

BETWEEN:

- (1) LONDON CAPITAL & FINANCE PLC (IN ADMINISTRATION)
(2) FINBARR O'CONNELL, ADAM STEPHENS, HENRY SHINNERS, COLIN HARDMAN AND GEOFFREY ROWLEY (JOINT ADMINISTRATORS OF LONDON CAPITAL & FINANCE PLC (IN ADMINISTRATION))
(3) LONDON OIL & GAS LIMITED (IN ADMINISTRATION)
(4) FINBARR O'CONNELL, ADAM STEPHENS, COLIN HARDMAN AND LANE BEDNASH (JOINT ADMINISTRATORS OF LONDON OIL & GAS LIMITED (IN ADMINISTRATION))

Claimants

- and -

- (1) MICHAEL ANDREW THOMSON
(2) SIMON HUME-KENDALL
~~(3) ELTEN BARKER~~
(4) SPENCER GOLDING
(5) PAUL CARELESS
(6) SURGE FINANCIAL LIMITED
(7) JOHN RUSSELL-MURPHY
(8) ROBERT SEDGWICK
(9) GROSVENOR PARK INTELLIGENT INVESTMENTS LIMITED
(10) HELEN HUME-KENDALL

Defendants

Transcript of proceedings made to the court on

Day 4 - Thursday, 22 February 2024

The claimants are represented by Mr Stephen Robins KC, Mr Andrew Shaw & Mr Philip Judd

Michael Andrew Thompson (D1) appears in person

Simon Hume-Kendall (D2) & Helen Hume-Kendall (D10) are represented by Mr Warwick KC & Mr Russell

Elten Barker (D3) settled and is not appearing

Spencer Golding (D4) is debarred from defending the claim

Paul Careless (D5) and Surge Financial Limited (D6) are represented by Mr Ledgister & Mr Curry
Russell-Murphy (D7) and Grosvenor Park Intelligence Investments Limited (D9) appear in person

Robert Sedgwick (D8) appears in person

Opening submissions by **MR ROBINS** (continued)

MR ROBINS: My Lord, we were looking yesterday at <D7D9-0000469>. At page 15, your Lordship saw the letter from Buss Murton signed by Mr Sedgwick, dated 28 August 2013.

Your Lordship said that this letter referred to the three companies mentioned having given guarantees to SAFE. Your Lordship asked me if that was something that was done. I told your Lordship that I had certainly seen draft guarantees being circulated by email. I said I couldn't remember off the top of my head whether they were signed and said that we would look at it after court.

We looked at it yesterday evening, and what I told your Lordship is correct: there were drafts in circulation for two of the companies, Lakeview Country Club Limited and Sanctuary International PCC. There was, as far as we can see, no draft ever produced for Bewl Holiday Homes LLP and, again, as far as we can see, none of those documents were ever executed. There was -- there were drafts in circulation, but they weren't executed. There are no executed copies in LCF's records and none of the other parties has disclosed an executed version.

I can show your Lordship the drafts. If we go first to <MDR00013990>, if we look at page 2 first, please, there is an email from Mr Sedgwick to Mr Thomson on the 29th, so the day after the letter. It is copied to Mr Hume-Kendall, with the subject "Security documents for SAFE". He says:

"I attach draft guarantee agreement and debenture in respect of the guarantees give to SAFE Limited. "If you are happy with them, then I will produce the additional documents for execution by Bewl Holiday Homes and Sanctuary International PCC.

"Andy, we will need Sovereign to execute these documents on behalf of Sanctuary."

They were still the director at this point. At the bottom of the left-hand page, he says:

"Now with attachment."

Above that, we can see, a month later,

20 September 2013, Mr Sedgwick is asking: "Could you have a look at these and let me know if you are happy with them."

The clear inference, of course, being that, as at that date, they still haven't been executed. In fact, there doesn't seem to have been any response to his emails of 29 August.

The attachment to which he refers, "now with attachment", are, first, <MDR00013991>. My Lord can see this is a debenture between Lakeview Country Club Limited and Sales Aid Finance (England) Limited. Then <MDR00013992>. That's a draft guarantee to be given by Lakeview Country Club Limited to Sales Aid Finance (England) Limited, perhaps more of the nature of an indemnity than a guarantee. It doesn't seem to be given to the -- well, the bondholder is not party to it. In the recitals, it says:

"Whereas the company is inviting investors, the bondholders, to subscribe for 8.5 per cent bonds (the bonds) to raise funds so that the company can provide an interim finance product.

"B. The guarantor has agreed in consideration of the payment of the commission set out below to undertake and guarantee that in the event that the company is unable to make a payment when it

falls due to any of the bondholders the guarantor pay the same to the company subject to the terms of this agreement. "Now it is agreed as follows:

"1. In consideration of the payment to the guarantor by the company of the sum of £[blank] per annum by quarterly instalments the first payment to be made on the 1st November 2013 guarantor undertakes that if the company fails to pay or satisfy any sum due on any bond to a bondholder the guarantor will pay or satisfy such sum due subject to the provisions of this agreement."

It doesn't seem to give the bondholder any direct rights. As I say, it is probably more in the nature of an indemnity than a guarantee.

These attachments, as my Lord has seen, relate solely to Lakeview Country Club Limited. Mr Sedgwick was saying, "If you are happy with these, then I will adapt them so that there are corresponding documents for Sanctuary and Bewl Holiday Homes".

My Lord saw that Mr Sedgwick is chasing for an answer on 20 September 2013.

If we look at <MDR00014029>, I think we see that he chases for an answer again. Yes, at the top. On 30 September:

"You may recall that I forwarded these draft documents for your consideration 10 days ago and they form the basis of the documents that we want Sanctuary PCC to execute save that the debenture needs to comply with Guernsey law."

In the case of Sanctuary, on the same day, 30 September 2013, Mr Sedgwick does provide a draft debenture and a draft guarantee to Mr Thomson. If we look first at <MDR00014035>, we see the covering email: "Here are the two documents. I am reasonably happy that the debenture is okay for registration in Guernsey as it is expressed to be made pursuant to English law. With regard to the guarantee to make it enforceable I inserted a provision for the payment of commission based on the level of the guarantee given. Can you confirm that you are happy with this and let me know the amount of commission payable. I would suggest say 2 per cent per annum. Also, what amount should be the limit of Sanctuary PCC's liability?"

The first attachment is <MDR00014036>. This is the draft debenture.

MR JUSTICE MILES: Does the debenture depend on the guarantee, in the sense that it's a security for the guaranteed obligation?

MR ROBINS: Yes, it does. If we look at the next page, we see the term "guarantee" in 1.1.9 defined to mean: "... the guarantee agreement entered into by the parties on the date of this debenture." If we look at the next page, I think we will see the operative clause. Maybe it is the page after. One more. Sorry, "Secured liabilities":

"... means all money, liabilities and obligations now or in the future owed or incurred by the company to the debenture holder under the terms of the guarantee." So it does relate to the guarantee. In fact, we can check it in a moment, I think this is the only document that is ever executed because it is repurposed as the debenture to accompany the loan agreement between SAFE and Sanctuary with the limit of £675,000, but it is not amended. It still refers to the guarantee, even though, at that point, it accompanies a loan agreement. But, importantly, as far as we can see -- and, as I say, nobody has disclosed anything to suggest otherwise -- the guarantees are never signed. In fact, there is no guarantee ever prepared, as far as we can see, for Bewl Holiday Homes.

So, this is the debenture. The guarantee that's prepared by Mr Sedgwick in respect of Sanctuary is <MDR00014037>. Again, it is in the same form as the Lakeview guarantee. It refers to the payment of commission. It is more in the nature of an indemnity. It doesn't give any direct rights to the bondholders who are not party to it.

MR JUSTICE MILES: Will you just take me back to the letter -- the 28 August letter from Buss Murton.

MR ROBINS: <D7D9-0000469>, page 15.

MR JUSTICE MILES: Was this attached to a prospectus that was actually sent out to investors?

MR ROBINS: Yes.

MR JUSTICE MILES: So, it wasn't just in draft versions, this was in the final version?

MR ROBINS: That's right. We see it's in the versions circulated by Rocky O'Leary. This is page 15. Obviously the statement that "SAFE does have the benefit of guarantees for the following companies" can't be true because Mr Sedgwick doesn't circulate the Lakeview guarantee until the next day, 29 August, and he's chasing for an answer from Mr Thomson on 20 September and 30 September, when he also provides the draft guarantee for Sanctuary and the draft debenture.

MR JUSTICE MILES: Sorry to be going back over stuff. Was this letter referred to in the text of the prospectus? It is 4.5 million, I think, isn't it, the total?

MR ROBINS: Yes, referred to as the letter in appendix 1. I'm afraid I don't know which page, but it is a short document. We can go through it. If we look, first, at page 3, which is the contents page, we see on page 14, appendix 1, a Buss Murton Law LLP letter. I'm afraid we are just going to have to skip through it one page at a time. It is not on that page, not that page, not that one. Next page, please. Next page. Next one. Here we are, on the left.

We were also looking, at the end of the day yesterday, at <D8-0001102>, which was the email from Mr Bosshard to Mr Sedgwick in which he said he'd done a bit more work on the background of the companies. He said, at the meeting on Friday, the 5th, in the Hotel du Vin, an organisation chart was disseminated in the information booklet prepared by Andy Thomson. The question he asks is, essentially, whether that chart is accurate because, as far as he can see, the Lakeview property is owned by Lakeview Country Club Limited, not, as shown on the chart, by LV Lodges and LV Resorts.

The chart we saw is <D8-0001103>. We can see what he's asking about. On the left-hand side, there's Lakeview Country Club Limited. Just to the right of that is Leisure & Tourism Developments Plc. The subsidiaries, LV Lodges and LV Resorts, which are said to own the Lakeview site, are shown as subsidiaries of Leisure & Tourism Development Plc. He's asking, is that right. As far as he can see, the Lakeview site is owned by Lakeview Country Club Limited, the company on the left.

Of course that's a valid question for him to ask because this chart does not set out the position as it stood on 8 or 9 June 2015. It seems, perhaps, he hadn't understood the purpose of it. It is the intended end position following a restructuring. It is not the position as it stands on that date. In fact, on that date, and for the rest of June and most of July, the registered shareholders of Lakeview Country Club Limited continued to be Mr Thomson and Mrs Hume-Kendall. It is only on 27 July that they sell their shares to London Trading.

But, clearly, the intention that they should do so had been formed much earlier, and was a settled intention by 8 or 9 June 2015.

As at that date, Lakeview Country Club Limited was also still the owner of the Lakeview site. I should mention, while we are looking at this, that, of course, because this was the intended end result of a restructuring, it isn't showing either the position in respect of the ownership of the company known as SAFE, which was, within a few weeks of this chart being produced, renamed as London Capital & Finance. The shares in London Capital & Finance as at the date of the meeting in Tunbridge Wells were still held by Mr Thomson on trust for Mr Golding. So, this is an intended end result, not a description of matters as they stood at that date.

We should look at Mr Sedgwick's response, which is <D8-0001104>. He says:

"Dear Eric.

The organisation chart showed the end position for the structure. The Lakeview assets are intended to be owned by LV Resorts but at the moment are owned by Lakeview Country Club Limited. We will now restructure the group to bring the Lakeview assets into LV Resorts and the charge over the assets will follow them into LV Resorts but in the meantime it is better to have the security over the assets rather than the shell company that will receive them."

So, that confirms what I was saying a moment ago. It is the intention rather than a description of the position as it stands.

In fact, the structure was never put in place in precisely that form because, in particular, the shares in LCF were never transferred to London Trading. But, before we get to that, we need to return briefly to the role of Mr Careless and his company. I told my Lord yesterday that the change of name from SAFE to LCF took effect from 1 July 2015. Seven days later, we see <D7D9-0001867>. At the bottom of the page, Mr Russell-Murphy says:

"Dear Paul.

"Please find attached the brochure, application form and change of company name for SAFE. I have also included a letter from BM Law confirming the current level of security being held in their favour. "There is no website at present and no other sales material."

At the top of the page is the response that Mr Careless sends to him. He says:

"I have reviewed the documentation and noted that SAFE will now become London Capital & Finance (LCF). "I propose the following:

"1. A rebranded and redesigned online brochure utilising the current content.

"2. A new website for London Capital & Finance Limited.

"3. A new logo for London Capital & Finance Limited to be used for business cards, comp slips and letterheads.

"4. New email signatures created for London Capital & Finance Limited.

"5. A new application form designed for London Capital & Finance Limited.

"6. We will also ensure that when London Capital & Finance Limited is Googled that there will be 'buy signals' in place.

