, the Joint Liquidators will continue to provide any treasury function necessary to assist in the ongoing build process.

## **Court Applications**

### **First Court proceedings**

As previously reported, the Joint Administrators made an application to Court for guidance on the basis by which they will fund their remuneration and the third-party costs of the Administration process ("the first costs hearing").

Following the hearing on 28 July 2022, the Court made an Order that the Joint Administrators could charge 11% of realised investor assets to settle their remuneration and associated third party costs. A copy of the sealed Court Order was provided to all investors on 20 September 2022.

### **Proposed costs recovery % uplift**

The Joint Administrators anticipate that the duration of the insolvency process and realisation of assets will now necessarily have to continue for a longer period than previously anticipated with a projected conclusion date of February 2025. This represents an additional two year duration of the process from the Joint Administrators' initial target closure date of February 2023. This will unavoidably significantly increase the costs of realising investor assets, including the Joint Administrators' remuneration.

Given the forecast increase in costs for the reasons set out above, the Joint Administrators intend to return to Court (as directed by the Judge at the first costs hearing) to seek an increase in our current costs' recovery basis from 11% of investor asset realisations to c.23%. The Joint Administrators' Legal Counsel and advisors are currently drafting a Court application in this regard and it is our intention to provide investors with information setting out the basis of our increased cost recovery % in due course under separate cover.

### **Second Court proceedings – investor distribution mechanism**

The Joint Administrators have previously advised of the need for a separate application to Court to obtain approval of their proposed distribution mechanism that allows net asset realisations to be returned to investors in The House Crowd Business in the most equitable manner.

The Joint Administrators remain in the process of constructing a suitable distribution proposal as unfortunately, the complex nature of the legal agreements relating to the loans, and material deficiencies in the Company investor and accounting records, has led to this process becoming extremely protracted.

The Joint Administrators expect to have finalised and lodged in Court their proposed distribution mechanism by May 2023.

### **The Joint Administrators' final receipts and payments account**

Attached at Appendix 3a is a receipts and payments account covering the Reporting Period together with the cumulative totals from the previous Reporting Periods. The Joint Administrators confirm that the account has been reconciled with that held at the bank.

### **Monies held pre-Administration**

As previously reported, the wider House Crowd Business' operations were structured in a manner that meant the business did not have an obligation to abide by CASS rules which govern how any funds constituting "client monies" should be managed.

Instead, THC engaged a client money service provider, MangoPay, to manage any client monies across all of THC's investment products except the IFISA product (which was managed by Woodside Corporate). Any retail lender funds held by these service providers at the date of Administration were kept in ring fenced accounts operated by these providers.

At the outset of the process the Joint Administrators spent a significant amount of time liaising with the third-party payment providers (Mango pay and Woodside Corporate) in relation to non-invested client monies held by them at the commencement of the Administration.

The Joint Administrators were able to successfully reconcile the monies held by these providers and began the task corresponding with the relevant investors so that their funds could be returned to them.

During the Reporting Period, a further sum of c.£1,258 has been repatriated back to investors bringing the total sums repatriated to date to c.£97,408. There remains the sum of c.£4,872 which will be repatriated to investor when the Company enters into liquidation.

Additionally, the Joint Administrators have also been able to identify cash belonging to investors held by THC in some of its pre-administration bank accounts.

During the Reporting Period, the sum of c.£3,872 has been returned to the relevant investors. There remains the sum of c.£98,866 which will be repatriated to investors when the Company enters into liquidation.

Investors should note that the above task of repatriating funds back to investors has been unexpectedly delayed due to the discovery of material deficiencies in the Company's records provided the Joint Administrators at the outset of the Administration.

The Joint Administrators identified potential errors in certain distributions made prior to the Company entering Administration, which, if left unchecked, may have resulted in duplicated distributions being made to investors in the future.

The Joint Administrators requested a full reconciliation of these transactions and have identified some erroneous items. This matter will be concluded when the Company enters into Liquidation.

### **Interaction with the FCA**

Following their appointment, the Joint Administrators have been liaising with the FCA on various matters impacting the Administration process.

### **The Joint Administrators' final receipts and payments account**

Attached at Appendix 3a is a receipts and payments account covering the Reporting Period together with the cumulative totals from the previous Periods. The Joint Administrators confirm that the account has been reconciled with that held at the bank.

### **VAT Basis**

**The receipts and payments are shown net of VAT. We have shown separately the total VAT on payments as this represents an irrecoverable expense because the Company is not VAT registered.**

The Joint Administrators have met a considerable number of statutory and regulatory obligations. Whilst many of these tasks have not had a direct benefit in enhancing realisations for the insolvent estate, they have assisted in the efficient and compliant progressing of the administration, which has ensured that the Joint Administrators and their staff have carried out their work to high professional standards.

During the Reporting period, primarily these tasks have included:

- Consulting with and instructing engagement staff and independent advisers as regards practical, technical and legal aspects of the case to ensure efficient case progression;
- Maintaining case files, to ensure that the Joint Administrators' records accurately reflect the issues encountered by the Joint Administrators; how these issues have been addressed; and the basis on which the Joint Administrators have reached their decisions;
- Monitoring and maintaining an adequate statutory bond insurance over the administration estate;
- Conducting periodic case reviews to ensure that the administration is progressing efficiently, effectively and in line with statutory requirements under current UK Insolvency legislation;
- Maintaining and updating the administration estate's cash book and bank accounts, including regular bank reconciliations and processing receipts and payments;
- Completing periodic tax returns; and
- Deliberating, planning and taking steps to execute the appropriate exit from administration of the Company into a Liquidation process.



## **Realisation of assets**

### **Gross bank interest**

The sum of £77 has been received in respect of gross bank interest during the Reporting Period.

### **Estimated Future Realisations**

#### **Bridging loan funds due to HCFSA**

The directors' estimated Statement of Affairs at the outset of the Administration detailed inter-company bridging loan funds owed to HCFSA, with a book value of c.£331k and an additional c. £9k of legal fees.

As at the date of Administration, the Joint Administrators were provided with company records stating that this inter-company loan consisted of necessary property expenses relating to bridging loan book borrowers paid by HCF on behalf of HCFSA and that these payments were never recharged to HCFSA by HCF.

Any recoverable sums in this regard will be pursued in the Liquidation process.

### **Other items on the Receipts & Payments Account**

#### **Development and Bridging Loan recovery fee**

At the outset of the Administration process, the Joint Administrators established from HCFSA's books and records that the Company was contractually entitled to charge a recovery fee (capped at 10%) from net realisations on all recoveries pertaining to defaulted loans. It was on this basis that the Joint Administrators made an application to Court to seek approval for their remuneration to be fixed by the Court.

Following the hearing on 28 July 2022, the Court made an Order that the Joint Administrators could charge 11% of realised investor assets (bridging and development loans assets) to settle their remuneration and associated third party costs.

As detailed in the receipts and payments account at Appendix 3a, during the Reporting Period, the Joint Administrators have drawn the sums of £397k and £656k respectively from bridging and development loan recoveries to discharge third party costs of the Administration estate as well as the Joint Administrators' remuneration.

### **Payments**

A full list of payments made during the Reporting Period is detailed in the Joint Administrators' receipts and Payments Account at Appendix 3a.

### **HCFSA Employee and Consultancy Recharges**

As previously reported, following their appointment, the Joint Administrators established that all employees of the House Crowd Business were employed directly by THC, albeit some staff provided services across the different legal entities (including HCFSA and HCPM).

The costs in respect of these employees and consultants have continued to be initially met by the THC Administration estate and have subsequently been recharged to the respective HCPM and HCFSA Administration estates (these payments are shown within the receipts and payments account at Appendix 3a).

Since January 2023, the work carried out by the remaining members of staff now largely relate to that of HCFSA and not HCPM or the HCP entities and as such all recharges to THC have been met by HCFSA.

This will continue to be the case throughout the Liquidation process.

## Inter-estate funding

As creditors and investors are already aware, given that THC is the FCA authorised entity within the wider House Crowd Business for P2P lending purposes, it is necessary that THC remains in an insolvency process until the conclusion of the Joint Administrators' orderly wind-down of the House Crowd Business.

However, THC is not forecast to have enough future realisations to be self-sufficient whilst initially HCPM did not have sufficient assets to settle its outstanding liabilities. Therefore, in order to be able to continue the insolvency processes of THC and HCPM, the Administration estate of HCFSA has historically provided funding to the Administration estates of THC and HCPM before the Reporting Period.

During the Reporting Period, no funds were provided by HCFSA to THC or the HCPM estate.

By way of a reminder, THC will not be in a position to repay this funding from HCFSA, however, because the continuation of THC's insolvency process in particular, is critical for the process of maximising realisations and returning capital to retail lenders, the Joint Administrators asked the Court to ratify these steps as part of their directions application on 13 April 2022. The Court duly ratified this strategy by its Order of 28 July 2022.

During the Reporting Period the loan to HCPM (c.£80k) was repaid in full to HCFSA from the estate. A summary of the current inter-estate funding provided by HCFSA is detailed below:

Administration	HCPM £	THC £
Funding during Reporting Period	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>265,000</b>

During the Reporting Period, the Joint Administrators have also incurred direct expenses, not all of which have yet been discharged. Further details of these costs are set out in section 'The Joint Administrators' Fees and Expenses' below.

