



HIGH STREET GROUP

WHAT SHOULD HAPPEN NEXT?

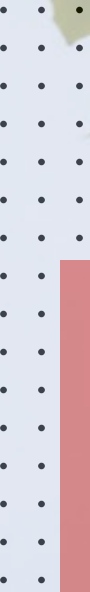
OBJECTIVES

- Discuss some of the concerns that have been raised regarding the High Street Group
- Provide an overview of Administration process
- Establish whether it would be prudent to overturn the administrators & the costs associated
- Explain the types of potential compensation claims



HADRIAN'S TOWER, NEWCASTLE

- Purchased by Olympius Developments on 27 July 2017 for £2.5 million
- Tolent Construction were contracted to complete the construction
- Olympius Developments owed Tolent Construction £2.1m
- High Street Grp owed Tolent Construction £1.7m
- Tolent Construction is now in administration
- The property now appears to be managed by the One Collection



MIDDLEWOOD PLAZA, SALFORD

- Purchased by Rodus Developments on 16 July 2018 for £1,420,000
- Topland Jupiter appear to have funded the development of the project
- Administrators have confirmed Rodus Developments owed Topland Jupiter £7m



KENT STREET BATHS, BIRMINGHAM

- Property was purchased by Palmous Developments
- Appears that Lupa Land Limited and KSB Birmingham Limited were responsible for arranging the construction
- Nobels Construction carried out the construction work
- Lupa Land and KSB Birmingham combined owed Nobel Construction around £6m
- Nobels Construction has now been placed in administration
- Palmous Developments are now part of the Hadrian Real Estate Plc group of companies

ADMINISTRATION PROCESS

- Insolve Plus are handling the administration
- The reports do not appear to show much progress with the administration process
 - The administration process can be lengthy - I have been advised by an Insolvency Practitioner that they would have expected to see more progress
- The administrators have been in contact with Hadrian Real Estate
 - stated that there is an indemnity that confirms that investors will be repaid by Hadrian Real Estate
 - they have reviewed the business plan of Hadrian Real Estate and are happy with the contents
 - I think it would be in the creditors best interests to get a copy of both these documents
- 12,300 transactions have been identified that merit further investigation
- 2,300 are over the value of £50,000 amounting to £314m average value of over £141,000
- 4,700 inter-company withdrawals totalling £96m average value of over £20,000
- 2,300 inter-company receipts of £72m average value of over £31,000
- Other payments that are not clearly labelled and so warrant further investigation
- Pre administration costs are over £245,000
 - Any recovered funds will pay these costs first

hsg@andy-holland.com



HADRIAN REAL ESTATE PLC

- 13 companies transferred to HRE
- Latest accounts filed in 2020 were for a dormant company
 - Showed £50,000 worth of assets
- Latest accounts were due on 30 September 2022 however these have not yet been filed.
- Indemnity to pay creditors of the High Street Group



CASTLE TRUST AND MANAGEMENT SERVICES LIMITED

- Castle Trust's role was to act on behalf of the investors and offer security on their loans
- I have been advised they had professional indemnity insurance, but this is unlikely to be sufficient for the investors
 - I have not verified this information
- I am also aware of a separate claim against Castle Trust
 - Depending on their insurance contract, this may deplete the funds available for other claims
- As Castle Trust is now in administration, the insurance policy may have lapsed
 - Professional Indemnity insurance is usually provided on a "claims made"
 - This means that the insurers will only indemnify when they have been notified of a potential claim while the insurance contract is active



PROCESS TO OVERTURN CURRENT ADMINISTRATORS

- 25% of creditors (by value of claim) would have to call a vote
- At the vote 50% of creditors (by value of claim) would have to vote in favour of new administrators to be appointed
- Potential issues
 - Current administrators' fees would take priority
 - Potentially, an agreement can be made to split fees, but this is not guaranteed
 - Funds could be put on account to pay for the investigation, and this would be returned if any recoveries were made
 - The creditors will have to fund the creditors meeting
 - The cost of this meeting is at the current administrators' discretion
 - This cost will be incurred regardless of whether the vote is successful or not
 - The administrators may not call a meeting to replace them if they do not think the creditors have sufficient grounds to do so.
 - The creditors must put forward a good enough argument, this is likely to be based on the lack of progress in this instance
 - If this was to happen, an application to Court can be made