"Due to the fact we intend to immediately engage in selling the London Capital & Finance Limited bond to our clients, the above needs to be completed quickly. We will turn around the above within two weeks from Friday (delivery Friday, 24th July).

"We will charge for just our time as we will be working with LCF. We will charge £10,000 + VAT with £5,000 + VAT due on start date (Friday, 10th) and £5,000 + VAT payable on completion (Friday, 24 July). "I want us to get £2 million a month into their bond. Entirely possible but we will need some good sellers around to help you.

"Let me know as soon as you can if they want to go ahead as I will get my team starting on it as it's going to be a rush to get it all achieved so quickly. Can you also let me have the details for an invoice too please." What that reveals is two things: first, that, as Kerry had hoped, following the original meeting in The Long Barn, it's being proposed that they should prepare a new website and branding, et cetera, for LCF, but, secondly, and ultimately more importantly, there's been further communication between Mr Russell-Murphy and Mr Careless to discuss pooling their resources so that Mr Russell-Murphy can join with Mr Careless, Mr Careless can generate the leads, Mr Russell-Murphy can work the leads and convert them into bond sales. The email at the top of the page says, "Due to the fact we intend to immediately engage in selling the London Capital & Finance Limited bond". Well, that's not something that Mr Careless or Ms Venn had previously been involved in or contemplating. The email that we saw yesterday referring to "half a bar", as Mr Hume-Kendall called it, "upfront", contemplated that SAFE, as it was called then, would provide the sales team.

Now, Mr Russell-Murphy's sales operation is going to be folded into Mr Careless's operation. Mr Russell-Murphy forwards this to Mr Thomson at <D7D9-0001869>, where Mr Thomson replies to say to Mr Russell-Murphy, copying Mr Barker:

"Hi John.

"Good to catch up today and thanks for the email, all looks very promising. I'm happy to give these guys the green light, Elten can you confirm you are also in agreement."

This is, as far as I'm aware, the first time we see Mr Barker being involved in the SAFE investment. It is clear from the email that it's not solely Mr Thomson's decision as to whether to give these guys the green light. He also needs Elten to agree.

At <EB0004401>, Mr Russell-Murphy asks Mr Thomson to let Paul know what company to invoice. So he's asking Mr Thomson to get in touch directly with Mr Careless. Mr Thomson does so at <D7D9-0001923>. He says: "Hi Paul.

"We've not met yet. I'm the MD of London Capital & Finance, John Russell-Murphy may have mentioned me. I understand that we are to be moving forward at some pace together which all looks very promising." So, two points from that. First, Mr Thomson hasn't met Mr Careless yet. That's apparent from what he says. And, secondly, before he's even met Mr Careless, a decision has been taken to move forward at some pace together, and we saw from the previous email that's not just rebranding and the website, and so on, it's also the sales:

"To get the ball rolling, I understand there is some work needed to be undertaken on our corporate profile and online presence as detailed in our email below. I'm happy to approve this work, if you could invoice London Capital & Finance and email it to me I will see that it's processed."

And he gives the company address and his phone number. So, the green light having been given, Mr Careless's staff get down to work. We can see what they require at <SUR00157268-0001>. This is an email from ryan@infoconnections.co.uk. That's Ryan Holdaway, a member of Mr Careless's staff. He says: "Hi, content we need:

"Home page content -- introduction about SAFE, top level information about who the company are and what they provide their clients (interest, length of investment, security, how interest is paid) -- All top level and brief.

"About SAFE -- Who are SAFE, what is their experience, what do they invest in, how can [they] guarantee the returns?

"Features -- The purpose of SAFE (ie to provide investors the opportunity to receive guaranteed returns via a safe investment), bullet points of the features of the bond (returns, length, security, et cetera). "Contact Us - Phone numbers, email addresses, physical address.

"Our Team - Photos and short bios of the people at SAFE, information on their trustees and other partners. "FAQs - Frequently asked questions and replies (ie objections and their rebuttals)."

And "objections" is, as we will see, another term of art among sales people. Objections are the sort of things that members of the public might say to explain why they don't want to invest: for example, it is a new company or it seems like a small company or "I've looked on Companies House and the accounts show that it doesn't have particularly large assets by value", et cetera, and the rebuttals are the lines that you can use to squash those objections and make sure you turn your lead into a conversion, or you convert your lead into a sale. Those are obviously questions that anyone being asked to do this sort of work would ask, you need to know what the company does, you need to know what its business model is. Kerry Graham, at the top of the page, replies to say she will get on to this and come back on Monday. In the meantime, Mr Jones, who is an associate to Mr Careless -- his former bank manager, I think he describes in his witness statement -- sends an invoice at <EB0004450>. He says:

"Hi Andy.

"Further to your recent email to my colleague Paul Careless, please find attached (as requested) our invoice for the work outlined by Paul to improve the corporate profile and online presence for London Capital & Finance.

"We are keen to get started on this work so that we can achieve completion by Friday, 24 July. Therefore, if you could arrange for payment by tomorrow, we will start work on the project on Monday. Paul will be in contact with you on Monday to run through further details of what is proposed and discuss any questions you may have with you."

Mr Thomson, at the top of the page, forwards that to Mr Barker.

The invoice itself is <EB0004453>. It is the second invoice -- sorry, no, this is an invoice from InfoConnection Limited. This is the other company of Mr Careless and Ms Graham, as she was at the time. It's to London Capital & Finance. It is for the items set out as previously described in Mr Careless's email in the sum of £10,000, but it's less the balance of 50 per cent payable upon completion, so including VAT it's in the amount of £6,000.

As my Lord saw, Mr Thomson forwards that to Mr Barker, presumably because Mr Barker is going to take care of payment, or he anticipates that Mr Barker will take care of payment.

Mr Careless updates Pat McCreesh of Blackmore about this development at <SUR00001292-0001>. There's an email to Pat McCreesh and Phil Nunn. They are the two individuals behind a company called Blackmore, which Mr Careless and Ms Graham have been selling leads to. He provides this update on 9 July 2015: "Hi Phil, hi Pat.

"Right chaps. I'd like to give you a full update on where we are up to. I apologise in advance at the length of this email!

"Pensions.

"In the first batch of leads they achieved a 5.5 per cent pack out conversion. This bodes well. Although they want to increase the numbers slowly with TPE and PAO we can drive 4,000 leads a month with no problems."

I think TPE is The Pensions Experts, which is a website a bit like The investment Experts. I think PAO is Pensions Advice Online, another public-facing website to gather contact information of people who might be interested:

"Here is how it pans out if we are conservative with the conversions:

"4000 leads.

"5 per cent packs out = 200.

"50 per cent packs back = 100.

"33 per cent close = 33.

"Average pot size £50,000 -- £1.65 million per month into Blackmore Global.

"Points to note:

"We can deliver 6,000 leads if they want to run weekends.

"Their conversion will increase in time as they improve patter/scripts.

"They state that 75 per cent of their packs always come back, we've said just 50 per cent. "We could close more than 33 per cent.

"We now have a decent way of sieving the volume and that we can rely on our pensions leads delivering £2 million a month into BMG [Blackmore Global] for a cost to you of £16-20k in leads."

So this is selling leads, £2 million worth of leads for £16,000 to £20,000 a month:

"We will now need to launch PAO to ensure we hit those numbers. I will get Kerry to set it up on Monday. It was a good call by you, Phil, to use Jamie." As regards Blackmore Estates, another Blackmore company, a property investment fund that members of the public can invest in, Mr Careless says: "John Russell-Murphy (JRM for short!) is my new sales director."

Mr Russell-Murphy has teamed up with Mr Careless: "I have had to cut a very strong deal on my side to secure him. I explain more below. Having used our leads in March when he put £1 million into the SAFE product he can see the huge opportunity we have. His sales skills are second to none and he will be building us a sales team to deliver. He starts at 9 am tomorrow morning from my new offices.

"John has worked at J Rothschild, Barclays Wealth as well as a number of City boutique firms and has 25 years' experience as a financial advisor. I intend to have John as our resident expert on The Investment Experts website. he looks, sounds and is the part. His last work was introducing into the SAFE product which provides bridging finance to asset-backed SMEs. It runs as a loan note (which we copied!) and he was earning a 20 per cent commission. The SAFE product is being rebranded and I am comfortable that it is not a 'rinse'. Their bridging finance product only loans to companies with assets and charges 8 per cent a month. It stacks up, banks aren't lending.

"Numbers.

"We only started selling BME on Monday, 22 June. That is just 19 working days ago. It's because I changed sales guys from John Bush to Des Bailey." As we can see from this, as well as selling leads to the Blackmore Pensions arm, 19 working days ago, on 22 June, Mr Careless has also started actively selling for Blackmore Estates and he's changed sales guys in order to do so, from John Bush to Des Bailey. There is a screen grab which, unfortunately, doesn't appear, but he describes it, it is from their system Pipedrive which shows the leads and where you have got to in trying to convert them to sales. It shows Des's deals: "Des has never sold an investment product before. However, he does own and operate a property portfolio here in Brighton. There is a 4-6 week lag from speaking to someone to taking their money. This was also the case with JRM on his trial with SAFE. Des is confident, as am I, that conservatively he will put £500,000 a month into BME. Kerry will be closing our leads as an account manager for BME. We will be controlling our entire sales cycle in-house. JRM will be selling from tomorrow. Our target for BME for July is £2 million." Then there is a heading "Diversification and growth":

"We own two companies.

"1. Info Connection Limited which operate TIE [The Investment Experts], TPE, [The Pension Experts] PAO [Pension Advice Online] etc within a JV with Blackmore. "2. Surge Financial Limited. In this company we have just one site, www.invest-safely.co.uk (which has the unfortunate acronym of "IS").

" InfoConnection is entwined fully with you guys but as you are aware we have had to push very hard to get the processes in place to ensure this will work. Pat agreeing to me running a sales team has really helped. If I had of simply relied solely on sending you leads, with respect, things would look a little bleak right now. I could see very early the potential and knew that I had to build the processes and to make it work myself as you had other routes to market. With your help we have now done that. I am confident my sales team, headed by John, will outperform your team. This is with no disrespect to Marc, Craig, Luke and the rest of your excellent team, but we are fully and only vested in converting cash leads. As an example, Craig has had the same amount of leads from 1 June as us and even though I had to start again with Des and pretty much lost our first two weeks worth of leads due to sacking John for poor performance, we are still ahead of your guys in terms of sales. We have c£250k pledged imminent with £100k in cash due next week.

"We haven't blown the doors off yet.

"Yet.

"There is no doubt that BME will be a huge success. I am hugely appreciative of the opportunity and support you have both shown me. I will repay you by transforming BME into a £100 million fund within three years. I now produce the lead and will have the sales team to close it. That control will allow me to grow it at the pace that I have already demonstrated to you. "Invest-Safely.co.uk.

"Currently we do nothing with IS. It is just sat there idle. We only built it and put it live as we were so desperate to prove to you that TIE would work with the right product and I couldn't use the TIE leads without breaching our deal."

Well, I'm not sure about that:

"John's deal with me is down to what he sells in the first six months. He wants in and I want him in. He is superimpressed and I like him a lot. John has set up a deal with SAFE which will pay 25 per cent commissions. I intend to put IS live and deliver leads and have John and another sales guy who he

wants to hire put £2 million into that bond in the first month. That is £500,000 in commissions to Surge Financial Limited over the next six weeks. I am currently eating what I kill with you guys and this venture is simply a drive for me to ease my cash flow issues. I am acutely aware that owning a fund is far more profitable in the long run but such big commissions are appealing especially with a product John has already sold well using the very same leads. I would welcome you running due diligence on that deal if you wanted as I know you'll be screaming 'RINSE'! It's not.

"So two things.

"1. It will not affect BME sales one iota that I run a separate play.

"2. I want you both with me on it. You two are more than welcome to join me in Surge Financial Limited as directors/shareholders and we can discuss that next week or when we next meet?"

"Sorry that went on a bit!"

He seems to be concerned that, having managed to improve his position with Pat and Phil by running sales for them rather than simply selling leads, they will be upset that he's now not devoting his time solely to their operation but is instead with Mr Russell-Murphy selling on behalf of LCF, as it has now become. So he is trying to reassure them that he's only doing it because it pays such fantastic commissions, 25 per cent, that will ease his cash flow problems if he does it for a bit, but it won't affect BME sales one iota if he's running a separate play.