As detailed above, the insolvency process is now expected to continue until February 2025 and as such, further funding will be required by THC from HCFSA during the Liquidation process.

## CREDITORS: CLAIMS AND DISTRIBUTIONS

### Secured creditors

There are no secured creditors holding fixed and floating charges over the Company's assets.

### Preferential creditors

#### Primary Preferential Creditors

The Joint Administrators have not received any claims from primary preferential creditors.

#### Secondary Preferential Creditors

In any insolvency process started from 1 December 2020, HM Revenue and Customs ('HMRC') is a Secondary Preferential Creditor for the following liabilities:

- VAT
- PAYE Income Tax
- Employees' NIC

- CIS deductions
- Student loan deductions

No secondary preferential claims have been received.

### **Prescribed Part**

The Company has not granted a floating charge to any Creditor after 15 September 2003 and consequently there will be no prescribed part in this Administration.

### **Unsecured creditors**

Unsecured claims were estimated at £440,315 in the director's Estimated Statement of Affairs and during the Administration four claims have been received from unsecured creditors totalling £20,093.

Of the sums detailed in the directors' Estimated Statement of Affairs, the sum of £331,242 was stated as being owed to HCF as an intercompany position as at the date of appointment.

At present an estimated dividend of c.8p in the £ is expected to be paid to unsecured creditors in subsequent the Liquidation process.

### **Claims process**

Due to the projected dividend distribution to unsecured creditors, they are asked to submit their unsecured claims to the address on the front of this report, marked for the attention of Heather Barnes.

A Proof of Debt form is attached at Appendix 6.

## **INVESTIGATIONS**

### **Investigations**

As part of the Joint Administrators' statutory duties, an investigation into the conduct of the Company's Directors was completed and a confidential report was submitted to The Insolvency Service on 19 May 2021.

## **ETHICS**

The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to insolvency appointments..

### **General ethical considerations**

During the Reporting Period, no new threats to compliance with the Code of Ethics have been identified.

### **Specialist Advice and Services**

When instructing third parties to provide specialist advice and services or having the specialist services provided by their own firm, the Joint Administrator is obligated to ensure that such advice or work is warranted and that the advice or work contracted reflects the best value and service for the work undertaken.

The Joint Administrators' firm reviews annually the specialists available to provide services within each specialist area and the cost of those services to ensure best value. The specialists chosen usually have knowledge specific to the insolvency industry and, where relevant, to matters specific to this insolvency appointment. Details of the specialists specifically chosen in this matter are detailed below.

## **Other Information**

### **General Data Protection Regulation**

In compliance with the General Data Protection Regulation, creditors, employees, shareholders, directors and any other stakeholder who is an individual (i.e. not a corporate entity) in these insolvency

proceedings is referred to the Privacy Notice in respect of Insolvency Appointments, which can be found at this link <http://www.quantuma.com/legal-notices>.

### Further Information

Creditors should note that the Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. Additionally, the Joint Administrators are also bound by the regulations of their Licensing Bodies.

To comply with the Provision of Services Regulations, some general information about **Quantuma Advisory Limited**, including our complaints policy and Professional Indemnity Insurance, can be found at <http://www.quantuma.com/legal-information>.

## THE JOINT ADMINISTRATORS' FEES AND EXPENSES

### Pre-Administration Costs

Included within the Joint Administrators' Proposals was a Statement of Pre-Administration costs as detailed below:

Party instructed	Amount (£)
Quantuma Advisory Limited	694
Quantuma Advisory Limited (disbursements)	6
JMW Solicitors LLP	400
<b>TOTAL UNAPPROVED</b>	<b>1,100</b>

The Joint Administrators sought approval of these fees and they were approved via a decision procedure on 21 February 2023, none of which have been discharged in the Administration.

### The Joint Administrators' Fees

#### For dealing with investor affairs

As explained earlier, the basis on which the Joint Administrators are remunerated for dealing with trust assets for the benefit of investors was decided by the Court in July 2022.

As at 21 February 2023, a total of £861k (excluding VAT) of fees have been drawn in respect of the Joint Administrators' remuneration.

#### For dealing with the affairs of creditors

The basis of the Joint Administrators' fees for dealing with matters on behalf of creditors was agreed on 21 February 2023 by the Company's unsecured creditors as follows:

1. A fixed fee of £50,000.

The set fee is considered a fair and reasonable reflection of the work undertaken by the Joint Administrators for the benefit of creditors.

No fees have yet been drawn in respect of this aspect of the Joint Administrators' remuneration.

The Joint Administrators have not provided details of their time costs or charge out rates as in accordance with SIP 9 guidance, there is no requirement to do so when their remuneration has been set on a fixed fee basis.

### Joint Administrators' Expenses

The expenses, which include disbursements that have been incurred and not yet paid during the period are detailed overleaf:

<b>Expenses</b>	<b>Actual expenses incurred in the Reporting Period £</b>	<b>Expenses Paid in the period £</b>	<b>Expenses unpaid from previous Reporting Period £</b>	<b>Total incurred but not yet paid £</b>
<b>Category 1 Expenses</b>				
Accountancy Fees	1,200	1,200	Nil	Nil
Solicitors – JMW	5,670	Nil	Nil	5,670
Postage	Nil	1	Nil	Nil
Travel	121	121	Nil	Nil
Subsistence & Accommodation	766	886	Nil	Nil
Mileage incurred as a result of necessary travel as per HMRC's approved rate (per mile)	138	Nil	116	254
<b>TOTAL</b>	<b>7,896</b>	<b>2,088</b>	<b>116</b>	<b>5,924</b>

Investors and creditors should note that the above table now only includes the costs associated for the Joint Administrators in carrying out their statutory duties for the benefit of creditors. All costs associated with the recovery of the loans for the benefit of investors will be paid out of the aforementioned 11% and as such are not included in the above table.

The category 1 expenses paid for in the Reporting Period are detailed on the Receipts and Payments account at Appendix 3a and represent payments to parties not associated with the firm, who have provided services or goods for the Administration of the assignment.

The category 2 expenses for the Reporting Period total £138. These have not been drawn in the Administration. The basis of calculation of this category of expense was disclosed to creditors in the Joint Administrators proposals and was estimated at £250. The creditors are subsequently approved the Joint Administrators drawing category 2 disbursements up to this limit for mileage.

Any sums incurred in the period but not paid will be paid as an expense in the Liquidation estate.

### **Other Professional Costs**

#### **Subcontracted Work**

The Joint Administrators have not sub-contracted out any work to professionals that could have otherwise been completed by themselves.

#### **Solicitors – JMW Solicitors LLP**

JMW were instructed by the Joint Administrators to provide advice on appropriate legal matters (in relation to the Administration process and the recovery of the loans). Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT.

#### **Legal Counsel**

Legal Counsel were instructed by the Joint Administrators to advise on appropriate legal matters, such as Court applications, monies held on trust and client money etc. Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT.

The costs order provided by the Court in July 2022 provided that legal fees (for work in relation to the Berkely Applegate order) are not subject to the overall 11% deduction from net realisations and are payable directly from trust assets held for the benefit of investors (being realisations from development and bridging loans) in addition to the approved costs & expenses which are subject to the 11% limit.

### **Solicitors – Browne Jacobson LLP**

Browne Jacobson LLP were instructed by the Joint Administrators to provide specific advice on the recovery of one of the bridging loans. They were instructed due to their prior knowledge of the matter having been engaged prior to the Joint Administrators' appointment.

Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT along with an agreement to discharge previously incurred time costs outstanding as at the date of appointment. Their time costs and disbursements are paid from the aforementioned 11% deducted from net recoveries of the loans.

### **Solicitors – Glaisyers Solicitors LLP**

Glaisyers were instructed by the Joint Administrators to provide specific advice on the recovery of a number of the bridging loans.

Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT along with an agreement to discharge previously incurred time costs outstanding as at the date of appointment. Their time costs and disbursements are paid from the aforementioned 11% deducted from net recoveries of the loans.

### **Solicitors – Bermans Solicitors**

Bermans were previously engaged by THC in respect of a specific bridging loan.

Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT along with an agreement to discharge previously incurred time costs outstanding as at the date of appointment. Their time costs and disbursements are paid from the aforementioned 11% deducted from net recoveries of the loans.

### **Accountants – DSG Accountancy and Business Services Limited**

The Joint Administrators instructed DSG to prepare the end of year accounts for the Company to 24 February 2022. This was agreed on a fixed fee basis of £1,200 plus VAT which was paid during the Reporting Period.

### **Agents & Valuers**

Landwood were instructed as independent agents and valuers to assist the Joint Administrators in their appraisal of the developments as well as provide advice on the recovery of certain bridging loans.

Landwoods' costs have been agreed on a time-cost basis plus disbursements and VAT and are paid from the aforementioned 11% deducted from net recoveries of the loans.

### **Consultants – AMJZ Limited (Formerly Equitivo Limited)**

AMJZ have been retained by the Joint Administrators as former consultants to THC to advise and assist with their knowledge of the House Crowd Business and its processes.

Their costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT, and are paid from the aforementioned 11% deducted from net recoveries of the loans.

### **RSM UK**

RSM were instructed by the Joint Administrators to assist in the process of creating a model for the fair distribution of investor funds from the Development and Bridging loans.

