

## Fenchurch Legal Limited

### Litigation Funding – Frequently Asked Questions

Disclaimer: The contents of this document have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. This document is only for distribution to professional advisers and qualified investors only. Reliance on this document for the purposes of engaging in investment activity may expose an individual to a significant risk of losing all of the property or other assets invested. This document contains information intended solely for the intended recipient and is confidential in nature. The information presented here does not constitute investment advice or any recommendation, and is not an invitation to invest. You should read the corresponding Information Memorandum in full before making any investment. Investment may involve risk to your capital and you may get back less than you invest. Please be aware that investments of this type are NOT regulated by any regulatory authority and are NOT covered by any compensation scheme. This document does not constitute an offer or solicitation with respect to the purchase or sale, investment or subscription in any security and neither this document nor anything contained therein or the information to which it refers shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. You are strongly recommended to seek independent financial, tax and legal advice before making an investment decision.

# Frequently Asked Questions

These frequently asked questions have been created by Fenchurch Legal ("Fenchurch") to help answer questions you may have about the company, industry and the product. We strongly recommend that you speak to an appropriately authorised financial adviser if you need investment, legal or tax advice.

## Q: What do Fenchurch fund?

Fenchurch provides loans to UK law firms for legal disbursements, case acquisition and WIP.

## Q: What is ATE Insurance?

After the event (ATE) insurance is an insurance policy that covers the legal costs and expenses incurred during litigation cases.

A law firm will take out a policy for each case which provides protection against any unsuccessful cases.

It is a requirement by Fenchurch that an ATE insurance policy must be in place before the company provides any funding.

## Q: What does ATE cover?

It covers adverse costs, legal disbursements and any WIP funded on the case (if any).

The ATE policy ensures Fenchurch's loan principle to the law firm is covered and if a case is unsuccessful, the law firm is still liable for the interest.

Fenchurch advances the premium directly to the ATE insurer, this ensures that each case is actively covered by a policy.

## Q: Is Fenchurch a regulated entity?

No, because Fenchurch is a corporate lender regulation is not required. The litigation funding sector is also unregulated.

## Q: Why do law firms require funding?

Upfront funding enables law firms to take on a larger volume of cases.

For example, a housing disrepair case can cost a law firm up to £4k to run and some firms may have over 1,000 active cases at one given time. The law firm doesn't get paid until the case concludes, therefore the funding provides much needed cash flow support during the lifetime of the case.

## Q: What percentage of cases win?

Before a case is taken on the success rate is reviewed and must be higher than 80%. All current borrowers adhere to this policy.

As an example, 82% of housing disrepair cases that Fenchurch have funded to date have won and the unsuccessful cases have been paid by the ATE policy.

**Q: How is interest secured on each case?**

Similar to an arrangement fee, the initial gross loan includes the first 12 months of interest.

**Example:**

- A law firm requires £2,010 for a HDR case.
- The interest is agreed at 33%
- The total gross loan amount is £3,000
- Fenchurch retains the £990 interest and it is deducted from the gross loan amount.
- The law firm receives the net loan amount of £2,010 to use for ATE, WIP, reports, fees and case acquisition.
- The total £3,000 loan is added to the balance sheet with £990 "paid" to Fenchurch Legal. (This is for accounting/cashflow purposes and to allow for release of interest to investors.)

**Q: What happens if a case exceeds the 12 month loan period?**

If a case exceeds the 12-month loan period, then extended interest starts to accrue.

The extended interest accrues on a daily basis and is typically between 2-3% per month. This interest is billed to the law firm and paid monthly in arrears.

**Q: How much interest does Fenchurch charge?**

Fenchurch offers loans on two different pricing tariffs (fixed non-refundable rate and fixed refundable rate), with interest rates ranging from 28%-35%, dependent on the tariff, claim type and solicitor track record.

**Q: What due diligence is completed on a prospective law firm?**

Fenchurch has a well-established underwriting and due diligence procedure in place when onboarding a new law firm (see 'Onboarding' policy document for more details).

A high-level assessment is completed which includes KYC and AML checks before an investment committee report is put together. This report is then reviewed by the Fenchurch management team.

Once onboarded monthly monitoring and auditing is performed to examine both the law firm's general performance as well as the case progression.

**Q: What security is taken over a law firm (borrower)?**

1. Fixed charge and assignment over the case and insurance proceeds (*it is not possible to take security over the case itself, as it belongs to an individual*). So, when a case settles, Fenchurch has security over the proceeds and is repaid from this.
2. Debenture over the law firms assets
3. Personal guarantees from shareholders where available



**Q: What criteria must a law firm meet to qualify for funding?**

Fenchurch will first consider whether the case type the law firm is requesting funding for is one with which Fenchurch is familiar with.

Once this is determined Fenchurch will start examining the business more closely to ensure they have an experienced team in that area of law, evidence of good case progression and track record, a working financial model, a reliable case management system and the necessary resources in place to handle their current workload and future expansion plans.

**Q: What accounting systems do Fenchurch have in place?**

Fenchurch has created a custom loan management system that stores all loan information and keeps track of each loan/case as well as drawdowns, repayments and MI figures.

Every week the financial controller reconciles the information from the loan management system with Xero (accounting software) and the bank account.

**Q: What mechanisms are in place in the event that a law firm fails?**

In the event that a law firm fails, case files are transferred to another law firm and continued in accordance with the security granted over the cases agreed upon at the start of the facility.

**Q: How is investor capital protected?**

Litigation funding offers unique security features that protect investors' capital.

As previously stated, Fenchurch puts security in place by taking a charge over the law firm with personal guarantees (if possible) and taking assignment of all case and insurance proceeds, to cover the full amount of the loan disbursed.

The way the loan is structured means the risk of default on the interest is zero as the first 12 months of the interest is fixed, non-refundable and charged upfront, regardless of the outcome or life span of the case.

The use of ATE insurance policies provides full cover on all unsuccessful cases.

Furthermore, because Fenchurch funds a large number of smaller cases, it provides greater diversification as investors' capital is spread across multiple cases rather than just one.

**Q: Is litigation funding new?**

No, it's been around for the last few decades as a result of a change in UK regulation.

It is a permanent feature of the UK justice system and has proven to be a vital tool for delivering justice.

The market has yet to mature and it is expected to continue growing, with more firms seeking litigation finance support.

# Contact

---

## **Fenchurch Legal Limited**

Linen Hall,  
162-168 Regent Street,  
London,  
W1B 5TB

**E:** [investors@fenchurch-legal.co.uk](mailto:investors@fenchurch-legal.co.uk)

Registered in England and Wales  
with Company Number 12547045

**FENCHURCH  
LEGAL**

[www.fenchurch-legal.co.uk](http://www.fenchurch-legal.co.uk)