So, that's quite informative as to what's happened. As I said, it's apparent that Mr Russell-Murphy and Mr Careless have teamed up to work together. As we put it in our written opening submissions, Mr Russell-Murphy can see that a smaller slice of a larger pie may actually be bigger than the larger slice of the smaller pie that he was getting before. He was getting 25 per cent commissions, not the 20 per cent that he seems to have told Mr Careless, but they were not proving to be particularly successful. They managed to raise about £500,000 a year for SAFE with Mr Careless's leads. Mr Russell-Murphy could see that sales had the potential to increase very significantly. So, he might need to share his 25 per cent with Mr Careless, but he would end up with a larger amount in terms of pounds and pence as a result of joining forces with him. My Lord saw that Mr Holdaway told Kerry they needed some information for the marketing. She picks up that baton and runs with it at <SUR00001422-0001>. I'm not saying "-0001" every time, but I hope that can be added to the transcript and doesn't disrupt the hyperlinking. This is an email from Kerry Graham to John Russell-Murphy. So, she's not yet communicating directly with Mr Thomson; her communications go through Mr Russell-Murphy. She tells him that they need some information for marketing. She says:

"As per our discussion, I will need (in order of priority to enable the website to go live): "1. Information to go on the Contact Us page ... "2. I am trying to build a picture of the success/selling points of the business and always like to lead with facts and figures as these increase credibility, it would help to know: How many (approximate figure) loans to date, how many defaults, type of loan, ie, for what purpose, average term, interest rate (I believe it is arranged according to risk level, please elaborate), size of companies borrowing?"

One can understand why she would want to have some facts and figures to increase credibility. It is a small company with no internet presence. It is not, at this point, particularly credible. The difficulty, of course, with providing that information is that there has only been one loan to a company incorporated in Guernsey which doesn't have any assets and which has been using the money to pay £88,000 a month interest to the Sanctuary investors. But, of course, at this point, Ms Graham has no information about that: "3. 'Our Team' -- photos and short bios of the people at LCF, including

partners to make this section look extensive. I am fine with a photo taken on an iPhone as our designer can make it black and white ...

"4. Frequently Asked Questions -- ie objections and their rebuttals.

"5. Case studies and testimonials -- a paragraph or two with a success story, ie the company was in great need, the bank wouldn't lend, the process with SAFE was very easy, it enabled us to buy more stock/expand our [premises] and now we have gone from strength to strength, in fact we have increased our turnover by 25 per cent in the 9 months since the loan ... Statement by Mr D Smith, MD of ..."

Of course, if LCF had been a legitimate commercial lender, this sort of information would have been readily forthcoming and no doubt she would have been provided with it very swiftly. She would have been given also the information that she needed to build a picture of success and selling points to the business. The facts and figures, how many loans to date, how many defaults, type of loan, what purpose, average term, et cetera. If one was dealing with a legitimate business, one might expect that information to be provided very rapidly. Of course, if it wasn't provided, then alarm bells would no doubt start to ring.

Mr Russell-Murphy emails Kerry in response, four days later, on 20 July 2015, at <SUR00129102-0001>, and we have to scroll to the bottom of the chain to see this, because, unfortunately, no-one has disclosed the original email or the attachments to the original email. We need to go right to the bottom of the chain to see. Ryan sends the London Capital & Finance brochure as a PDF and says:

"Initial few pages.

"What do you all think?

"I really like the branding. We may need to rethink images as they look a bit stocky but this is easily done."

Kerry, on the first page, says she agrees and likes the logo:

"... it's very 'financial institution' in its look." And then John Russell-Murphy says, on 20 July: "Kerry, further to your email on Friday please find attached the FAQ document and a proposed letter from Buss Murton Law."

This email hasn't been disclosed either, and we don't have those attachments. They haven't been disclosed:

"I have sent Andy Thomson a chaser email this morning regarding the other items you need, I will let you know the moment I hear back from him. "Please let me know if you feel the documents need to be amended in any way."

As I say, we don't have the FAQ document or proposed letter from Buss Murton Law, but we can see a little bit about what it said in Mr Careless's response at the top of the page, where he says:

"Morning John.

"LCF will be coming together this morning and we will then get the official sign-off so it can be put live this afternoon. You can then include this in your training tomorrow.

"On the letter can I suggest that [this] line is simply removed."

The line is:

"As of the date of this letter, the total outstanding loans from investors are £1.1 million". Mr Careless says:

"It makes the entire operation look very small." Mr Russell-Murphy's response is <SUR00129106-0001>. Where he replies:

"Hi Paul.

"No problem discussing LCF tomorrow ... "The reason for the lending book being at 1.1 million is due to loans being repaid. This is a positive because there is 10 million securitising this amount. We can remove this statement if you like but I think it's a positive, let me know what you think." Mr Careless replies at <SUR00129109-0001> where, in the middle of the page, we see the email we saw a moment ago from Mr Russell-Murphy. Just above that, Mr Careless says:

"I just think it makes the lending book small." Maybe it should be "look small", I'm not sure: "Plus that number will very quickly require updating, certainly once we begin shifting funds through it. The number £10 million is the key in my opinion." Mr Russell-Murphy says:

"Okay, no worries, I will ask for this to be removed."

Kerry agrees with Mr Careless at <SUR00129111-0001>. She says in the middle of the page:

"I think the £1.1 million makes the business sound small and we should remove it. There is a natural expectation that a bond issuer is a multi-million pound organisation/a lending bank for SME's. For the same reason I have concerns about the focus in the brochure on the 'South East' and 'local councils'. I believe it would help the business to have a national focus/remit, our investors are national. It would help [create] a perception of gravitas."

So, she knows that members of the public will have a natural expectation that a bond issuer is a multimillion-pound organisation or lending bank for SMEs and she wouldn't want to dispel that by revealing the truth about the £1.1 million loan book. Mr Russell-Murphy tells her that the 1.1 million is being removed:

"With regards to your comment about a national focus, I can speak with them but I don't think they have the infrastructure to deal with this. I will let you know what they say."

Again, we see the communications going through Mr Russell-Murphy.

Mr Holdaway, as we have seen, is producing the brochure. There is an email <SUR00129114-0001>. He sends it to Steve Jones. The attachment is "London Capital & Finance brochure web final - Send.pdf". The attachment can be found at <SUR00129115-0001>. In terms of the text, it is the version we have already seen, but, clearly, Mr Careless and his staff didn't think much of Rocky O'Leary's formatting and Mr Holdaway has reformatted it to make it look much more professional. There's a photo of silhouettes of people standing in a skyscraper in some large city, possibly London. It might even be that they're standing in the Gherkin.

MR JUSTICE MILES: It looks like Canary Wharf to me.

MR ROBINS: Canary Wharf I can see in the distance, certainly, with the pyramid on top. And the name "London Capital & Finance" and the new logo which Kerry said had a very "financial institution" feel. If we scroll through it, we can see that the text is the same. We have got the same contents page, including now page 12. What was "How safe is SAFE?" is now "How safe is LCF?". We

have the LCF team on page 13. If we take our time just scrolling through, we can see it is the exact same information [page 3]:

"A proposition that benefits not only the individual investor but also takes advantage of the bank's reluctance to offer finance to local SME's." Still with the apostrophe in the wrong place: "A highly secure opportunity that offers high returns whilst stimulating local economic growth." It is the same text as we have seen before. The next page, please [page 4]. If we ignore the rather meaningless words at the top which are new, it is the same text about:

"The Bank of England reported January 2013 in its 'Trends on Lending' paper that lending to business has dropped every year since 2009."

The next page, please [page 5]. We have got the text on the right and:

"SMEs make up 99 per cent of all UK business and yet they continue to be starved of funding by the banks, creating a national shortage of finance and increased demand for SME business lending at enhanced interest rates for short-term credit facilities." Next page, please [page 6]. We have got the Mervyn King quote, or made-up Mervyn King quote, not sure. Next page, please. We have got the same text about "stock lending having been in sharp decline", and in the next paragraph the text about SMEs being "widely accepted as the engine room of the UK economy and as the UK rises from the current economic recession, this sector must be financed". The LCF bond offering "gives consideration to both the individual investor and SME", et cetera. Next page, please [page 7]. We have got the same text about key benefits and who the bond is ideally suited to.

The updating hasn't gone particularly well, at the bottom right, where it still says "Put your investment in SAFE hands". Presumably, "Put your investment in LCF hands" doesn't have the same ring. Next page, please [page 9]:

"The Funding Demand in the South East." We have the information about the "370,000 active SMEs in the South East", with "20 per cent (74,000) ... seeking finance at any one time". Next page, please [page 10]:

"The Governor of the Bank of England has been tasked with improving the flow of credit to the Economy The LC&F bond benefits from this critical demand!"

Same text and same exclamation mark at the end. But obviously a new photo. Not sure who she is. Next page, please [page 11]. "LC&F Solution". Same text about county councils, the provision of finance to regional businesses:

"It is proposed that all SME financing will be on a fully secured basis (charge over assets at better than 65 per cent loan to value) at terms no longer than 1 year. The initial target market will be SMEs with short term cash requirements. All sector lending will be considered ..."

We have seen all this before. Next page [page 12]: "How SAFE is LC&F?"

There is a reference in the second paragraph to the Buss Murton letter. We have seen that before.

MR JUSTICE MILES: Sorry, where is that?

MR ROBINS: We saw a moment ago --

MR JUSTICE MILES: Sorry, I'm struggling to see that. You said the Buss Murton letter. Oh, there, in a letter that the company -- yes, okay.

MR ROBINS: We saw the emails a moment ago about the text of the updated letter and the suggestion that the reference to the £1.1 million loan book should be removed. Next page, please [page 13]. The team. No idea who those gentlemen are, but that's not Mr Thomson or Mr Sayers, but it's the text we have seen about them before. Next page, please [page 14]. There's the boilerplate that I think ultimately comes from the LUKI bond. Next page, that's the end of the document. So, it's exactly the same but it's been made to look a lot more professional.

Steve Jones of Surge sends an email to Mr Thomson and Mr Russell-Murphy to tell them this work has been done. It is <MDR00016475>. If we could read up from the bottom of page 3, please, we see that Mr Jones says on the left-hand side:

"Hi Andy.

"I am ..."

Sorry, page 3:

"Hi Andy, hi John.

"Further to my email on Friday, the website, the brochure and the application form are now completed and ready for your approval.

"The website is behind log-ins until you have approved it and we will then put it live. "Please go to: www.londoncapitalandfinance.co.uk. "The user name is: admin.

"The password is: londoncapital.

"The brochure is downloadable from the site but will also be available as an attachment for sales teams to attach and send if required. The application form is attached which will be sent separately by the sales team."

Then, above that, he says a little later on the same day:

"Hi Andy, hi John.

"I appreciate that the website design and brochure were only forwarded to you today, however we are keen to start pushing this product tomorrow and would therefore appreciate a steer from you regarding the work completed. If you are happy, we can get the site live overnight."

Mr Thomson replies at the bottom left-hand side "Hi Steve" but, at the top on the right-hand side: "Thanks for your email and the link to the site. Broadly I'm happy, not sure if you want to go with the photos though as these are not of Paul and I, but I understand that there is a S21 exempt bond [think he means exempt bond] being put together in the background so the proposed will only be live for a couple of weeks. "John and I have been getting the BM letter approved which hopefully will be completed by close today. "John, what are your thoughts?"

We don't see John's thoughts on this email chain but Steve Jones on the left:

"I am pleased to hear that you are happy with the work we have done, the photos used were taken from the existing SAFE brochure. However, we can upload alternative photos if/when you want to do this. We have now the revised BM Law letter which is to be attached to the brochure and this will be in place by tomorrow morning.

"Please find attached our invoice for the balance payable for completion of this project. If you could arrange payment of this tomorrow morning we will be able to put the site live in the morning and

John and his sales team will be able to start selling the product." Mr Thomson, at the top of that page, forwards the chain to Mr Barker to say he's "been chased by JRM and Paul Carless re the below invoice that I forwarded to you earlier in the week, can you confirm that it is being paid today?"

MR JUSTICE MILES: Is that Mr -- then there is also Mr Golding's email.

MR ROBINS: Yes, ***** is Mr Golding's email. On the previous page, we see Mr Barker says, just a few days later, on 27 July:

"Robert, when Simon gives you the ok please can you pay Surge £5,000 and me £5,000 (which I have already paid ...) which totals the £10,000 that I have told him we need to pay today."

Mr Sedgwick says:

"The invoice says that there is a balance of £6,000 payable.

"When you say Surge do you mean London Capital & Finance Limited (formerly SAFE)?"

Mr Barker says:

"Please pay 6 & 4."

So £6,000 to Surge, not £5,000.