RSM's costs have been agreed on the basis of their standard hourly charge out rates, plus disbursements and VAT, and are paid from the aforementioned 11% deducted from net recoveries of the loans.

All professional costs are reviewed and analysed before payment is approved.

## **Other professional costs**

Creditors and Investors should also note that there are a number of property receivers and solicitors working on the recovery of certain bridging loans who were engaged by the House Crowd management prior to the Joint Administrators' appointment. These associated costs of recovery will be directly deducted from the eventual property sale proceeds with the Joint Administrators receiving any remaining net proceeds.

These professionals have not been engaged by the Joint Administrators nor do these assets represent recoveries for the Administration estate or creditors and as such they are not detailed on the receipts and payments account.

## **Payment of the Joint Administrators' unpaid fees and costs**

In accordance with the Insolvency Act 1986, all unpaid fees (subject to any approved fees estimate) and costs, as described in the sections above, are charged on and payable out of the Company's property. Therefore these fees will be paid during the liquidation process.

## **Creditors' right to request information**

Any secured creditor, or unsecured creditor with the support of at least 5% in value of the unsecured creditors or with permission of the Court, may request in writing the Joint Administrators to provide additional information regarding fees or expenses to that already supplied within this report. Such requests must be made within 21 days of receipt of this report.

## **Creditors' right to challenge fees and/or expenses**

Any secured creditor, or unsecured creditor with the support of at least 10% in value of the unsecured creditors or with permission of the Court, may apply to the Court for one or more orders, reducing the amount or the basis of fees which the Joint Administrators are entitled to charge or otherwise challenging some or all of the expenses incurred.

Such applications must be made within 8 weeks of receipt by the applicant(s) of the progress report detailing the fees and/or expenses being complained of.

Please note that such challenges may not disturb fees or expenses (whether or not discharged from the estate) disclosed in prior progress reports.

## **THE OUTCOME OF THE ADMINISTRATION**

### **Comparison of the outcome with the Joint Administrators' Proposals**

Attached at Appendix 2 is a summary of the Joint Administrators' Proposals as approved.

It had been envisaged that the second Administration objective would be achieved, namely that there would be a better result for creditors as a whole than would be likely if the Company were wound up (without first being in Administration). As described above, Administration objective has now been achieved.

The cash balance in the Joint Administrators' estate account of £169,226, and control of the remaining assets will be transferred into the liquidation estate.

Most of this cash balance represents realised investor trust assets that will be used to defray any costs associated with the recovery of the investor assets in the Liquidation process. However, the sum of £23,640 represents the balance of funds realised for the benefit of creditors £14,169 (cash at Bank) and £10,527 (Pre-appointment refunds), less statutory costs paid to date and is shown on the Outcome Statement as being transferred to the Liquidation estate for the benefit of creditors at Appendix 3b.

It should be further noted that the Joint Administrators will also transfer the sum of £11.5m held in accounts on trust for the benefit of investors to ring fenced accounts that will be set-up in the liquidation process.

An Estimated Outcome Statement as at 21 February 2023 is attached at Appendix 3b. This illustrates the anticipated outcome of the subsequent liquidation process.

The Joint Administrators are now moving the Company from Administration to Creditors' Voluntary Liquidation to enable a dividend to be paid to unsecured creditors from the sum detailed above. The Joint Liquidators will also continue to pursue the remaining assets and other matters described in this report either for the benefit of creditors or investors. As noted in Appendix 2, the Joint Administrators' approved Proposals included that, absent any alternative nomination, the Joint Administrators would take the appointment as Joint Liquidators without further recourse to the creditors. There were no other nominations and therefore the Joint Administrators will be appointed Joint Liquidators.

If you require any further information, please contact my team on [thehousecrowd@quantuma.com](mailto:thehousecrowd@quantuma.com).



**Frank Ofonagoro**  
**Joint Administrator**



**HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)****STATUTORY INFORMATION**

Company Name	House Crowd Finance (Security Agent) Limited
Previous Names	
Proceedings	In Administration
Court	High Court of Justice Business and Property Courts in Manchester
Court reference	CR-2021-MAN-000118
Date of Appointment	25 February 2021
Joint Administrators	Frank Ofonagoro Jeremy Woodside Quantuma Advisory Limited Third Floor, 196 Deansgate, Manchester, M3 3WF  Frank Wessely Quantuma Advisory Limited 2 <sup>nd</sup> Floor, Arcadia House 15 Forlease Road Maidenhead SL6 1RX
Registered office Address	C/o Quantuma Advisory Limited Third Floor, 196 Deansgate, Manchester, M3 3WF
Company Number	09893838

## HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)

## THE JOINT ADMINISTRATORS' PROPOSALS, AS APPROVED

**Appendix IX: Summary of the Joint Administrators' Proposals**

In order to achieve the purpose of the Administration, the Joint Administrators formally propose to creditors that:

- The Joint Administrators continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration, in particular that:
    - (i) they will take the necessary steps to realise the Company's assets for the benefit of creditors.
    - (ii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company, whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company that supplies or has supplied goods or services to the Company; and
    - (iii) they do all such things and generally exercise all their powers as Joint Administrators as they consider desirable or expedient at their discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these activities.
  - The Joint Administrators make distributions to any secured or preferential creditors in accordance with Paragraph 65 of Schedule B1 of the Act. Further, they may make a distribution to unsecured creditors, having first sought the court's permission in accordance with Paragraph 65(3) of Schedule B1 of the Act where necessary.
  - The Joint Administrators end the Administration in one of the following ways, appropriate to the circumstances of the case at the time
    - (i) in the event that there is no remaining property that might permit a distribution to the Company's creditors, they shall file a notice of dissolution of the Company pursuant to Paragraph 84 of Schedule B1 of the Act; or
    - (ii) however, in the event that the Joint Administrators think that a distribution will be made to unsecured creditors (and they have not sought the court's permission, and are otherwise unable, to pay the distribution whilst the Company is in Administration), they shall send to the registrar of companies notice to move the Company from Administration to Creditors' Voluntary Liquidation. In such circumstances, Frank Ofonagoro, Jeremy Woodside and Frank Wessely will be appointed Joint Liquidators and will be authorised to act either jointly or separately in undertaking their duties as Liquidator. Creditors may nominate a different person or persons as the proposed liquidator or liquidators in accordance with Paragraph 83(7)(a) of Schedule B1 of the Act and Rule 3.60(6)(b) of the Rules, but they must make the nomination or nominations at any time after they receive the Statement of Proposals, but before it is approved. Information about the process of approval of the Statement of Proposals is set out at Section 10.
-

APPENDIX 3A

HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)

THE JOINT ADMINISTRATORS' FINAL RECEIPTS AND PAYMENTS ACCOUNT

House Crowd Finance (Security Agent) Limited (In Administration) JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT			
	Statement of affairs £	From 25/08/2022 To 20/02/2023 £	From 25/02/2021 To 20/02/2023 £
<b>RECEIPTS</b>			
Pre-appointment refunds		Nil	11,067.28
Payment from trust assets - legal fees		229,856.65	229,856.65
Cash at bank	14,169.01	Nil	14,169.01
Repayment of inter estate loan (HCPM)		80,211.05	80,211.05
Bank interest gross		156.71	184.06
Bridging loan recovery reserve (10%)		397,455.45	558,820.42
Development loan recovery reserve (10%)		656,247.66	1,893,046.29
		<u>1,363,927.52</u>	<u>2,787,354.76</u>
<b>PAYMENTS</b>			
Inter-estate funding to THC		Nil	265,000.00
Specific bond		Nil	135.00
Accountancy fees		1,200.00	1,200.00
Joint administrators remuneration		861,000.00	861,000.00
Consultancy fees		68,923.33	331,595.01
Landwood Commercial (Manchester) Limited		66,310.00	145,746.92
Post appointment legal disbursements		9,128.80	45,328.80
Post appointment legal fees - JMW		122,240.00	202,592.50
QS - Lucas Lee Limited		Nil	4,500.00
Bridging post-appointment legal fees		10,833.50	27,072.50
Legal fees - Berkeley Applegate		191,547.21	191,547.21
VAT irrecoverable		266,998.23	364,913.34
RSM		8,000.00	18,000.00
Disbursements		1008.27	1049.83
Statutory advertising		Nil	88.00
Inter-estate loan to HCPM		Nil	80,211.05
Wages & salaries		18,099.33	51,378.22
PAYE & NI		7,789.43	22,687.90
Bank charges		5.00	5.00
Pension contribution		1,393.21	4,077.53
		<u>1,634,476.31</u>	<u>2,618,128.81</u>
Net Receipts/(Payments)		<u>(270,548.79)</u>	<u>169,225.95</u>
<b>MADE UP AS FOLLOWS</b>			
Bank 1 Current			169,225.95
			<u>169,225.95</u>

## HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)

## ESTIMATED OUTCOME STATEMENT FOR THE LIQUIDATION

House Crowd Finance (Security Agent) LimitedEstimated Outcome Statement as at 20 February 2023