COSTS OF APPOINTING A NEW ADMINISTRATOR

- It is likely to cost at least £10,000 to convene a meeting due to the volume of company creditors
- If we needed to make an application to Court, there would be legal costs attached for the Solicitors' time along with the Court fees
- If no agreement can be made between the current administrators and their replacement, around £25,000 would be required on account to cover the cost of any investigations



COMPENSATION CLAIMS

- Claims for the advice that was provided to the investor
- Claims for the due diligence failings of a pension provider or ISA manager
- Authorised push payment fraud claims



NEGLIGENT FINANCIAL ADVICE

- Claims would be made against a regulated independent financial adviser
- The adviser must be regulated by the FCA in most cases
 - There is potential for claims against firms who are regulated in other jurisdictions
- This is likely to be a claim under the regulatory framework, however Claimants do have the ability to claim through the Courts
- Regulatory claims can be made directly against the advising firm if they are active and have the funds or insurance in place to compensate
 - Unsuccessful claims can then be referred to the Financial Ombudsman Service (limits apply to awards)
- If the adviser cannot pay compensation themselves then an application can be made to the Financial Services Compensation Scheme (limits apply to any awards)



DUE DILIGENCE FAILINGS

- If invested through a self-invested personal pension, then a claim can be made against the SIPP provider
- There could also be a claim of this nature if investment is held within an ISA
- This option is not available for investments within a SSAS, other occupational schemes or QROPS
- There is potential for claims against firms who are regulated in other jurisdictions
- This is likely to be a claim under the regulatory framework, however Claimants do have the ability to claim through the Courts
- Regulatory claims can be made directly against the provider, if they are trading
- Unsuccessful claims can then be referred to the Financial Ombudsman Service (limits apply to awards)
- If the provider cannot pay compensation themselves then an application can be made to the Financial Services Compensation Scheme (limits apply to awards)



AUTHORISED PUSH PAYMENT FRAUD CLAIMS

- Three Categories
 - Payment made before 28 May 2019 and/or bank is not signatory to the Contingent Reimbursement Model Code
 - Payment made after 28 May 2019 and bank is a signatory to the Contingent Reimbursement Model Code
 - Transfers from non-UK banks



PAYMENTS MADE BEFORE 28 MAY 2019 & NON-CRM SIGNATORY BANKS

- Would have to satisfy the following criteria
 - Investment was a scam
 - Bank did not intervene
 - Payment was “unusual activity” and bank should have intervened
 - Bank intervention would have uncovered the scam
- The latter is unlikely to succeed, I am currently in the process of raising this issue with the FOS, I believe that banks should be liable if:
 - The individual is a retail client and has invested in restricted products (such as a bond or loan note) or;
 - The individual was provided with “advice” that provided in breach of the general prohibition
- An employee of a bank can reasonably be held to know the FCA’s rules on these matters and therefore could provide their customer with adequate information on this

hsg@andy-holland.com



PAYMENTS MADE AFTER 28 MAY 2019 WHERE THE BANK IS CRM SIGNATORY

- Would have to satisfy the following:
 - Investment was a scam
 - Bank did not intervene



TRANSFERS FROM NON-UK BANKS

- There could potentially be a claim against the recipient bank
- It would have to be proven that they were negligent and that they owed the sender a duty of care
- The prospects of success are lower than the other two categories



PROVING THE INVESTMENT WAS A SCAM

- According to the Cambridge Dictionary a “scam” is defined as “an illegal plan for making money, especially one that involves tricking people” and “fraud” is defined as “the crime of getting money by deceiving people”
- The burden of proof is the civil standard, this is therefore not reliant on a successful conviction
- Evidence would have to be provided that an individual was deceived into transferring funds from their bank for the purposes of an investment opportunity when such an opportunity did not exist
- This can be done by showing the funds were not used for their intended purpose, in this instance, were not used to purchase and develop properties
- In instances like this, I have an agreement with the Financial Ombudsman Service where around five “test” cases can be submitted, they will then provide their view on whether they are likely to succeed with the evidence provided.



PROPOSALS

- Categorise each client to establish the most prudent compensation route
- Establish whether investors are interested in replacing the current administrators
- Request that the administrators provide the investors with a copy of the following:
 - Indemnity from Hadrian Real Estate Plc in respect of individuals who have invested in the High Street Group
 - The business plan for Hadrian Real Estate Plc
- For ease of administration, a form can be completed and follow up meeting can be arranged with each category of client, this can be found at:

<https://form.jotform.com/232052225931043>

hsg@andy-holland.com



CONTACT

- If you would like any further information, please email hsg@andy-holland.com or scan the QR code.