At <MDR00016477>, Mr Sedgwick, about a quarter of the way down the page, forwards the email to Mr Hume-Kendall on the same day saying: "Can you confirm that I may pay this?"

And Mr Hume-Kendall responds, about 15 minutes later from his BlackBerry, "Fine".

Buss Murton pays £6,000 to InfoConnection Limited from the SAFE client account. We can see that at <MDR00015987>. We need to look at it in its native form. We have seen it before. I'm not sure which row it is going to be, but we are looking for 28/07/15 on the left-hand side. Last line, 120, "InfoConnection Limited; balance of account re website". That's the 6,000 repayment. There's also the 4,000 just above it for Mr Barker for repayment of loan.

We can see, just above that, that it's funded by some money that's been transferred in from International Resorts Group's bank account, but we saw in the email what Mr Hume-Kendall has said "fine" in respect of is the discharging of LCF's liability to InfoConnection pursuant to the invoice we saw a moment ago.

So, Mr Careless and Ms Graham, as she is at the time, are re-engaged to join forces with Mr Russell-Murphy. Everything is reformatted, rebranded and LCF is in a position to be revitalised, and sales will increase.

But before we look at that, it is important to pick up the part of the story that we were looking at, at the end of the day yesterday and early this morning, about the intended structure and the idea that -

MR JUSTICE MILES: Sorry, did LCF have its own bank account?

MR ROBINS: Not at this point, no. Everything is run through --

MR JUSTICE MILES: So it's all being done through that client account at Buss Murton?

MR ROBINS: Yes. We will see that causes problems at a later date when Mr Sedgwick's colleagues find out what's going on. But at this point, everything is being run through the Buss Murton client

account. We see that, for example, on the left, my Lord can see the client monies coming in from various people, commission payments being made out to Mr Russell-Murphy, monies being transferred to One Monday. The names of the investors are familiar. We have been through disclosure, we don't need to look at them, but Mr and Mrs ***** , and the ***** , which has a bit of subscription money it wants to put into a safe place.

But, as I said, the next point is the structure because LCF, as it has become, although it's been renamed to be part of the London Trading Group, it doesn't actually ever become part of the London Trading Group. Something else happens instead. We can see that -- we can pick it up at -- sorry, I have just seen the time. I know we started late.

MR JUSTICE MILES: I think we will still need to have a break.

MR ROBINS: Before we move on.

MR JUSTICE MILES: I don't know whether there is a short point you want to make or is this a good moment?

MR ROBINS: Yes.

MR JUSTICE MILES: Let's take the break now. Five minutes. Thank you.

(11.45 am)

(A short break)

(11.50 am)

MR ROBINS: My Lord, the next document is <D8-0001352>. To place it in the chronology, this is in the middle of the period of activity that we were just looking at. We have had Mr Careless, on 8 July, setting out what he can do for 10 grand, we have had Mr Thomson emailing him to say, "We have not met yet, I'm the MD of London Capital & Finance". We have seen Kerry asking for information, but not being provided with it. We have seen a brochure being reformatted and the money being paid. So, we are in the middle of that period, 16 July 2015. Mr Sedgwick emails Mr Golding and Mr Hume-Kendall and copies the email to Mr Thomson with the subject "Golding-SHK agreement". There is an attachment "Golding-SHK agreement.docx". He says:

"Please find an agreement which I have prepared to reflect what I understand to be agreed between you. It is important that you are both agreed on this and if you want to discuss any points please call me." The "both" of course being Mr Golding and Mr Hume-Kendall:

"I can only do this acting between the two of you if you are in agreement and what I am doing does reflect your instructions to me.

"With regard to the sale of Lakeview to LTDG [London Trading Development Group] I would suggest that the price payable be varied from the current figure of £6.75 million [which is what we see in earlier drafts] to what is being paid which, if Spencer is receiving £1.5 million is £2,105,263.10. This in turn reduces the stamp duty to £10,530 ...

"I look forward to hearing from you both." My Lord, just to explain the figures, if 71.25 per cent is £1,500 [sic], 23.75 --

MR JUSTICE MILES: Sorry, start again.

MR ROBINS: We will see this in more detail, but the old ratios, as they are called, are 71.25 per cent for Mr Golding, 23.75 per cent for Mr Hume-Kendall, 5 per cent for Mr Thomson.

If Mr Golding's 71.25 per cent gets him £1.5 million, the 23.75 per cent is £500,000, and Mr Thomson's 5 per cent is £105,263.10. So, the total amount is £2,105,263.10. Mr Golding's 71.25 per cent is 1.5, Mr Hume-Kendall's 23.75 per cent, as I say, is 500,000, and Mr Thomson's 5 per cent is the rest.

So, Mr Sedgwick is suggesting that the price payable be varied from the current figure, which in the earlier drafts is £6.75 million, to the figure of just above £2.1 million. But we will see that in more context at a later stage.

The relevance, for present purposes, is the attachment, which Mr Sedgwick understands to have been agreed between Mr Golding and Mr Hume-Kendall. That attachment is at <MDR00016481>. This is a draft:

"This agreement is made on the [blank] July 2015. "Between.

"1. Spencer Jon Golding ... [defined as] (Spencer). "2. Simon Patrick Hume-Kendall ... [defined as] (Simon).

"3. Lakeview Country Club Limited ... [defined as] (Company).

"4. London Trading & Development Group Limited ... [defined as] (LTDG).

"5. Elten Herbert Barker ... [defined as] (Elten)." It says:

"WHEREAS

"A. Spencer is the beneficial owner of

71.25 per cent of the shares in the company, the balance of the shares are owned by Andy Thomson and Helen Hume-Kendall.

"B. Ashdown Acquisitions Limited has lent to the company the sum of £1 million including the sum referred to in 1 below.

"C. Simon is owed £197,000 by the company (the exact amount is subject to confirmation). "NOW IT IS AGREED

"1. Elten will pay to Simon the sum of £150,000 on account of the money due from the company which sum shall be added to the monies lent to the company by Ashdown Acquisitions Limited."

So, essentially, Ashdown is going to take over the amount paid to Simon in reduction of the debt owed to him:

"2. The parties will procure that London Trading & Development Group Limited (LTDG) will purchase all the shares in the company [in LCCL] on the agreed terms and the assets of the company will be transferred by the agreed means to LV Resorts Limited a subsidiary of LTDG.

"3. The parties shall procure that the manor house and three lodges are transferred to a company owned by LV Resorts Limited and to be called Ashdown Country House Limited and LV Resorts will charge those shares in favour of Ashdown Acquisitions Limited to secure the repayment of the monies due to Ashdown Acquisitions Limited by the company by 31 December 2015.

"4. The consideration due to Spencer (£1.5 million) for the sale of his shares in the company shall be paid to him as soon as Simon is able to introduce new investors in LTDG and in any event before 30 September 2015. Spencer shall be entitled to a share charge over 47.2 per cent of the shares in LTDG held by Simon as security for this entitlement.

"5. The shares in LTDG shall be held as to 45 per cent by Simon and 45 per cent by Elten." That's Elten in inverted commas, and, as I said, these are new ratios:

"As new shareholders are found to invest in LTDG, they will each dilute their respective shareholding pari passu and the parties will enter into a shareholders' agreement in the same terms so far as appropriate as the shareholders' agreement relating to the parties' shareholdings in the company. All decisions and with regard to the company will be taken by Elten [in inverted commas] and Simon jointly."

In the next paragraph is the real Elten: "Elten and Andy Thomson shall each be entitled to a 5 per cent holding in LTDG in non-voting shares and Andy Thomson shall be entitled to all the shares in London Capital & Finance Limited which shall enter into an agreement with LTDG to be responsible for all fundraising for LTDG and its group of companies."

So, instead of LCF becoming a subsidiary of London Trading, Spencer is giving all the shares in it to Mr Thomson, but it will have to enter into an agreement with LTDG to be responsible for all fundraising for LTDG and its group of companies. Then it says at 7: "The company and LTDG have entered into this agreement to confirm that they will be bound by the terms of it to the extent that they are required to take any action."

It is to be signed by Mr Golding, Mr Hume-Kendall, Mr Hume-Kendall, again, on behalf of Lakeview Country Club Limited and a third time on behalf of London Trading, and also by Mr Barker.

There is a signed version, if we could look at <EB0139239>, we can see it is the same document. It hasn't been dated at the top, but there are initials at the bottom. And, on the next page, we can see the signatures.

Although Mr Thomson was not a signatory of this document, he was aware of it and had a copy. We skip forward about eight months or so to --

MR JUSTICE MILES: Sorry, can I just go back? I'm just trying to understand this agreement. Can we go back to the first page. So, LTDG is going to get the shares --

MR ROBINS: Is going to buy --

MR JUSTICE MILES: Is going to buy the shares in Lakeview Country Club Limited.

MR ROBINS: Yes, which are, at the date of this agreement, held in the names of Mr Thomson and Mrs Hume-Kendall. It is going to buy them.

MR JUSTICE MILES: But they are not parties to this agreement, the shareholders?

MR ROBINS: No, but they don't need to be because they do what they are told.

MR JUSTICE MILES: Leave that to one side. I'm not asking for a forensic answer. I'm trying to understand it on its own face.

MR ROBINS: Yes, they are not parties. But the terms of the agreement are that the shares in Lakeview Country Club Limited, which are held in their names, will be sold to London Trading. The

price we have seen in the email and we can extrapolate from clause 4 because, if Spencer is going to get £1.5 million for his 71.25 per cent, the total sale price is to be that sum that we saw in the covering email a little in excess of £2.1 million.

MR JUSTICE MILES: But this agreement doesn't spell out in terms the full price that's going to be paid for that company.

MR ROBINS: No, but it is clear by extrapolation, and we will see it spelt out in other emails in due course when we look at the Lakeview SPA.

At the moment, the focus for looking at this is clause 6. We will see this in its context as part of the Lakeview SPA next week.

MR JUSTICE MILES: Then the company remains, on the face of this agreement, liable to Ashdown Acquisitions for a debt -- is this right? -- of £1.150 million?

MR ROBINS: There are two different liabilities. Yes, the £1.15 million will be the debt, which is to be addressed by the security arrangement in clause 3. And then, separately, there is another 1.5 for the shares.

MR JUSTICE MILES: Sorry --

MR ROBINS: But to go back to your Lordship's original question, the shares in Lakeview Country Club Limited will be sold to London Trading and Development Group. Spencer's 71.25 per cent will equate to £1.5 million, and then, in clause 6, Andy Thomson shall be entitled to all the shares in London Capital & Finance, which is then going to provide funds to London Trading. It will be responsible for all fundraising for London Trading and its group of companies.

Mr Thomson is not a signatory, but he has a copy. If we look at <EB0018295>, this is an email dated 18 April 2016 from Mr Thomson to Mr Barker. He says: "Hi Elten.

"Good to talk earlier and, as you say, we should do it more often."

So, they clearly had a discussion but it is possibly, at this point, not something that happens very often:

"After you left I dug out a copy of the doc we talked through. It's an unsigned copy as I didn't have to sign it so I don't have a signed copy but in the first paragraph at the top of page 2 it confirms that all the shares in LCF be passed to me." That's the attachment at <EB0018297>. It is an unsigned copy. It is not a Word version, it is an unsigned copy which has been scanned. On the next page, the clause he mentions at the top is clause 6.

MR JUSTICE MILES: Yes.

MR ROBINS: So, until this point, we have had the ratios, as we will see in due course, 71.25:23.75:5. The new ratios we see in clauses 5 and 6 are going to be 45:45:5:5, the additional person coming in being Elten, who gets a 5 per cent share in clause 6. But we also see that there is a change. Up to this point in July, as we have seen, SAFE was run on a day-to-day basis by Mr Hume-Kendall and Mr Thomson. What we see happening after this agreement is that, on a day-to-day basis, LCF is run by Mr Thomson. Mr Hume-Kendall's involvement, on a day-to-day basis, seems to come to an end. As we will see, he still is consulted, he still has influence and helps to formulate strategy, but in terms of the day-to-day donkey work from this point on, it's Mr Thomson, but he remains very much under the supervision and control of Mr Golding.

We see Mr Golding's involvement in LCF increases. It seems to be a consequence of Mr Hume-Kendall not being involved in that administrative day-to-day work anymore. Mr Golding becomes involved in supervising what's going on instead.

We see that, for example, at <MDR00017238>. This is a few months later, 9 September 2015.

Mr Thomson emails Mr Russell-Murphy, copying Mr Golding, saying:

"Hi John.