	Estimated to Realise £
<b>Assets not specifically pledged</b>	
Refund from Trust Assets	23,640
	<hr/> 23,640
<b>Costs</b>	
Administrators' Fees - Pre-Appointment	(694)
Administrators' Fees - Post-Appointment	(10,000)
Pre-Appointment legal fees	(400)
Post -Appointment legal fees	(5,670)
Accountancy fees	(1,200)
Specific Bond	(135)
Statutory Advertising	(176)
VAT Irrecoverable	(3,658)
Post	(15)
Bank charges	(5)
	<hr/> (21,953)
<b>Amount Available for Pref Creditors</b>	<hr/> 1,687
Preferential Creditors	Nil
<b>Surplus as per Preferential Creditors</b>	<hr/> 1,687
<b>Amount available to Unsecured Creditors</b>	<hr/> 1,687
<b>Est. Unsecured Creditors</b>	
Trade Creditors	(20,093)
	<hr/> (20,093)
<b>Estimated Deficiency as per Unsecured Creditors</b>	(18,406)
<b>Estimated dividend (p/£)</b>	0.08

## HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)

## DETAILED LIST OF WORK UNDERTAKEN BY THE JOINT ADMINISTRATORS DURING THE REPORTING PERIOD

Description of work undertaken	Includes
<b><u>ADMINISTRATION &amp; PLANNING</u></b>	
Administration & Planning	
Ongoing scheduling of the company's books and records.	Continued to access of Company's electronic database as well as hard files stored remotely.
Corresponding with retail lenders	Liaising with the House Crowd investors regarding various queries relating to their investments and the progress of the Administration.
General Administration - Dealing with all routine correspondence and emails relating to the case.	
Case strategy & completing file reviews at case closure	Periodic file reviews and ongoing strategy meetings in order to ensure that the case continues to be run in the most efficient manner possible for the benefit of creditors and members.
Corporation Tax matters and returns.	Preparation and filing of Corporation Tax Returns
Court Application	Second court application. Distribution model.
<b><u>CREDITORS</u></b>	
Creditors -	
Progress Reports/ retail lender updates	Preparing, circulating and filing progress reports and investor updates
Dealing with creditor correspondence, emails and telephone conversations.	Review and prepare correspondence to creditors and their representatives via email and post
Final Reports	
Annual/Progress Reports	Preparing and filing progress reports. Disclosure of sales to connected parties
<b><u>INVESTIGATIONS</u></b>	
Investigations -	
Ongoing SIP 2 Review – ongoing review of any matters of investigation that may result in recoveries for the estate	Continued Review of Company's books and records  Review of specific transactions and liaising with Directors regarding certain transactions
<b><u>REALISATION OF ASSETS</u></b>	
Realisation of Assets	
Development Projects / Freehold Property	The Joint Administrators have carried out the following tasks in respect of the development projects <ul style="list-style-type: none"> <li>• Liaise with instructed Independent Professional Property agents;</li> <li>• Provide treasury function to HCD companies continuing to build properties;</li> </ul>

Description of work undertaken	Includes
	<ul style="list-style-type: none"> <li>• Oversee development of various projects; and</li> <li>• Drafting and preparation of the loan-by-loan update to investors</li> </ul>
Bridging loans/ Debtors	<p>The Joint Administrators have carried out the following tasks in respect of the bridging loans;-</p> <ul style="list-style-type: none"> <li>• Continued to liaise with Consultants with historic knowledge of the operations of the House Crowd business to gain an understanding of the bridging loan book;</li> <li>• Regular update of information into a monitoring document to include historical information of each loan, including borrower name, date of loan, date of default, gross loan amount and any historical correspondence/actions being taken;</li> <li>• Instructing independent professional agents to attend various locations to inspect the collateral (property / ongoing developments) representing retail lenders' security for outstanding bridging loans;</li> <li>• Preparation of loan redemption statements;</li> <li>• Discussions with Receivers appointed by a secondary charge holder over a property;</li> <li>• Liaising with solicitors in respect of collectability of loans that are subject to a capital and/or interest shortfall; and</li> <li>• Drafting and preparation of loan-by-loan update to investors.</li> </ul>
<b><u>CASHIERING</u></b>	
Maintaining and managing the Office Holders' cashbook and bank account.	<p>Maintenance of the estate cash book</p> <p>Processing all payments in respect of the Administration process.</p>
Dealing with cheque requisitions	Issuing cheques/BACS payments
Dealing with deposit forms	Banking remittances
Bank Reconciliations	
<b><u>CLOSING PROCEDURES</u></b>	
Filing final statutory returns at Companies House/Court	

**HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)**

**NOTICE OF NO DIVIDEND**

**Company Name:** House Crowd Finance (Security Agent) Limited (In Administration) ("the Company")

**Company Number:** 09893838

**In the High Court of Justice Business and Property Courts in Manchester CR2021MAN000118**

This Notice is given under Rule 14.37 of the Insolvency (England & Wales) Rules 2016 ("the Rules"). It is delivered by the Joint Administrator of the Company, Frank Ofonagoro, of Quantum Advisory Limited, Third Floor, 196 Deansgate, Manchester, M3 3WF (telephone number: 0161 694 9144), who was appointed by the members of the Company.

The Joint Administrator gives notice confirming that no dividend will be declared in the Administration of the Company.

The residual funds held for the benefit of creditors will be distributed to creditors during the Liquidation process which will commence following the closure of the Administration.

Signed:



Frank Ofonagoro  
Joint Administrator

Dated: 21 February 2023

## HOUSE CROWD FINANCE (SECURITY AGENT) LIMITED (IN ADMINISTRATION)

## PROOF OF DEBT FORM

DETAILS OF CLAIM		
1.	Name of Creditor (if a company, its registered name)	
2.	Address of Creditor (i.e. principal place of business)	
3.	If the Creditor is a registered company: <ul style="list-style-type: none"> <li>For UK companies: its registered number</li> <li>For other companies: the country or territory in which it is incorporated and the number if any under which it is registered</li> <li>The number, if any, under which it is registered as an overseas company under Part 34 of the Companies Act</li> </ul>	
4.	Total amount of claim, including any Value Added Tax, as at the date of administration, less any payments made after this date in relation to the claim, any deduction under R14.20 of the Insolvency (England & Wales) Rules 2016 and any adjustment by way of set-off in accordance with R14.24 and R14.25	£
5.	If the total amount above includes outstanding uncapitalised interest, please state	YES (£ ) / NO
6.	Particulars of how and when debt incurred	
7.	Particulars of any security held, the value of the security, and the date it was given	
8.	Details of any reservation of title in relation to goods to which the debt relates	
9.	Details of any document by reference to which the debt can be substantiated. (The administrator may call for any document or evidence to substantiate the claim at his discretion.)	
10.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986	Category  Amount(s) claimed as preferential £
11.	If you wish any dividend payment that may be made to be paid into your bank account, please provide BACS details. Please be aware that if you change accounts it will be your responsibility to provide new information	Account No.:  Account Name:  Sort code:
AUTHENTICATION		
Signature of Creditor or person authorised to act on his behalf		
Name in BLOCK LETTERS		
Date		
If signed by someone other than the Creditor, state your postal address and authority for signing on behalf of the Creditor		
Are you the sole member of the Creditor?		YES / NO



## **The House Crowd Limited – in Administration (“THC”)**

## **House Crowd Finance – in Liquidation (“HCF”)**

## **House Crowd Finance (Security Agent) Limited – in Liquidation (“HCFSA”)**

## **Together – the Companies**

## **Frank Ofonagoro, Jeremy Woodside, Frank Wesseley – (“the Office Holders”)**

Following the two-year anniversary (on 24 February 2023 for THC and on 25 February 2023 for HCF and HCFSA) of their appointment, the Office Holders are now in a position to provide a fourth update to investors on their efforts to recover the outstanding bridging loans (“the bridging loans”) owed to HCFSA.

By way of a summary, from a loan book of 29 loans: -

- 11 loans have been recovered;
- 10 loans remain outstanding (in various stages of recovery); and
- 8 loans have been written off with no recoveries anticipated.

Further details on all these matters are outlined throughout this report.

### **Important notice:**

- This document has been prepared for the sole purpose of updating the investors on the bridging loans. This update is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by investors or by any other person for any purpose whatsoever other than for information purposes in order to understand the recovery of the bridging loan book.
- This update should be read in conjunction with all previously provided updates by the Office Holders, including statutory reports provided to the Companies’ respective creditors as required under the Insolvency Act.
- The outstanding capital figures have been provided in accordance with information contained within the Companies’ books and records at the time of reporting and may be subject to change. The Office Holders are not auditors and have therefore not carried out what could be considered an audit verification of this information.
- The Office Holders act as agents of the Companies and without personal liability.
- Where net receipts have been referenced, investors should note that this does not necessarily represent the sum to be distributed, as any monies held may be subject to additional deductions of associated costs of recovery (the deduction of the Office Holders’ agreed remuneration).

The Office Holders remind Investors to bear the following in mind when reading this update:

The Office Holders have previously advised of the need for a separate application to Court to obtain approval of their proposed distribution mechanism that allows net asset realisations to be returned to investors in The House Crowd Business in the most equitable manner.

We remain in the process of constructing a suitable distribution proposal as unfortunately, the complex nature of the legal agreements relating to the loans, and material deficiencies in the Company investor and accounting records, has led to this process becoming extremely protracted.

We expect to have finalised and lodged in Court the proposed distribution mechanism by the end of May 2023.