"Please find attached a copy of the client account. There were not new funds crediting today." So, this is the sort of information that used to be provided routinely to Mr Hume-Kendall and Mr Thomson. It is now provided to Mr Golding and Mr Thomson. Mr Golding is also the person who liaises with Mr Careless and Ms Graham. At <MDR00017379>, we see at the bottom of the page Ms Graham asks Andy about brochure printing. She says:

"As per our conversation today, we are ready to do a minimum order print to provide prospective investor with hard copy brochures."

Mr Thomson, at the top of the page, forwards this to Mr Golding:

"Hi Spencer, see below, did they mention this to you today?"

The implication being that Mr Golding has met with them, presumably in addition to Kerry Graham, Mr Careless and possibly Steve Jones as well, and he wants to know if they mentioned this to Spencer in their meeting today.

So, Spencer, at this point, seems to have, if anything, the closer relationship with Mr Careless. At <MDR00017414>, Mr Thomson is sending a draft bond doc, "LCF IM", information memorandum, to Mr Russell-Murphy, his colleague Jo Baldock and Spencer Golding. He says:

"Hi all.

"Please find attached a copy of the LCF bond, it is not the finished article yet and some areas need adding to (director profiles for eg) and some need thinning out. Could I ask you to specifically look at pages 8-15 and 25-27. We can add in an 18 million bond if needed, I will need to add in to the financial model and a section in the document.

"The lawyer at City One is questioning the percentage security cover and is firmly of the opinion that 100 per cent is better as no-one else in the market is offering over 100 per cent or indeed any security, and has asked for reasons why we should be offering this level of security as it's a very inefficient use of our assets. Can I have your thoughts on this and also is the 150 per cent really necessary, would a lower level achieve the same end?"

The attachment is <MDR00017417>. It is a new draft of an information memorandum. We will see this in closer detail in due course, but if we look, for example, at pages 10 and 11, this is part of what Mr Thomson asked Mr Golding, Mr Russell-Murphy and Ms Baldock to look at. It is a business summary and a section about the company. On the left, it is an evolution of what we have seen before. It says: "London Capital & Finance was created as a result of a joint consultation with the leaders of East Sussex, Kent and Essex County Councils to identify the funding requirements of SMEs and determine how these could be satisfied, thus stimulating economic growth. The findings concluded that there is a significant shortfall in the availability of funding to SMEs, creating an ideal opportunity for a privately backed entrant to the market to fulfil this demand."

So we have seen that before. But then there is a new bit:

"LC&F has spent the last two years successfully proving this concept on a small scale with a small fundraising and a small number of borrowing companies ..."

Well, one. That is a small number, I suppose: "... the company is now ready to expand its operations and aims to raise £25 million via secured bonds to increase the size of its loan book of UK businesses."

Then we have the stuff about SMEs being widely accepted as the engine room of the UK economy and the various information about SMEs being starved of funding. Towards the bottom, on the left, it proposes that all lending -- this is the penultimate paragraph: "... will be on a fully secured basis (charge over assets from all borrowing businesses at better than 65 per cent loan to value). All sector lending will be considered but the LC&F team will predominantly focus on the property, M&A, business development and trade finance sectors", et cetera.

At the bottom:

"In addition to the physical security charged, LC&F will conduct a full financial review of every application and if required will undertake further financial analysis via an independent accountant prior to any decision to lend being made."

Then on the right-hand side, most of this is new, I think:

"London Capital & Finance Ltd ... seeks to raise funds in the private market and lend these funds to UK businesses on a secured basis. LCF is not a peer-to-peer lender or a crowd funding provider. These secured bonds are LCF's second fundraising. The first -- a 2-year bond -- was launched in 2013 and LC&F has started returning maturing original sums invested by these first bondholders together with all accrued interest.

"LCF intrinsically involves itself [in] all aspects of the funding lifecycle -- from the raising of capital via bonds through to the borrower sourcing and application process, pre-lending due diligence, legalities and securitisation of all loans, ongoing monitoring of borrowing company's performance and asset strength, loan interest and principal repayments and finally bond interest and principal investment payments to bondholders.

"As LCF is involving itself in the funding lifecycle, it is able to not only control the pace and delivery of investment performance and funding but also to identify early difficulties a borrowing company may be experiencing. It can then adjust a loan to allow some flexibility of repayment or realise the secured assets to repay the loan and thus protect bondholder interests.

"Income is generated by charging a borrowing company lending fees of 2 per cent and making an interest 'turn' on the funds it lends. As example, for a £1 million loan, a setup fee of £20,000 would be charged and a target 12 per cent interest would be charged for the loan. On a 7-year bond the interest payable would be 7.5 per cent or £75,000 per annum and the interest charged for this loan is £120,000. LCF in this example would make £45,000 per annum."

Then there's a heading "The Funding Lifecycle": "The funding lifecycle starts with funds being collected via the custodian and invested into a bond, at the same time businesses are assessed for creditworthiness and asset quality. Once a company has been assessed as creditworthy, agreed security is taken and legal documents are prepared and signed. Once all legal documentation has been completed to LCF's satisfaction, funds are transferred to the borrowing company. LCF monitor

the ongoing financial performance of the borrowing company at agreed intervals and if necessary will take a non-executive position on a company's board to oversee its performance. Loan interest payments are collected by LCF and in turn interest is paid to bondholders. At the end of the loan term, the principal amount of borrowed funds is repaid by the borrowing company and LCF repays the original investment amount to the bondholders.

"This process is illustrated in the flow diagram below."

I'm not sure if there is a diagram in this version, but let's have a look. Yes, there we are. Then, below that, there are some place holders for people who are expected to be involved in the management. I'm not sure who Leon Angel is. But this is only a draft. As my Lord saw from the covering email, Mr Thomson is sending this to Mr Golding to ask him for his comments. We also see Mr Golding's role at <SUR00002637-0001>, where Kerry Graham emails Mr Russell-Murphy on 13 October 2015, copying Mr Careless, subject "Spencer":

"Hi John.

"As requested, I phoned Spencer. He had a moan about two things:

"1. He downloaded the brochure on the website and it still has the old management team.

"2. The website looks 'sparse'.

"I told him that Andy provided new biogs that were not detailed enough to use. I had explained this to Andy, who asked me to give him examples of what I wanted. I emailed four examples and have chased multiple times, but I am still waiting. "Andy said he is too busy to get me the pictures to go with the biogs. He asked me to stop chasing him and he will do it ASAP.

"I queried what he meant by 'sparse' because I think it looks sleek, professional and is concise in an effective way. He said his team would look over it again and give specific feedback on Thursday. I then said there was something I wanted to add but had been awaiting content from Andy since July: real case studies/customer testimonials. Spencer seemed to think this would make a big improvement and said he would chase Andy to get it to us.

"Ultimately I don't think he is pissed off with us, I think he is pissed off with Andy and he asked me to keep the pressure on Andy and 'chase him harder'." The impression one gets is that Mr Thomson is in charge of doing the day-to-day donkey work but Spencer, in real-world terms, is his boss.

As I mentioned earlier, Mr Hume-Kendall doesn't cease to be involved, he still provides input. We see this in connection with the position of the bondholders who invested when LCF was known as SAFE, because they have put in their investments from 2013, 2014, early 2015, and the earliest of those are coming up for redemption. Of course, that's a bit of a problem, because it means you've got to pay them back. But it's not possible to pay them back because there's no chance of Sanctuary repaying the loan. It doesn't have any assets. The only way you can pay them back is by money from new bondholders, and that means that the money from new bondholders can't be used for other purposes. So, ideally, you don't want them to demand their money back, you want them to roll over into some new investment product.

Joanne Baldock sends an email about this in early November 2015 at <MDR00019842>. If we could look at the whole chain, or start at the bottom of the chain, we see, at the bottom left-hand side, Joanne Baldock tells Katie Maddock and Mr Thomson, copying Mr Russell-Murphy:

"The following clients would both like to redeem their bonds and have funds returned please." That's Mr and Mrs *****. Then:

"The following also want to redeem in the next couple of months."

And the amounts are set out. The final line says: "Most of the above also apply for the 10 per cent bonus that was offered too."

So, Mr Thomson forwards that, on the left, to Mr Barker to say:

"Hi Elten.

"Are you coming up to the office today as I think we need to talk through the below."

At <EB0007117>, Mr Thomson at the top of the page replies to Joanne Baldock to say:

"Hi Jo.

"It looks like most of the SAFE clients are wanting to be repaid. When I last talked it through with John the impression was that most would roll into another bond. Do you know the reason for the change? Is it something that can be addressed to try and stop so many wanting to exit?"

As I said already, the first point on that is obviously that there's no money to pay the redeeming investors, other than the money from the new investors, so it's important to try to discourage people from redeeming.

The second point, as we have seen, is that Mr Thomson involves Mr Barker in the issue. Then at <MDR00019937>, at the bottom of the page on the left, Katie Maddock provides Mr Russell-Murphy with a draft reinvest letter. She says:

"Attached is the reinvest letter we are proposing to send to clients that are nearing their end of terms. I would really appreciate your comments." And he says that he will have a look and come back to her tomorrow with some feedback.

Mr Russell-Murphy is content with the draft letter. We can see that at <MDR00020481>. He says: "Sorry for the delay in getting back to you, the letter is good to go, I have nothing to add to it." We can see who else was happy with it at <MDR00020959>. Katie Maddock, on 10 November 2015, emails Mr Golding and Mr Barker, copying Mr Thomson, with the subject "Reinvest letter" and she says: "Dear All.

"I had a chat with Andy earlier regarding our proposed reinvest letter to go out to SAFE clients that are nearing their end of term and he mentioned that we might be putting a home visit scheme into place? "We have the following clients whose principal repayments become due in November and December ..." And they are set out:

"This leaves us with £260,000 that we could potentially have reinvested for a further term rather than paying out. I have shown the letter to Simon, Elten and John, all of whom are happy with it, I have attached a copy for your reference.

"If you're happy for me to do so, I can send these out today/tomorrow."

So, Mr Russell-Murphy is happy with it, Mr Hume-Kendall is happy with it, Mr Barker is happy with it, and Mr Thomson is happy with it. The letter itself is <MDR00020961>. This is an example that was actually sent out to Mr and Mrs *****, who had invested £100,000 for a term of two years. It says: "Dear Mr and Mrs *****.

"Your investment is now nearing its end of term and we would like to take this opportunity to thank you for investing with us.

"Over the last two years, the funds you have invested have allowed the company to grow considerably, as it has been able to take advantage of the economic climate and the increasing demand for loans from the United Kingdom's SMEs. Without the funds you invested, the company would not have been able to take the opportunities to loan funds as quickly as it has, and it simply would not be in the position it is today. So, on behalf of the board, I would like to thank you for the commitment you made to our company when you made your investment.

"As well as our company name change to London Capital & Finance Limited, we will soon be announcing our conversion to a public limited company, which will allow greater scope for fundraising and will be another step in the continued growth of this proactive company. "At the same time as the announcement of the new Plc, we will also be appointing new directors to our board, Michael Baldwin & Katherine Simpson. We believe that these additions will add strength and depth to the company to ensure the future is a bright one. "The reason why I am imparting this information is that, as one of our valued investors who has assisted in getting the company to where it is today, I would like to offer you the opportunity of reinvesting at the same rate as you have enjoyed over the last two years. We do have other fundraisings in the market but these are at lower rates and, as a valued investor, the board and I feel that it would be appropriate for us to recognise your support of the company in its earlier stages of development and reward you with a continued market-leading interest rate.

"The interest rate available to you would remain the same at 8.5 per cent with the option to choose either a 1, 2 or 3-year term. The minimum investment amount is £5,000 and you have the opportunity to invest further funds should you wish to do so."

A rollover loan agreement is included.

So, that's an example, as I say, of Mr Hume-Kendall continuing to be involved alongside Mr Golding. He is shown a draft of that letter and is happy for it to be sent out.

Another example of Mr Golding being involved can be found at <EB0007893>. If we can look at the bottom of the email chain, please, and the previous page, if possible, we can see there is an email from Ms Graham to Mr Careless with the subject "High priority. Appropriateness assessment -- some concerns". She says to Mr Careless:

"Individuals signing up to the bond will have to categorise themselves as either restricted, high net worth, sophisticated or self-cert sophisticated and must complete a test which reinforces their selection, this test is known as an appropriateness assessment. "We devised a test that mirrors what Wellesley and Best Asset Management do. Andy provided a test that was constructed with the aid of this corporate advisers and has been signed off by Sentient and is of a level they will approve. As a team we have reviewed the detail of this and wish to raise a red flag.

"The Sentient-approved test is more onerous and will result in less sales.