The Office Holders anticipate that the duration of HCFSA's insolvency process and realisation of the bridging loan book will now necessarily have to run to a potential conclusion date of February 2025. This represents an additional 2 years' duration of the process from the Office Holders' initial target closure date of February 2023. This extension will have a necessary costs implication by increasing the costs of the process, primarily, the Office Holders' costs which are forecast to significantly increase.

Given the forecast increase in the costs of the Companies' insolvency processes given the need to prolong the same, the Office Holders' intend to return to Court (as directed by the Judge at an initial hearing sanctioning the Office Holders' current costs recovery basis) to seek an increase in their agreed costs from 11% of investor asset realisations to c.23%. The Office Holders' legal Counsel and advisors are currently drafting the Court fee application and it is our intention to provide investors with information setting out the basis on which the Office Holders will recover their forecast future costs under separate cover.

### **Recovered loans**

Net receipts from recovered loans currently held by the Office Holders will be subject to recovery of the Office Holders' fees as sanctioned by the Court.

#### **HCF180 – The Vicarage**

##### **Total outstanding Investor Capital - £49,000**

As investors are aware, property Receivers were appointed by HCFSA over The Vicarage (the borrower's home) prior to the appointment of the Office Holders.

Since our last update, a settlement with the borrowers has been agreed and £120,000 has been paid to the HCFSA estate, bringing the total realisations in respect of this loan to £142,500.

#### **Fiddler - HCF179 – Parkland Close**

##### **Total outstanding Investor Capital - £216,000**

In June 2022, the borrower made a full and final settlement payment for the outstanding capital and accrued interest totalling £396,337.

#### **HCF181 – Mead Crescent**

##### **Total outstanding Investor Capital - £314,000**

As previously advised, the current property Receivers sought a possession order over the property from Court last year, with an eviction date for the borrower set for 4 October 2022. We are pleased to advise that since our last update a sale for the sum of £625,000 was agreed with a third-party which resulted in net proceeds of £581,000 (after deduction of fees associated with the Receiver and Solicitor) being paid to the Office Holders.

#### **HCF191 – Old Lliesty Hospital development**

##### **Total outstanding Investor Capital - £2,793,000**

As previously reported, a gross settlement was agreed with the borrower in the sum of £3,000,000. This resulted in the sum of £2,945,000 being paid to the HCFSA estate after costs.

#### **HCF186 – Hale Road**

##### **Total outstanding Investor Capital - £305,000**

The Office Holders have agreed a full and final settlement with the borrower for the sum of £160,000.

By way of background, prior to commencing settlement negotiations, the HCFSA's books and records indicated that c.£165k had been discharged prior to the Office Holders' appointment, with a remaining sum of c.£140k due. However, the Office Holders were unable to place reliance on the accuracy of HCFSA's books and records and therefore sought recovery of the loan in full.

After a prolonged series of lengthy and costly exchanges between the borrower and the Office Holders (with no progress made), the Office Holders requested a settlement meeting in an attempt to

limit the incurrence of further unnecessary costs. Investors should note that prior to this meeting, the Office Holders were advised by their solicitor, that reaching a settlement would be the most cost-effective way of bringing this matter to a close with estimated costs of any subsequent attempts to litigate HCFSA's position being in the region of c.£100k, which would not guarantee any material increase in realisations prospects for investors over and above any settlement figure that could be reached.

At the meeting, the borrower initially offered the sum of £140k as settlement of outstanding capital but was not willing to offer anything towards the accrued interest. After further negotiations, the Office Holders accepted an offer of £160k in full and final settlement.

#### **HCF192 – Windsor Street – May 2021**

**Original investor capital - £35,000**

**Redemption after costs - £47,129**

Since our last update we are pleased to confirm that the borrower has repaid the sum of £47,129 after costs.

#### **HCF27 – Hertford Way, York Road Industrial Estate – July 2021**

**Original investor capital - £1,382,000**

Having repaid the investor capital advanced under the loan prior to our appointment, the borrower entered into a settlement agreement whereby they would adhere to a payment schedule to pay £165,000 in final settlement of any interest due under the loan.

The borrower adhered to the terms of the settlement and payments totalling the £165,000 have been received in full.

#### **HCF20 – Caverswall Castle – March 2021**

#### **HCF35 – The Moathouse – March 2021**

**Total outstanding Investor Capital - £706,000 (HCF20 £430,000; HCF35 £276,000)**

As previously reported, the total combined sale proceeds from the properties have been received and have been apportioned between HCF20 (£318,154) and HCF35 (£79,538) respectively.

#### **HCF137 – Broadland Cottages – February 2022**

**Original Investor Capital - £87,000**

**Redemption after costs – £139,181**

As previously reported, the borrower sold the property in February 2022 and net proceeds of £139,181 have been received by the HCFSA estate.

#### **HCF68 – 260 Newport Road – Sale Completed – July 2021**

**Total outstanding Investor Capital - £262,000**

As previously reported, the sale of the property was concluded in May 2021 with net proceeds of £238,500 being received by the HCFSA estate. Since our last report a further and final sum of c.£3,000 has been received from the property's Receivers.

#### **Outstanding loans**

#### **HCF081 – 10 Raphael Drive – (Interest Shortfall)**

**Interest Shortfall - £23,981**

Following difficulty encountered by the Office Holders to locate the borrower we managed to find an updated address for the borrower and promptly issued a new letter before action. The borrower has

responded to but is disputing the full liability. The Office Holders are continuing to liaise with the borrower (by providing supporting documentation) in order to successfully recover the interest shortfall.

#### **HCF160 – 41 Bryanston Road – September 2021**

**Original Investor Capital - £165,000**

**Original gross loan - £165,000**

**Redemption after costs - £241,974**

As previously reported, the borrower was declared bankrupt in February 2020 with a claim having been made in the bankruptcy estate by the Office Holders for the sum of £121,291.53 (the outstanding default interest).

The Trustee in Bankruptcy has advised that a dividend of c.38p in the £ was due to be paid from the bankruptcy estate. However, to date, no funds have been received from the Trustee. We have since been informed by the Trustee that there have been delays in agreeing creditor claims but that a distribution will shortly be made and paid out in due course.

#### **HCF131 – Cadoxton Carehome Site**

**Capital Shortfall - £625,853**

As detailed in our last update, the Office Holders have made several attempts to locate the borrower, having sent several letters requesting them to engage in discussions on the sums owed.

In late 2022, the borrower requested further details regarding the liability and the calculations of the sums owed, with these having been updated and provided to the borrower.

Follow up correspondence has been sent to the borrower with no reply received to date.

#### **HCF077 – 23 Mendip Way**

**Capital Shortfall – £329,063**

As advised in our previous update, the Office Holders identified potential irregularities relating to the manner in which this loan was obtained (in that the loan was obtained fraudulently) arising from non-compliant AML submissions.

The Office Holders are currently seeking legal advice in order to establish recovery prospects of the loan.

#### **HCMF002 – The Chimes**

**Total outstanding Investor Capital – £400,000**

To date the Office Holders have received total repayments under the mezzanine finance loan agreement totaling c.£572k. We requested an update from the borrower's Administrators as to the likelihood of further payments to the HCFSA estate and were informed that there is the possibility of further distributions to HCFSA, but we have yet to be briefed on expected quantum and/or timing of the same despite our repeated requests.

Based on current information, it is expected that there will be sufficient funds to repay investor capital in full, but any repayment of interest remains subject to the level of available funds after the deduction of the Office Holders' costs.

#### **HCF185 – Micheldelving**

**Total outstanding Investor Capital - £534,000**

Following our last update, the Office Holders have commenced negotiations with the borrower's representatives in order to reach settlement. These negotiations remain at an early stage and further updates will be provided in due course to investors.

The Office Holders have reserved their right to commence possession proceedings should an acceptable settlement not be reached.

### **HCF165 – Cherry Tree**

#### **Total outstanding Investor Capital - £125,000**

As advised in our previous update, any return to investors is dependent on the ability of the borrower to successfully refinance the outstanding loan in full or the net sale proceeds from any subsequent sale. The Office Holders have subsequently learnt from their instructed property agent that there are potential issues with the property's title deeds which could impede any realisable value for the property (following the possession of the same).

Despite numerous requests, the Office Holders have not been provided with adequate evidence of any refinance attempts by the borrower and as such instructed their solicitor to issue a final demand to the borrower to provide this information by the end of the first week in March 2023.

Should the deadline not be met, the Joint Administrators will take steps to enforce the terms of an already granted possession order (24 February 2020) without further recourse.

### **HCF187 – Colridge Court**

#### **Total outstanding Investor Capital - £57,000**

As at the date of our last update, the Office Holders had agreed to defer planned possession proceedings in the short-term following the discovery that the property was occupied by a member of the borrower's family, following a recent bereavement.

The last valuation of the property (on December 2019) estimated a value range of between £155,000 and £160,000 with a first ranking legal charge on the property in favour of a third-party lender owed c.£55,000 (subject to accruing interest and charges).

Negotiations have been ongoing between the Office Holders' and the borrower to reach a settlement, and as previously reported, an offer in the sum of £60k was made in January 2022 and was rejected along with a further offer of c.£80k, as both would likely result in a capital shortfall to investors (investors should note that the Office Holders accepted a payment on account of the £60k, pending further negotiation).