"The concern is that we are disadvantaging ourselves by having a more complicated assessment than our competitors. I believe this is a grey area and Andy is rightly being thorough by taking the advice of the experts but perhaps we could push Sentient to understand their decision-making process because this is a grey area. Can we discuss this with Spencer and Andy to take a view weighing up the commercial aspects versus the detail of the shades of grey? If Wellesley are okay with a simpler test, perhaps we could be okay with it?" Mr Careless, on the left, forwards that to Mr Golding, copying Mr

Russell-Murphy, to say: "Spencer, see below from Kerry. It seems we are required by your lawyers to have a much harder sign-up process than our (much larger) competitors on LCF. Can we not at the very least match their sign-up process for compliance. We will be committing commercial suicide to have a harder sign-up than the big brands and my team thinks it puts us at a distinct disadvantage. "If Wellesley and Best Asset Management don't do it, we shouldn't have to.

"Please can we beg forgiveness rather than permission?"

On the previous page, we see that Mr Russell-Murphy forwards that to Mr Barker, who asks Lucy Sparks, another executive assistant, to print it for him. It is, of course, interesting to note at this point Mr Thomson isn't involved in the conversation. This is 11 November 2015.

On the next day, at <EB0007944>, Kerry emails Mr Barker on the left to say:

"Thank you for your help yesterday. It is much appreciated!

"I understand we can go ahead with our proposed/simpler appropriateness test." In another email on the same day, at

<SUR00003170-0001>, she reports at the bottom of the page, in paragraph 2:

"The sign-off to use our shorter assessment is a commercial decision taken by Spencer and has not been agreed by Andy who runs LCF day to day and equally has not been agreed by their corporate advisers who signed it off for section 21. Ultimately it is Spencer's business, so it's almost certain we will be able to use our shorter version test. However, there is a little politics with Andy that I will iron out today/tomorrow." So, as I said, it's Spencer who is in charge; Andy deals with it on a day-to-day basis. Presumably, the politics is the fact that Mr Thomson might not like to have been left out of the loop when Spencer was making this commercial decision.

We see at <SUR00003210-0001> another example of Spencer's role when Ashleigh Newman-Jones, who is one of Mr Careless's members of staff, tells Mr Careless and Ms Graham that the new website "is now live, can you all have a look through it for any changes". He says: "I have had an email from GCEN saying that the live account is still not created so I'm not sure what that going on with that ..."

I think there is a typo there:

"... and it can't go live until it's created, however, it is ready for approval from Andy/Spencer." So, again, we see Mr Golding's role. That's on 16 November 2015. On the same day, we see another example of Mr Hume-Kendall's role. <SUR00129980-0001>. This is an email from Mr Russell-Murphy to Mr Careless. By way of background, my Lord needs to know that MJS was an investment company set up by Mr Russell-Murphy and a gentleman by the name of Lord Razzall, which later collapsed. So, that's the MJS that's mentioned. Mr Russell-Murphy tells Mr Careless that he's in the -- in the middle of the page:

"I'm travelling to London tomorrow to meet with Philip Swarbrick (Brad's client) ..."

Brad Collier-Large is one of the sales people, this is Brad's client, Mr Swarbrick:

"... who I hope will be committing to invest £200,000 into LCF and MJS.

"We are meeting Simon Hume-Kendall at the Grosvenor Hotel before heading to the House of Lords to meet Lord Razzell. It is going to be an expensive day, I will have to cover the cost of lunch for the people I'm meeting and sundries throughout the day. Could you transfer £200 to help with expenses, I will keep the receipts for the money I spend!"

It is an email addressed to Steve but responded to by Mr Careless:

"Steve's at Crossfit but of course he will. I want our 5ks sorted ... any news from Spencer in releasing all the comms that are tied up?"

We see, incidentally, another example of Mr Golding, he's the person who can ensure that the commission payments are made. But the involvement of Mr Hume-Kendall is particularly interesting because it seems that the potential client, Mr Swarbrick, who is Brad Collier-Large's client, is going to introduce £200,000 into LCF and MJS. Mr Russell-Murphy seems to be introducing Mr Swarbrick to Mr Hume-Kendall as the representative of LCF, and then to Lord Razzall as the representative of MJS. So, he has an expensive lunch with Mr Swarbrick and introduces him to these two bigwigs who he can say are associated with the two companies that he will be investing in. What we do see in another document, <EB0007959>, is a description of this meeting. At the bottom of the page, Mr Russell-Murphy reports to Mr Careless, Ms Graham, Mr Jones, copied to Mr Barker, that there's an update in respect of sales:

"Please see below the current sales figures, which included completed deals and what we expect in by the end of the month."

Now, this is the 12th. We saw the meeting in London with Mr Hume-Kendall was going to be on the 17th. The email was sent on the 16th. He said, "I'm travelling to London tomorrow to meet with Philip Swarbrick. We are meeting Simon Hume-Kendall". So the meeting was going to be on the 17th. If we look at page 2, we can see "BCL", that's Brad Collier-Large, his initials appear. His clients include Philip Swarbrick, who is down twice: "... 100K -- app received -- completion meeting booked on 17 November.

"BCL -- Philip Swarbrick -- 100,000 (MJS) -- app received -- completion meeting booked on 17 November." So, there are the two meetings booked. The one with Mr Hume-Kendall is a completion meeting for the investments into LCF and the one with Lord Razzall is a completion meeting into MJS.

So, Mr Hume-Kendall seems to be rolled out as an impressive bigwig like Lord Razzall who can soft soap someone into handing over £100,000 to LCF. We get another impression of Spencer's involvement at <SUR00003280-0001>. This is something that comes up again and again. It seems to be a rather fractious relationship between Mr Thomson and Ms Graham. She thinks he puts obstacles in her path, that he's lazy, that he's not trustworthy, and he's being, as she sees it, obstructive in respect of the information memorandum. She says to Mr Careless at the top of the page:

"We need to override him and speak to Spencer. Will you or do you want me to?"

So, they understand that Spencer is the person who can overrule Mr Thomson.

There is a similar impression in relation to the position regarding compound interest -- the very next day, as it happens. This is 17 November. The next email is the 18th. That's <MDR00022125>. Katie Maddock emails Mr Thomson, the subject is "Norris", we can see that's a prospective bondholder because the attachments are "***** application 2-year" and "***** application 1 year". She says:

"Hi Andy.

"They have decided to compound the interest on the two-year term."

At <MDR00022129>, we see that this rather anodyne email causes all hell to break loose because Katie Maddock emails Jo Baldock, Steve Jones, Kerry Graham, John Russell-Murphy and Mr Thomson to say: "Following on from discussions we had a couple of months ago after the application form was changed without our permission, I thought it had been made clear that under no circumstances can our application form be changed without our prior permission."

"We have received an application form for ***** which has been amended without our permission. It is using an old application form with incorrect wording, missing important information and fundamentally a change to the way the interest is to be paid to compound interest which we have never offered. I have attached a highlighted version of the application form to show the errors."

"Sales reps should only have a PDF version of the current document and should be of full understanding that under no circumstances may they amend our application form."

The attachment is at <MDR00022130>. The ways in which it is out of date have been highlighted. For example, it says "wire transfer" where it should say "bank", there should be a surname field. Then, on the next page, we might see a few more of the problems. There is some American spelling in recital E that shouldn't be there, there are some missing words at the end of recital F. Then, in clause A, where it says: "LCF shall pay to lender as interest via wire transfer an amount equal to 8.5 per cent of the loan amount ... per annum compounded for a period not to exceed 24 months", the words have been highlighted and in manuscript the text has been added:

"Who authorised this? What is this? We do not compound interest."

Kerry Graham replies at <MDR00022136>, in the second paragraph:

"Re the compounded interest: John Russell-Murphy agreed this with Spencer two weeks ago. It was conditional on us paying the difference between the interest and the compounded interest. This payment is to be deducted from our commission."

So, it's something that's been agreed between John Russell-Murphy and Spencer Golding. The difference between interest and compounded interest is to be deducted from Surge's 25 per cent commission. Then at <SUR00130016-0001>. <SUR00130016-0001>. Kerry emails Scott, the salesperson in question, to say: "You are still using the old LCF application form. As you can see from this forwarded email, we are getting wrapped over the knuckles for this error ... don't worry about Katie's comments re compound interest, I know this was agreed between Joanne and Spencer and have pushed back on this point."

Something has been agreed by Spencer and Mr Thomson falls into line.

At <MDR00027313>, Mr Thomson is emailing Kobus Huisamen, who is formerly of Sentient, the section 21 sign-off partner. He says:

"Good to catch up today and thanks for making the drive down. We have made some changes to the series 6 and 7 bonds that will need your approval. The change is on how we calculate the interest. We were initially offering simple interest but are now going to be offering compound interest."

So Spencer's decision has been implemented. In fact, it requires the information memorandum to be rewritten and Mr Thomson is the person who has to deal with the administrative work that's been created by Spencer's decision.

Spencer Golding's role is again apparent in an email, <MDR00023166>, where, to put it in context, there has been a rather strange relationship between Mr Thomson and Ms Graham and Mr Careless is wading in to explain Ms Graham's role. He says in the second paragraph:

"I think there was a misunderstanding last week. Kerry is our chief operating officer, she is a director and shareholder in the business, and she is responsible for creating the processes around BSR, its interaction with LCF and GCEN. You are in safe hands to deal with her as your primary contact. Obviously I would help if I can but you will find I'm a little out of the loop when it comes to the detail as this is Kerry's department. I do see all of our emails and the only reason I don't reply is I know Kerry will deal with them. She acts as a conduit collecting information from all sources, devising a plan and delegating actions, therefore any changes you need and any suggestions you have please deal direct with Kerry and not with myself ..."

Then the next paragraph:

"I am meeting with Spencer tomorrow in Eastbourne. I am not sure if you are coming along but if you are I will collate the stats to present to you so we can all see how it is stacking up so far."

So the meeting is Mr Spencer. Mr Thomson seems to be an optional extra. We see Spencer's role again at <EB0009131>, where, at the bottom of the page, on 30 November 2015, Kerry says to Mr Careless and Mr Russell-Murphy, with the subject "Shocking potential issue!":

"Just to keep you in the loop regarding a potential looming problem, I have just got off the phone from Andy who said that the three new bonds had been created for an online sale and now that many sales are being assisted by a salesperson, he isn't sure that we are fully compliant. Sentient approved the 3 bonds with an online sale in mind and are not happy about the volume of offline sales. If we continue to sell via a sales team he thinks we will need to jump through additional compliance hurdles. At this point he cannot quantify what these hurdles might be. He is meeting with his solicitors today and will get in touch later today." Next page:

"I don't understand this because he knows we also have a sales team who will continue to sell via the traditional route so he should have got the new bonds approved with both routes to market in mind. He said something interesting which is that he thought we were moving away from having a sales team in favour of online. I said that contradicts our last meeting with Spencer when he suggested we expand our sales team to have bigger capacity for face-to-face meetings. We have two definite routes to market.

"My feeling is that he made a mistake in his negotiations with Sentient. There might be an issue with the approval he has been given not being appropriate for an offline sale and he is now trying to cover his arse by saying he always thought we were moving away from sales people to an online process. He also contradicted himself saying that he thought the sales team would be selling a different bond than the bonds that are being sold online. Which is interesting because the sales literature for the new bonds is being pushed through to make it ready for the sales team to start using. Also, as you will remember, we carefully negotiated the rates because we were well aware that the sales team would be disadvantaged by lower rates and getting the balance right so that the rates worked for both offline and online was a big part of this.

"I'm glad we are meeting Spencer tomorrow and can clarify/correct this madness!

"In fairness, as I have been writing this email, Andy has just sent me a text saying 'I've had a genius moment. We might be okay after all. I will phone you later'."

Again, one gets the clear impression that Spencer is the man in charge, the man who can clarify or correct what Kerry describes as Andy's madness. We see Spencer's role again in connection with the logo at <MDR00025912>. There's been a bit of upset, seemingly, on the part of Rocky O'Leary, who doesn't like the fact that his logo has been ditched in favour of a new logo. At the bottom, Mr Careless is saying to Rocky O'Leary in the second paragraph:

"With respect, Rocky, changing the logo won't move that needle."

At the top, Mr Careless emails Mr Golding, forwarding the email chain to say:

"Spencer.

"The conversation is below. It was with Kerry. Not that it really matters. It's your company and you can have any logo you want. My team all think the original logo is better.

"Two logos attached, 1 and 2. Please choose which you prefer. Simple.

"If you want the new logo, then we will make the changes to the site. If you like the old one, then the brochure changes before print."