Increased offers for the remaining sum have subsequently been made by the borrower. However, in an effort to better understand what final settlement should be accepted, the Office Holders instructed their agent to attend the property in February 2023 and update their valuation for the same, whilst staying the Court application. The Office Holders hope that this will better inform their decision making on whether to continue with possession proceedings or not.

### **HCF193 – Derwin Y Fron**

#### **Total outstanding Investor Capital - £691,000**

From the last update, investors will recall that there are two properties, a public house and a residential house that were in the process of being repossessed for sale.

Following successful repossession and a marketing exercise, the Office Holders have agreed to the sale of the pub for the sum of £220k subject to contract, with the hope that an exchange and completion will occur in the coming weeks.

In relation to the residential property, the Office Holders had instructed solicitors to commence possession proceedings however, since our last update, the first ranking legal charge holder (HSBC) has contacted our agent and confirmed that they are in the process of taking possession of the property themselves. Our solicitor is currently liaising with HSBC's agents to better understand their intentions, next steps, and timings.

## **HCF101 – Ash Lodge**

### **Total outstanding Investor Capital - £466,000**

At a Court hearing to seek possession of the residential property on 14 December 2022, proceedings were adjourned pending further provision of information to Court by the borrower with a deadline of January 2023.

The Property Receivers are currently waiting for an update from their solicitors as to the next steps as additional information was provided, which is being duly considered.

### **Loans deemed unrecoverable**

As previously reported, the loans below are in default and may have previously been in receivership, where the secured property/asset has been sold, with funds used to part redeem the respective loans. As at the start of the initial administration process, there remained either a capital or interest shortfall outstanding.

The Office Holders have made numerous attempts to recover these loans and have, where necessary, engaged specialist third parties to locate additional information on the borrower in an attempt to better aid recovery efforts. However, the Office Holders are now of the opinion that all recovery attempts have been exhausted and as such any sums due under these loans will be written off.

## **HCF053 – 9a & 9b Daleview Road (interest shortfall)**

### **Interest Shortfall - £41,257**

Based on current information and the continued lack of engagement from the borrower after numerous attempts to locate the same, the Office Holders do not intend to incur any further costs, with no realistic likelihood of recovery. Investors will be informed should this position change.

## **HCF021 – 214, 216 & 218 Rice Buildings (Capital Shortfall)**

### **Capital shortfall -£248,923**

After numerous correspondence to the borrower's address (per the Companies' books and records) the Office Holders were able to establish that the borrower was potentially resident at a new address. The Office Holders' solicitors subsequently re-issued a further letter before action to this new address with a 30-day deadline for response, however, to date no response has been received. Based on current information and the continued lack of engagement from the borrower, the Office Holders do not intend to pursue any further recovery actions, as to do so would result in additional costs being incurred by the HCFSA estate with no realistic likelihood of recovery. Investors will be informed should this position change.

Finally, the Office Holders have sought legal opinion as regards the prospect of a claim being brought against the professional advisors that provided the valuation advice on which HSCFA based its decision to issue the loan in the first place.

## **HCF028 – 1 & 3 Falstaff Road**

### **Capital Shortfall - £172,269**

After numerous correspondence to the borrower's address (per the Companies' books and records) the Office Holders were able to establish that the borrower was potentially resident at a new address. The Office Holders' solicitors subsequently re-issued a further letter before action to this new address with a 30-day deadline for response, however, to date no response has been received.

Based on current information and the continued lack of engagement from the borrower, the Office Holders do not intend to pursue any further recovery actions, as to do so would result in additional costs being incurred by the HCFSA estate with no realistic likelihood of recovery. Investors will be informed should this position change.

Finally, the Office Holders have sought legal opinion as regards the prospect of a claim being brought against the professional advisors that provided the valuation advice on which HSCFA based its decision to issue the loan in the first place.

## **HCF071 – Nursery, The Elms Golf Centre (Capital Shortfall) & HCF076 – 73 High Street**

### **Capital Shortfall - £146,762**

The Office Holders successfully located the borrower after numerous previous attempts to do so. However, our recent correspondence to the borrower has again gone unanswered.

Given the length of time that has elapsed and the lack of progress it is likely that this loan will be written off in the fullness of time, the costs of making further recovery attempts will most certainly outweigh any benefit.

Finally, the Office Holders have sought legal opinion as regards the prospect of a claim being brought against the professional advisors that provided the valuation advice on which HSCFA based its decision to issue the loan in the first place.

## **HCF102 – 5 Copse Hill**

### **Interest Shortfall - £30,123**

After finally locating the borrower's address and issuing a letter before action for repayment of the interest shortfall we established that the borrower is unfortunately now deceased, having passed away in August 2019.

The Office Holders sought to establish whether they could seek recovery from the borrower's estate, however, this has not been successful.

Therefore, based on current information and the continued lack of engagement from the borrower, the Office Holders do not intend to pursue any further recovery actions, as to do so would result in additional costs being incurred by the HCFSA estate with no realistic likelihood of recovery. Investors will be informed should this position change.

## **HCF087 – 107 Frith Road – February 2022**

### **Original Investor Capital - £980,000**

The Office Holders instructed solicitors to explore the possibility of taking action against the professional advisors that provided HCFSA with the property valuation on which the loan was agreed.

We have since discussed that the company that provided the valuation advice entered Compulsory Liquidation proceedings in March 2021 and initial investigations indicate that the company did not hold the requisite professional indemnity insurance at the time that the valuation was provided. Therefore, the Office Holders are of the opinion that all avenues of recovery have been exhausted and no further recoveries will be made in this regard.

**The House Crowd Limited – in Administration (“THC”)**

**House Crowd Finance – in Liquidation (“HCF”)**

**House Crowd Finance (Security Agent) Limited – in Liquidation (“HCFSA”)**

**Together – the Companies**

**Frank Ofonagoro, Jeremy Woodside, Frank Wesseley – (“the Office Holders”)**

Following the most recent report to investors in September 2022, the Office Holders are now able to provide a further update to all investors on their efforts to recover outstanding development loans (“the development loans”) owed to HCFSA.

**Important notice:**

- This update has been prepared for the sole purpose of updating the investors in the development loans. This update is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by investors or by any other person for any purpose whatsoever other than for information purposes in order to understand the recovery of the development book.
- This update should be read in conjunction with all previously provided updates by the Joint Administrators.
- Any figures provided have been produced in accordance with information contained within the Companies’ books and records at the time of reporting and may be subject to change. The Joint Administrators are not auditors and have therefore not carried out what could be considered an audit verification of this information.
- The Joint Administrators act as agents of the Companies and without personal liability.

Further to the last correspondence to investors, the Joint Administrators wish to provide further information on those matters that have been significantly progressed since the last update in September 2022.

This update on the progress of the realisation of the development book has been prepared amidst a deteriorating UK property market caused by factors such as rising interest rates, high inflation, cost of living crisis and falling consumer confidence given current predictions of a UK recession. This environment has unfortunately if expectedly caused the Office Holders to have to revise and in many cases extend the timeline within which we expect uncompleted development to be completed and remaining properties sold at optimum sale values.

We remind Investors to bear the following in mind when reading this update:

The Office Holders hold security (“the security”) over the development companies on behalf of investors.

The security entitles the Office Holders, if deemed necessary, to take enforcement action over the developments and appoint an Administrator to either control the ongoing build of the development or sell the development as is to a third-party developer.

At the outset of the HCFSA’s Administration process, the Joint Administrators instructed independent professional property agents to assist in considering the likely impact on realisation values for investors of taking enforcement action over each uncompleted development versus allowing the incumbent developer (operating as separate SPVs called “HCDs”) to continue to build out the developments. The advice from the Joint Administrators’ property agents was and remains that the ongoing strategy of allowing the HCD entities to complete the developments remains the most cost-effective method of realising these assets and will likely result in increased recoveries for investors when compared with the associated costs of any enforcement action.



The Office Holders have previously advised of the need for a separate application to Court to obtain approval of their proposed distribution mechanism that allows net asset realisations to be returned to investors in The House Crowd Business in the most equitable manner.

We remain in the process of constructing a suitable distribution proposal as unfortunately, the complex nature of the legal agreements relating to the loans, and material deficiencies in the Company investor and accounting records, has led to this process becoming extremely protracted.

We expect to have finalised and lodged in Court the proposed distribution mechanism by the end of May 2023.

The process of getting the remaining developments to practical completion continues to be a frustrating and protracted process with estimated completion timescales initially provided to the Joint Administrators by the developers proving to have been optimistic. In addition, the uncompleted developments continue to be characterised by cost overruns and various other issues which has caused the Joint Administrators to increase their level of oversight and interaction with the developers and the primary lenders of each site.

In relation, to establishing and maintaining a steady pipeline of potential buyers for the completed and uncompleted properties, the current UK macroeconomic conditions referred to above and their impact on the property market, have adversely impacted this pipeline. The Joint Administrators understand from the instructed sales agent acting on behalf of the HCDs, that some of interested buyers have now withdrawn their interest citing a variety of reasons from inability to fund requisite deposits or obtain affordable mortgage offers. Furthermore, the aforementioned delays in the completion of the uncompleted developments have also adversely impacted on buyer interest.

In light of the above, we anticipate that the duration of HFCSA's insolvency process and realisation of development assets will now necessarily have to run to a potential conclusion date of February 2025. This represents an additional 2 years' duration of the administration process from the Joint Administrators' initial target closure date of February 2023. This will have a necessary costs implication on the costs of the administration process, primarily, the Joint Administrators' costs which are forecast to significantly increase.

Given the forecast increase in the costs of the insolvency process as a result of the necessity to prolong the same, the Office Holders intend to return to Court (as directed by the Judge at the initial hearing sanctioning our current costs recovery basis) to seek an increase in our current costs recovery basis from 11% of investor asset realisations to c.23%. The Joint Administrators' legal Counsel and advisors are currently drafting the Court application and it is the Joint Administrators' intention to provide investors with information setting out the basis of our increased cost recovery % in due course under separate cover.

## **HC Development Co 2 Limited ("HCD2") - Alderley Edge**

Plots on site – 4

Plots sold to date – 4

Outstanding Investor Capital - £1,784,385

### **Intercompany payables owing to other HCD/THC companies:**

HCD1 – c.£2,500

HCD3 – c.£6,200

HCD4 – c.£8,348

HCD5 – c.£24,000

HCD10 – c.£58,386

House Crowd Finance Limited – c.£8,650

**Total – c.£108,084**

Funds currently held – c.£1,374,786

Current anticipated Capital Shortfall – c.£409,599

**Update** – As previously reported, this development site has been completed with all properties sold. However, investors should note that residual funds from property disposals will not be available for return to investors until the following matters are concluded:

- a. Establishing the extent to which inter-company loans to HCD2 from other HCD companies may need to be repaid (there is currently a sum of £108,084 owing to other HCD companies and House Crowd Finance Limited as outlined above); and
- b. The Administrators' application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

### **HC Development Co 3 Limited (“HCD3”) – The Woodlands**

Plots on site – 28

Plots sold to date – 28

Outstanding Investor Capital - £1,291,902

#### **Intercompany receivables from other HCD/THC companies:**

HCD2 – c.£6,200

HCD25 – c.£91,000

HCD19 – c.£78,000

**Total – c.£175,200**

#### **Intercompany payables owing to other HCD/THC companies:**

HCD10 – c.£635

House Crowd Property Management Limited – c.£40,405

**Total – c.£41,040**

Funds currently held – c.£405,964 (subject to the further deduction of associated costs of recovery as regards the Joint Administrators remuneration).

Current anticipated capital shortfall – c.£885,938

**Update** – As previously reported, this development site has been completed with all properties sold, however the site is adversely impacted by the requirement for significant levels of snagging work to be completed.

During the reporting period, the Joint Administrators have continued to work with the developer to release funds required to rectify any remedial works necessary.

Residual funds from property disposals will not be available for return to investors until the following matters are concluded:

- a. Establishing the extent to which intercompany payables can be repaid and intercompany receivables collected; and
- b. The Administrators’ application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

## **HC Development Co 14 Limited (“HCD14”) – Library House**

Plots on site – 14

Plots sold to date – 13

Available - 1

Outstanding Investor Capital - £937,000

### **Intercompany payables owing to other HCD/THC companies:**

HCD15 – c.£250

HCD16 – c.£49,363

HCD19 – c.£27,527

HCD25 – c.£47,000

**Total – c.£124,140**

Funds currently held - £697,286 (subject to the further deduction of associated costs of recovery as regards the Joint Administrators remuneration).

Current anticipated Capital Shortfall – c.£157,714

The current anticipated shortfall has been calculated by adding funds from already realised properties to expected realisations from the sale of the remaining property and deducting the level of known outstanding investor capital.

**Update** – The remaining property to be sold remains under offer awaiting snagging works to be completed to the property before completion can commence. It was originally anticipated that the property would be sold for c.£95,000, however, a mortgage down valuation now estimates that the property will be sold for c.£82,000.

As already advised residual funds from property disposals will not be available for return to investors until the following matters are concluded:

- a. Establishing the extent to which intercompany payables can be repaid; and
- b. The Administrators’ application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

## **HC Development Co 15 Limited (“HCD15”) – Buckton View**

Plots on site – 36

Plots sold to date – 36

Outstanding Investor Capital - £3,402,999

Funds currently held – c.£2,300,951 (subject to the further deduction of associated costs of recovery as regards the Joint Administrators remuneration).

Current anticipated Capital Shortfall – c.£1,102,047

The current anticipated shortfall has been calculated by deducting the costs of remaining snagging works and known outstanding investor capital from funds held in lieu of realised properties.

### **Intercompany receivables from other HCD/THC companies:**

HCD19 – c.£83,500

HCD14 – c.£250

HCD19 – c.£74,253 (created post appointment)

HCD16 – c.£25,534 (created post appointment)

HCD22 – c.£7,890 (created post appointment)

HCD3 – c.£1,500 (created post appointment)

### **Total – c.£192,927**

**Update** – As previously reported, the Joint Administrators successfully implemented a treasury function for the ongoing development of the site, which allowed an efficient flow of funds to facilitate the completion and sale of all 36 properties.

Since the last update a small number of costs in respect of accountancy services for the HCD entity (in the sum of £500) have been paid using funds from already realised property sales.

Residual funds from property disposals will not be available for return to investors until the following matters are concluded:

- a. Establishing the extent to which inter-company loans to HCD15 from other HCD companies may need to be repaid; and
- b. The Administrators’ application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

## **HC Development Co 16 Limited (“HCD16”) – Moss Lane, Crewe**

Plots on site – 12

Plots sold to date – 0

Reserved – 11

Available - 1

Outstanding Investor Capital - £2,115,971

### **Intercompany receivables from other HCD/THC companies:**

HCD25 - c.£40,000

HCD14 – c.£49,363

**Total – c.£89,363**

### **Intercompany payables owing to other HCD/THC companies:**

House Crowd Finance Limited – c.£7,700

HCD1 – c.£7,000.

HCD15 – c.£25,534 (created post appointment).

**Total – c.£40,234**

Third party funding – c.£782k (subject to accruing interest)

Current anticipated capital shortfall – c.£900,000

The current anticipated shortfall in relation to this development has been calculated by deducting the, estimated future development build out costs, third-party funding and known outstanding investor capital and interest.

**Update** - As investors are aware, the Moss Lane site has unfortunately been beset with various issues relating to the quality of work carried out by subcontractors which has led to increased costs of development.

The Joint Administrators previously advised investors of the need for additional third-party funding resulting from the need to rectify these sub-standard works and to account for the general increase in the cost of construction materials and contractors required to continue with the build process. Since the last update to investors, the Joint Administrators have been advised by the developer that the third-party funding facility has increased to c.£782k, which represent an increase of c.£293k since May 2022. This increase has been sought by the developer in order to address the issues of substandard work carried out on the site as well as additional works in order to comply with the proposed planning rights.

Investors are reminded that the third-party lender (Together Money) has a first charge over the development properties and will need to be repaid in full prior to any repayments to investors.

In light of the issues relating to this site the Joint Administrators (supported by their instructed specialist Quantity Surveyor) and the third-party lender have sought to work together to ensure increased visibility and a more hands-on oversight of the developer's progress and overall project management. This process includes increased scrutiny and verification of any and all costs to complete above the level previously in place. Furthermore, the Joint Administrators' staff have made several site visits since the last update to investors to further their understanding of the issues impacting progression of this site.

One of the significant outstanding issues pertaining to this site, as previously advised was that the mandated pre-build planning conditions for HCD16 had not been fully discharged by the developer, which has resulted in the historic planning permission on the site lapsing. The Joint Administrators understand that the developer submitted a new application in September 2022 but despite the time that has since elapsed, the developer still awaits the outcome of the application, though we have seen evidence that the developer has been chasing the planning authority persistently for a decision.

As expected, the number of unforeseen delays to HCD16's build program have resulted in several proposed buyers reneging on their previous interest to purchase plots, although the developer has been able to find replacement purchasers in some instances.

Furthermore, the sale of five properties which were previously anticipated by the developer to complete in December 2022 failed to occur due to the aforementioned issue with the planning application. The Joint Administrators have been advised by the sales agents that these sales are now anticipated (assuming planning permission is rectified) in February 2023.

The Joint Administrators are monitoring the above situation closely and are in regular discussions with the developer and sales agents as to the range of steps that can be taken to incentivise prospective purchasers.

## **HC Development Co 17 Limited – Parkside**

Outstanding Investor Capital - £0

Plots on site – 14

Plots sold to date – 14

Funds currently held – c.£302,832 (subject to the deduction of costs outlined below).

**Update** – As previously reported, all plots have been sold with investor capital being repaid in full prior to the appointment of the Joint Administrators.

It is still currently anticipated that there will be surplus funds available to pay an element of interest to investors.

However, funds will not be available for return to investors until the following matters are concluded:

The Administrators' application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.



**HC Development Co 19 Limited (“HCD19”) – Fox Owl Rise**

Outstanding Investor Capital - £8,417,440

Plots on site – 54

Plots sold to date – 41

Reserved - 8

Available - 5

**Intercompany receivables from other HCD/THC companies:**

HCD14 – c.£27,527

**Intercompany payables owing to other HCD/THC companies:**

HCD3 – c.£78,000

HCD15 – c.£83,507

HCD21 – c.£248,483

HCD20 – c.£46,069

House Crowd Finance Limited – c.£67,000

HCD15 – c.£74,253 (created post appointment)

**Total – c.£597,312**

Current anticipated capital shortfall – c.£5,237,000

The current anticipated shortfall has been calculated by first deducting from future expected property realisations, future development build costs, third party funding and finally, the level of known outstanding investor capital. Investors will note a significant increase in the shortfall now that the final build costs are calculated and deducted from projected sales against any funds held.