So, it's seen by Mr Careless as being the case that LCF is Mr Golding's company, "It's your company, you can have any logo you want".

Of course, my Lord has seen already that Mr Golding is disqualified from being involved in the management of the company, and that there is extreme sensitivity around that issue and it has to be said publicly that he's not involved in the management of the company, even when it's obvious to everybody that he is. I think that's probably what explains the next document, which is probably the last one we will look at before the short adjournment. It is <SUR00131168-0001>. We will come back to it in a different context. It is quite a long email. We can touch on the other relevant points at this juncture, but we do need to see it in context later. It is from Kerry Graham to Mr Careless on 25 January 2016. The subject is "Update on due diligence from Andy". That's the context in which we have to come back to it. She says:

"Hi.

"I have just spoken with Andrew Thomson, we discussed some quite sensitive information which he initially didn't want to be communicated by email but has given me permission to relay this information assuming your commitment not to mention the details outside of this small group."

That small group, we can see, as well as Mr Careless, includes John Russell-Murphy, Mark Partridge and Steve Jones. So it is a very small group indeed:

"Please don't even mention to the sales team yet until we decide how best to communicate the key changes we have been asked to introduce."

The next part of it is the detail that we will come back to, but -- for example, the six bullet points. Mr Thomson has said:

"Crucially, all 80 loans are to Spencer-related businesses, ie, they are funding their own operations". Then, in the penultimate paragraph on this page: "Andy stated that he owns LCF. He said 'Spencer does not have ownership at all. I have a symbiotic relationship with Spencer. We assist each other and we are vital to each other but he does not own LCF. Please stop communicating key information without me. In a meeting last week, Paul communicated information about GCEN and your objections to how it works to Simon Hume-Kendall. He is my customer and it is inappropriate for you

to have disclosed the working of my business to him and also inappropriate not to include me in the meeting. I was not made aware of these issues with GCEN'.

"I said: 'There has been a misunderstanding. We have been led to believe that, whilst you are officially the business owner as registered at Companies House, Spencer is a driving force behind LCF and a key decision maker. You really need to take this up with Spencer because he has presented himself to us as the big chief at LCF and he invited Simon to the meeting. We believed we were talking candidly to the trusted partners who had specifically been invited by the LCF establishment'." Then, on the next page, she says --

MR JUSTICE MILES: Sorry, can I just go back? There is reference there to meeting, in that paragraph --

MR ROBINS: Reference to a meeting?

MR JUSTICE MILES: It says he invited Simon to the meeting.

MR ROBINS: Yes. That will have been the meeting that we were looking at yesterday, I imagine, in The Long Barn in February, the meeting on 24 February.

MR JUSTICE MILES: Perhaps that's something that will need to be explored in evidence.

MR ROBINS: Yes, possibly. Oh, sorry, Mr Shaw pointed out there's been another meeting. Maybe it was the one in the previous paragraph. Yes, we will have to explore that further. On the next page:

"He said: 'I will take it up with Spencer, just so you know, there's no side agreement/legal contract behind the scenes. I own LCF and Spencer does not. However, Spencer is very important to my operation and I will continue to have a good working relationship with him and him with me'."

Then she comments:

"So you understand the tone, Andy wasn't really complaining or annoyed. He was just trying to express to me a frustration that he mustn't be left out because actually it's his business and he wanted to make it clear that if we think Spencer is a controlling partner/owner, he is not. This is contrary to what we have been led to believe all along. I was surprised so I double-checked. I said: 'Did you come up with the concept of SAFE? Was it all your idea and you launched it as a start-up?'. Him: 'Yes. Others were involved but yes it's my concept and as of a few months ago I am the sole owner of this business'."

She says:

"I don't know what to believe? Is this a bit like if I said yes this is my business, nothing to do with Paul, check at Companies House. Companies House would just show me but we all know Paul is the visionary and I just create systems to action the practicalities." We need to come back to the email. As I said, the final four paragraphs are important, but, again, we need to see those in the proper context.

It seems either to be a part of the smokescreen to hide Mr Golding's involvement in light of his disqualification or possibly the politics that was referred to and the frustration on Andy's part that Mr Golding makes these decisions without reference to him. But the reality is, we will see after the short adjournment, throughout LCF's existence, including in the three years after this email, Mr Golding continues to be involved, as indeed does Mr Hume-Kendall. But we can see that this afternoon.

MR JUSTICE MILES: We will come back at 2.00 o'clock. Thank you.

(1.00 pm)

(The short adjournment)

(2.00 pm)

MR ROBINS: My Lord, we were looking at examples of the continued involvement of Mr Golding and Mr Hume-Kendall. There is another at <MDR00028240> in respect of modification to LCF bond brochures. It is an email from Mark Ingham dated 22 January 2016 to Mr Thomson. It is copied to Mr Golding, Rocky O'Leary, Elten Barker and Simon Hume-Kendall, with the subject "Modifications to LCF bond brochures". He says: "Hi Anthony.

"Good to talk yesterday re the FCA issues/required changes -- it would be great if you could get me the modifications to the brochures ASAP. Ie, what needs to be changed or added to which brochure. The FCA issues/queries seem to be around compliance 'systems' and obviously how it's sold. Remember that I was CIO of a leading global company and can help with IT infrastructure stuff and building a strategy if that helps with the compliance/credibility. We should update the online PDFs first so they are immediately available. Please note: if the changes affect the number of pages more design will be needed and that will take time, less important for the online but very important for the printed brochures. Also if you are going to use destination properties for Magante, it needs a credibility website. Confirm if you want one developed. I have emailed SHK re the resurrection of the El Cupey website and the Magante website They will be rebranded from Sanctuary to Atlantic Hills and Bahia Esmeralda -- we will need to change URLs and emails as well. Initially, these changes will be a quick flip. Then later we can focus on a full revamp if needed. Please advise ASAP re bond changes and the requirement for designation properties website." My Lord can see Mr Golding and Mr Hume-Kendall are both involved in that matter.

Then just a few weeks later at <MDR00030461>, about two-thirds down the first page, Mr Thomson is emailing Rocky O'Leary and Mark Ingham about changes to the brochure. He says:

"Yes, the 3, 4 & 5s are the priority, I'm being pushed for a completion date for the brochures ..."
Someone is pushing him:

"... are you able to give me a steer?"

At the top, Mark Ingham says:

"Spence called -- I said these could (subject to Rock's confirmation) be got out by the end of the week -- that allows for secondary proofread and drift."

It's presumably Mr Golding who has been pushing Mr Thomson, who is certainly chasing Mr Ingham to find out when the revised brochures can be produced. There is another interesting development at around the same time which casts light on these matters, and that's at -- we start at <EB0013597>. We can see that, on 3 February 2016, Mr Sedgwick provides Mr Hume-Kendall and Mr Barker with a draft agreement, the attachment is "Surge introduction agreement". The subject of the email is "Draft agreement with John Russell-Murphy and Paul Careless". Mr Surge says:

"Please find attached the draft agreement which I have prepared so far. It needs a bit of tidying up but please consider it so far as to the commercial terms. I need to insert the minimum targets for business introduced and to provide for termination." We don't need to look at the attachment because we will see a further draft in a moment. A few days later, on 5 February 2016, at <D7D9-

0004835>, Mr Sedgwick, on the bottom of the page, has provided a further draft to Mr Hume-Kendall and Mr Barker, and Mr Hume-Kendall forwards that to John Russell-Murphy saying: "Hi John.

"In the interests of time, I am sending you this email direct from Robert. This is the third draft but there are changes we still need to make but at least it should get the ball rolling. There are quite a few pedantic items in the boilerplate but all that can be changed as can any element of the model we have created. I have not sent this to Paul in case there is anything that is a glaring error on my part. Then we can get it sorted out in advance. The reason for my caution is that Spence has very bad flu and he has had zero input into this after our initial instruction. We await your call at 2 pm as agreed with keen anticipation." It seems from that that Mr Golding has provided an instruction, Mr Hume-Kendall and Mr Sedgwick are the two individuals who have to implement that instruction, and what has been produced is the draft agreement that we see at <D7D9-0004836>.

We see from page 1 that it's a draft participation agreement between London Group Plc and

John Russell-Murphy and Paul Careless. After the contents page on page 2, on page 3, we see that the parties are London Group Plc, which is defined as "London", so when we see "London", that's London Group Plc, and John Russell-Murphy and Paul Careless are defined as Surge. So Surge is not Surge Financial Limited, it is those two individuals. Also, the parties are Mr Hume-Kendall and Mr Barker, who are described as the shareholders. The recitals say:

"A. Surge has developed a method of access a large contact base are interested in investing in high-quality opportunities."

Something has gone wrong with the wording but I think the meaning is clear:

"B. From proceeds of the Financial Products London [London Group Plc] is currently obliged to pay an introductory commission of 25 per cent. "C. London has agreed to pay to Surge the sums referred to in this agreement in consideration of Surge acting exclusively for London in introducing contacts as may be agreed between the parties.

"D. The shareholders together own 95 per cent of the issued share capital of London."

The other 5 per cent, of course, being Mr Thomson's share. The 95 per cent that's being referred to is the shares of Mr Golding, Mr Hume-Kendall and Mr Barker. In the definitions, "Financial Products", with a capital F and capital P, is defined to mean: "An investment opportunity bond or other financial instrument issued by LCF and others to a Prospective Client [capital P, capital C] who is introduced by Surge."

"Introduction", with a capital I, is:

"The provision to LCF of the contact details of a Prospective Client [capital P, capital C] who purchases a Financial Product [capital F and P". "'Introduce', 'introduces' and 'introduced' shall be interpreted accordingly."

So, London is not LCF, London is --

MR JUSTICE MILES: I understand.

MR ROBINS: -- London Group. It is, from the proceeds of financial products, London is currently obliged to pay an introductory commission of 25 per cent. That presupposes that London, London Group Plc, is receiving the proceeds of the financial products and that London Group Plc is obliged to pay an introductory commission of 25 per cent to Surge Financial Limited. "LCF" we see defined on

the next page, London Capital & Finance Plc. "Prospective Client" with a capital P and C, is a person who is interested in purchasing financial products. "Shares" is:

"A percentage of the shares in London Group Plc held by the shareholders."

And "Services", with a capital S, is:

"The service of introducing potential clients to purchase Financial Products [capital F and capital P]."
Then in clause 27.1:

"London [Group Plc] appoints the Surge ..." Something has gone wrong with the wording but the meaning is clear:

"... to identify Prospective Clients [capital P, capital C] exclusively for LCF and others agreed with London and to make introductions of such persons on the terms of this agreement.

"27.2. The Surge shall:

"(a) act exclusively for London and use its best endeavours to make introductions of prospective clients agreed; and

"(b) report in writing to London from time to time on progress made with prospective clients." And after various clauses dealing with that, in 2.7: "The Surge shall not charge LCF any commission for the introduction of the potential clients." Well, that's because this agreement proceeds on the basis that the 25 per cent is being paid by London Group Plc from the proceeds of financial products which are paid to it by LCF.

Then in clause 3.1, under the heading "Targets": "The parties are anticipating that the Surge will introduce prospective clients who will purchase financial products at a rate of between £50 million and £100 million per year but with a minimum target of £30 million per year."

Over on the next page, clause 5.1, "Payment". This is in addition to the 25 per cent that's mentioned in the recital:

"In consideration of the services provided under this agreement, London shall pay to Surge the sum of £40,000 per month together with all approved costs and expenses which are agreed on a quarterly basis. "5.2. In addition, the shareholders shall hold on trust for Surge the shares and will account to the trustee for Surge for all distributions of both income and capital received by them from the shares and if and when the shares in London become quoted to transfer the shares to the Surge or as the Surge directs. "5.3. The percentage of the shares shall be 10 per cent unless Surge fails to meet its obligations under clause 3.1 or if this agreement is terminated early under the provision of clauses 8 or 9 as set out below in clauses 5.4 and/or 5.5.

"5.4. If the value of the investments introduced by Surge are less than the target on a rolling 12-month average then the percentage of the shares shall be reduced pro rata."

There is a similar pro rata adjustment in clause 5.5.

There are various other provisions, including obligations of London; confidentiality. I'm not sure there is anything else relevant --

MR JUSTICE MILES: Do you say that the 25 per cent would have to continue to be paid?

MR ROBINS: That's as I understand it.

MR JUSTICE MILES: How does that tie in with 2.7?

MR ROBINS: Because the recital records that it is not LCF paying the 25 per cent, it is London Group. If we go back to the recital -- I think this is the way it's meant to work -- at page 1, it is B:

"From proceeds of the financial products London is currently obliged to pay an introductory commission of 25 per cent."