The anticipated capital shortfall to investors has been caused primarily by development cost overruns and the need to obtain a prior ranking loan from Together Money which has been repaid and consequently reduced the future returns available for investors.

Please note that the extent of likely investor losses will be dependent upon ongoing build costs to complete the development and actual plot sale proceeds which may vary from current estimates.

**Update** – As investors are already aware, this development was unable to reach practical completion stage as originally planned without the developers seeking additional funding of c.864k from Together Money to bring outstanding site subcontractor payments up to date.

Funding from Together (provided on 28 May 2021) was subsequently repaid in full to Together Money in September 2021 when a local housing association completed a bulk purchase of ten properties for a total consideration of c.£1,800,000, which generated a net surplus of c.£850,000 after repayment of Together Money's loan.

Currently, proceeds from property sales are being recycled to fund the ongoing costs of the development.

All payments made from the recycled sales proceeds have been made under the strict supervision of an independent monitoring surveyor instructed by the Joint Administrators as part of the treasury function being provided to the developers.

Since the last report issued to investors in September 2022 a further 11 properties have been sold.

As previously reported, it is still anticipated that the Fox Owl Rise development will be completed, and all remaining plots sold by March 2023.

In summary funds will not be available for return to investors until the following matters have been concluded (in priority):

- a) The completion and sale of the remaining plots;
- b) Establishing the extent to which intercompany payables can be repaid and intercompany receivables collected; and

The Administrators' application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

**HC Development Co 20 Limited (“HCD20”) – Rudheath**

Outstanding Investor Capital - £627,400

Plots on site – 19

Plots sold to date – 19

Funds currently held – c.£1,225,458 (subject to deduction of the costs listed below).

Current anticipated capital shortfall - £nil

**Intercompany receivables from other HCD/THC companies:**

HCD19 – c.£46,069

**Update** – As investors are already aware, based on current information, whilst investors should recover their capital in full there will only be a partial recovery of accrued interest as this will be impacted by the associated costs of recovery.

Funds will not be available for return to investors until the following matters are concluded:

- a. Establishing the extent to which intercompany payables can be repaid and intercompany receivables collected; and
- b. The Administrators’ application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

**House Crowd Development Co 21 Limited ("HCD21") - 101 Manchester Road**

Outstanding Investor Capital - £3,102,193

Plots on site - 6

Reserved – 5

Available - 1

**Intercompany receivables from other HCD/THC companies:**

HCD19 – c.£248,483

**Intercompany payables owing to other HCD/THC companies:**

HCD25 – c.£75,000

HCD1 – c.£34,000

House Crowd Finance Limited – c.£61,200

**Total - £170,200**

Third-party funding £1,683,834 (subject to interest)

Current anticipated capital shortfall – c.£770,000

The current anticipated shortfall has been calculated by first deducting from future expected property realisations, future development build costs, third party funding and finally, the level of known outstanding investor capital.

**Update** – Similarly as with HCD16, the Manchester Road site has unfortunately been beset with various issues relating to the quality of the work carried out by subcontractors which has led to increased costs of development and the need for additional third-party funding. The development has also been impacted by rising costs of construction materials and contractor costs due to rising inflation.

Since the last update to investors the Joint Administrators have been advised by the developer that the third-party funding facility has increased to c.£1.6m, which represents an increase of c.£900k since May 2022. This significant increase has largely been used to fund the engagement of a replacement contractor to overhaul and rework substantial aspects of work previously undertaken on site by IQ Projects Ltd.

The Joint Administrators (supported by their instructed specialist Quantity Surveyor) and the third-party lender now have increased visibility of onsite activity and are confident that progress is being made to complete the apartments as soon as possible (likely in May 2023).

Likewise, with independent verification of current and future costs to complete being insisted on by the Joint Administrators and the third-party lender, we are comfortable that the forecast additional increase in the level of third-party borrowing is borne out of necessity and is required for the developer to be able to complete the development.

Investors are reminded that Together Money now has a first charge over the development properties and will need to be repaid in full prior to repayments to investors.

## **House Crowd Development Co 22 Limited ("HCD22") - Heywood**

Outstanding Investor Capital - £1,730,000

Plots on site - 13

Plots sold to date -11

Reserved - 2

Third Party funding repaid - £658,579

Current anticipated Capital Shortfall – c.£1,031,129

The current anticipated shortfall has been calculated by first deducting from future expected property realisations, future development build costs, third party funding and finally, the level of known outstanding investor capital. Investors will note a significant increase in the shortfall now that the final build costs are calculated and deducted from projected sales against any funds held.

The anticipated capital shortfall to investors has been caused primarily by cost overruns reported by the developer and the subsequent need to obtain additional funding from Together Money which upon repayment unfortunately reduced the level of future returns available for investors. Please note that extent of actual investor losses will be dependent upon the actual plot sale proceeds which may vary from current estimates.

### **Intercompany payables owing to other HCD/THC companies:**

House Crowd Finance Limited – c.£24,000

HCD15 – c.£7,890 (created post appointment)

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**Total – c.£31,890**

**Update** – Following their appointment, the Joint Administrators were advised by the developer that work on the site was yet to be completed and that additional third-party funding would be necessary to get the site to practical completion stage. This funding was provided by Together Money.

Whilst third party funding was sought by the developer, the Joint Administrators took steps to ensure that the site was secured and critically, that outstanding payments to key site contractors were made to ensure continued progress of the build program.

As previously reported, Together Money agreed to provide a first ranking development loan facility which would have to be repaid in full prior to repayments to investors. This has since been repaid in full.

The Joint Administrators have been informed by the developer that much of the site work has been completed on the development, with final fit out works being undertaken to individual plots, the cost of which will be defrayed from future plot sales and the recycling of sums already realised.

In summary funds will not be available for return to investors until the following matters are concluded (in priority):

- a) The completion and sale of the remaining plots; and
- b) The Administrators' application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.

## **House Crowd Development Co 23 Limited (“HCD23”) - The Downs**

Outstanding Investor Capital - £9,716,934

Current anticipated Capital Shortfall – c.£8.2m

As previously reported, following the sale of the land by the Administrators (Cowgill Holloway LLP “Cowgills”) of HCD23, the sum of £1,000,000 was received by the Joint Administrators of the House Crowd with further sums anticipated as part of an agreed deferred consideration.

The Joint Administrators have now been informed that the deferred consideration in the sum of £450k has been paid in full.

The last investor update referred to subsequent sums due to the Joint Administrators of HCFSa under its debenture. In this regard, a further sum of £250,000 has already been received from the Administrators of HCD23, with further sums (as yet unknown) to be paid once costs of the Administration estate are finalised.

Investors will recall that the Administrators of HCD23 have instructed solicitors to explore the strength of a potential case against the previous solicitors who acted for HCD23 in the negotiation of the sale contract for the Downs development. The Joint Administrators of HCFSa have been recently informed by HCD23's Administrator that after receiving the initial legal advice on the merits of a potential claim in this regard he has decided to seek a second opinion for completeness.

It is currently forecast that this development site will result in a total minimum loss to investors of c.£8.2m. This figure excludes any potential recovery from any litigation claim against HCD23's former solicitors, the merits of which remain uncertain.

## **House Crowd Development Co 25 Limited ("HCD25") – Chapel Walks**

Outstanding Investor Capital - £4,506,190

Properties on site -14

Reserved – 1

Available – 11

Properties sold to date - 2

### **Intercompany receivables from other HCD/THC companies:**

HCD14 – c.£47,000

HCD21 – c.£75,000

**Total – c. £122,000**

### **Intercompany payables owing to other HCD/THC companies:**

HCD3 – c.£91,000

HCD16 – c.£40,000

House Crowd Finance Limited – c.£10,000

**Total – c.£141,000**

Current funding provided by Third Party lender - £850,000

Current anticipated Capital Shortfall – c.£816,000

The current anticipated shortfall has been calculated by deducting from already realised properties an estimate of snagging costs and the level of known outstanding investor capital.

**Update** – As detailed previously, the site has reached a stage of practical completion with snagging works being undertaken together with remedial works following the fire in March 2022.

The Joint Administrators have been further advised that an additional cost of c.£50k is required for further remedial works to the properties and to obtain building control sign off.

The Joint Administrators have recently been informed that interest in the properties is not at the levels anticipated and as such are currently involved in discussions with the sales agent and developer about what, if any, incentives can be offered to motivate completions.

It is likely that reductions in the sale price are needed, and as such the Joint Administrators have amended their forecast recoveries accordingly. This has unfortunately reduced the level of expected realisations available for return to investors.

It is currently forecast that the development site will provide a capital loss to investors of c.£816,000, after repayment of the first ranking third party funding.

In summary, funds will not be available for return to investors until the following matters are concluded (in priority):

- a) The completion and sale of the remaining plots;
- b) Establishing the extent to which intercompany payables can be repaid and intercompany receivables collected; and
- c) The Administrators' application to Court for guidance on the fairest mechanism by which the Joint Administrators can return funds to investors, is heard and a decision handed out.