So, it seems -- I think what it's saying is that, given that you are getting 25 per cent from London, you also going to get the 40,000 and the possibility of shares in return for exclusivity. You are not also to take a further commission from LCF, because then the total payments made are above and beyond those contemplated by this agreement.

But certainly the 40,000 and the shares are in addition to the 25 per cent and not in substitution for it. This is the first draft. We see what is proposed does evolve. But, of course, it's premised on LCF raising funds exclusively for London Group and therefore, at least in financial terms, London Group being the paying party in respect of the 25 per cent commission mentioned in recital B.

MR JUSTICE MILES: Sorry, say that again? You said premised on --

MR ROBINS: London Group Plc --

MR JUSTICE MILES: -- LCF raising funds exclusively for London Group?

MR ROBINS: Yes, because --

MR JUSTICE MILES: Where is that?

MR ROBINS: Because Surge gets 25 per cent of all funds raised. Recital B says:

"From the proceeds of financial products London is currently obliged to pay an introductory commission of 25 per cent."

If London is paying 25 per cent of all proceeds of financial products, that can only be because -- and Surge is getting 25 per cent of all bondholder monies, then it must follow that London Group is getting 100 per cent of the bondholder monies because, otherwise, there would be some bondholder monies in respect of which the 25 per cent wouldn't be paid, which is never the case.

MR JUSTICE MILES: On the other hand, it doesn't seem to be describing what's actually happening so far because London hasn't been paying the 25 per cent.

MR ROBINS: In economic terms, it will be bearing that if, as the assumption behind this seems to be, it is getting 100 per cent of the proceeds of financial products. So it gets 100 per cent less whatever commission is paid. So it bears the economic cost of that, even if the commission is being routed through LCF. The reason for taking your Lordship to it at this point is it clearly envisages that LCF is a creature of Mr Golding and Mr Hume-Kendall and, for Surge to agree to work exclusively for LCF -- essentially to ditch Blackmore as a client -- then that is something that is to be agreed between Mr Careless, Mr Russell-Murphy, Mr Golding and Mr Hume-Kendall. Mr Thomson wasn't part of the email chain. He doesn't seem to be involved in these negotiations.

At <D2D10-00014833>, Mr Russell-Murphy replies, at the middle of the page:

"Hi Simon, thanks for the agreement and my apologies it has taken so long to reply. Would it be possible for John and I to meet with you and Spencer early next week to discuss it in person?"

And Mr Hume-Kendall replies.

As I said, the terms do seem to evolve. There is a further draft that seems to be prepared by Mr Careless as a counteroffer at <SUR00009049-0001>, which is an email from Mr Careless to Mr Russell-Murphy and Ms Graham and Mr Jones, attaching a draft. This is the 18 February. We see a further draft in a moment, so it is probably better to go to that one. The covering email for that is <SUR00009378-0001>. This is now 22 February 2016. He says in the subject: "We will need a few copies of these tomorrow. Needs typo checking please."

The attachment to that is the next document, <SUR00009379-0001>. This is the -- it seems to be the counteroffer, "Draft only. Not binding. Exclusivity agreement between Surge Financial Limited (SF) and the London Group Plc (LG) and London Capital & Finance. "Key points.

"1. SF will provide exclusive marketing to LG for a fixed fee of £40,000 per month.

"2. LCF will pay 25 per cent commissions for funds received by SF.

"3. LCF will pay for 10 per cent for commissions rebroked by SF.

"4. If SF reach £30 million funds or more within 12 months of signing of agreement they will receive 10 per cent shareholding in LG.

"5. If SF reach £50 million funds or more within 12 months of signing of agreement they will receive 20 per cent shareholding in LG.

"6. SF will pay for all marketing costs of LCF. "7. 12 months' notice by both parties to terminate. "8. Best endeavour by SF to provide maximum funds into LCF.

"9. PC has current contractual obligations to Blackmore Group and therefore any current or future arrangement with BG will remain outside of this agreement."

As I said, it's evolved. It's now exclusive, save insofar as Blackmore is concerned. The terms seem to have evolved a bit as well. But, again, the point is that, when it comes to discussing and agreeing the commission payable in respect of bond sales by LCF, the discussions and negotiations involve Mr Hume-Kendall and Mr Golding. Mr Thomson hasn't featured so far in this aspect of the story and doesn't, in fact, feature at all in it.

The exclusivity terms remain unagreed. If we look at <SUR00014423-0001> on 11 April 2016, Mr Careless's to-do list includes, about halfway down, "LCF exclusivity". So that's something that hasn't yet been finalised. As I say, it doesn't seem to get finalised. But it reinforces the point that Mr Hume-Kendall and Mr Golding remain the driving force in respect of the big picture point when it comes to LCF and the commissions and so on. Mr Thomson is simply running the operation on a day-to-day basis.

We see that again at <SUR00082937-0001>, where, on 7 September 2017, Jo Baldock provides Paul Careless with an agenda for Spencer meeting. There is going to be a meeting with Spencer. We can see what's on the agenda. It all relates to LCF's business and affairs. Number 1 is:

"Delay in series 10 sign-off despite numerous calls and emails chasing for updates ..."

2 is:

"Series 10 launch email ..."

Number 3 is:

"Application forms -- disaster - not checked properly ..."

Number 4:

"Admin have said they do not get replies from Eridge office ..."

That's the LCF office. 5 is:

"Eridge office not updating our CRM with notes ... "6. Lack of working relationship, feels like we are being slowed down and prevented from driving forward, we are paid a fee for marketing but being held back." At the top of the page, Ms Baldock forwards that to Mr Russell-Murphy.

MR JUSTICE MILES: Can I just ask about Ms Baldock's role. She is working for D6; is that right?

MR ROBINS: By this point, yes.

MR JUSTICE MILES: Because she's got an LCAF email address.

MR ROBINS: Yes, that's right. She begins as someone who works with Mr Russell-Murphy on the SAFE bonds. When he joins Surge, she comes with him and becomes part of the Surge operation. She ultimately ends up managing the LCF sales team. As my Lord has just noted, they all have lcaf.co.uk email addresses. When they email someone, they email as if they are an employee of LCF. When they make a phone call, they say they are calling from LCF. That's why she has this email address at this point. She is not an employee of LCF, she is an employee of Surge.

MR JUSTICE MILES: That's Mr Russell-Murphy at the top? John Murphy?

MR ROBINS: Yes.

MR JUSTICE MILES: So, he's also got one of those email addresses?

MR ROBINS: Yes. Sometimes they switch to their other email addresses when they are having a discussion that they wouldn't want Mr Thomson to be able to see, if only theoretically. We have seen emails saying, "Can we switch this conversation to our InfoConnection email addresses from now on, please?" So, they use it for LCF business, but they are not their sole or exclusive email addresses at this point.

MR JUSTICE MILES: This looks as though -- sorry, it may be, again, something debatable, but if you look at this agenda, it looks like an internal Surge thing rather than something that she would wish to be shared with LCF.

MR ROBINS: Well, it's "List for Spencer meeting". It is a list of agenda points that she would like to be raised with Spencer.

MR JUSTICE MILES: So maybe it is open. There are some comments on it. But maybe they don't mind those comments being shared with Spencer.

MR ROBINS: Perhaps not being shared with him but being used as a script for the meeting, for Mr Careless to raise with Spencer at the meeting.

MR JUSTICE MILES: That's why I'm suggesting it looks more like an internal thing. But maybe that's something that can be looked that.

MR ROBINS: Yes, perhaps not an agenda in the sense of something to be photocopied and handed out at the beginning, but more an aide-memoire of talking points. We see a similar story at <MDR00160744>, where there are more complaints about the inefficiencies of LCF's office staff in

Eridge. At the bottom of the page, Jo Baldock is emailing Katie Maddock and copying the email to John Russell-Murphy and Craig Mason, who is another Surge employee, with the subject "ISA transfer complaints" and she says:

"Hi Katie.

"Further to my email this morning we have since had 2 dissatisfied clients regarding their transfers." Those clients are Francis Cann and Barbara Baker. On the next page, at the end of this email, she says: "You can see why it's so important that we receive regular updates as not only can we not answer the clients' queries, we are also going to lose business." "As I have said previously, we are happy to take over the process from here as we have the resources." On the left-hand side, Mr Russell-Murphy, who has been copied, forwards that to Mr Careless who replies by asking, "Why is this happening?"

At the top of the page, John Russell-Murphy says: "The transfers will be dealt with by us very soon. Spencer is instructing Andy to pass the work to our office next week."

Again, a clear example that Andy Thomson is subordinate to Spencer Golding, who has the power to tell him what to do. If Spencer instructs Andy to pass the ISA transfer work from the Eridge office to Surge, then that's what happens. We see from disclosure that is what subsequently happened.

Spencer Golding remains involved right to the very end. As I said, at <D7D9-0007823>, there is discussion of a new one-year product. Mr Russell-Murphy says to Paul Careless and others:

"I have spoken with Andy and Spencer and the following has been agreed.

"Andy will instruct Lewis Silkin this morning to issue an IM for a new one-year product paying a rate of 3.95 per cent."

Right to the very end, Mr Golding is an integral part of the LCF operation and, ultimately, as we see, the person who calls the shots.

The next topic to turn to briefly is the promotion of LCF and the growth of the bond sales. We need to see this because it's the context for the subsequent payments under the Lakeview SPA. The operation under the control of Mr Careless and Ms Graham is more professional, as we have seen. The brochure is reformatted, as is the new website, and the money begins to flood in in increasing volumes.

At <MDR00016546>, we can see the sort of change that Mr Careless and Ms Graham were able to make. At the bottom of the page, he emails her, on 6 August 2015, with the subject "LCF Google reputation": "Kerry.

"We need to get LCF prepared for people Googling its brand and seeing buy signals, certainly as it is so new. We have managed to arrange for our friends to list LCF on a site called www.best-investment-funds.co.uk for a fee of £1,000.

"It means when someone searches Google they will see the site ranking on paid search for the term: London Capital and Finance and London Capital and Finance review. The product needs to be listed as soon as possible."

At the top of the page, she forwards that to Mr Thomson and says:

"Please see this email from Paul. He makes the point that LCF currently doesn't have an online footprint beyond its own website. Investors tend to Google the brand as a first test to see what they

can find and we need to start creating validation material. We can start by adding LCF to www.best-investment-funds.co.uk at a cost of £1,000 + VAT. I recommend that we do this quickly as we are now out there promoting it and if people Google there isn't anything independent to validate the brand. Do I have your approval to go for this?"

At <MDR00016554>, Ms Graham emails Mr Thomson to show him how being featured on Best investment Funds will affect LCF's profile on Google. She attaches an invoice for £1,000 plus VAT:

"So look out for the payment on Monday and will confirm receipt."

Mr Careless has said, "We can arrange for our friends to list LC&F". The friends in question, <MDR00016556>. They are known as InfoConnection Limited, the company of Mr Careless and Ms Graham. There is the invoice for £1,000 for online reputation management. That sum is paid and Mr Careless and Ms Graham put LCF onto their website "Best Investment Funds" and that's there, available to be found by anyone who Googles "London Capital & Finance" or "London Capital & Finance review".

At --

MR JUSTICE MILES: Sorry, they run Best Investment?

MR ROBINS: Oh, yes. Just like they run Investment Experts Online and Pension Investment Experts, I think it was called, Pension Advice Online. So, they run this website. They can list LCF for a fee of £1,000. So, when someone Googles "LCF", they won't find merely LCF's website, they will find LCF listed on what looks like a reputable, independent, third party website. At <MDR00019168>, on page 2, we see that Graham Reid, a solicitor of Lewis Silkin, is dealing with Mr Thomson at this point. Mr Thomson has instructed him in respect of the preparation of the new investment memorandum for further issues of bonds, further series. He says that he's spoken to Catherine at GCEN and, at the end of the first main paragraph, he says:

"Catherine also raised the issue of www.best-investment-funds.co.uk.

"Are you aware of this and if so what is your understanding of this site and have you had any input? Clearly, it should not be promoting your bonds whether this is the proposed bonds or those in existence (although I'm not aware of the marketing material (if any) on these). I've copied in Catherine in case she wants to add anything."

Mr Thomson says in the email on the left in reply, after the long paragraph:

"Re best investment funds I will look into it. With the old Lakeview Bond, we had instances of various sites profiling it to pad out their sites without permission and I just highlighted this to SW [Simon Witty, I think] and he had them take it down."

Which is obviously untrue. He's just paid £1,000 to Ms Graham and Mr Careless's company, InfoConnection, to get it listed. But that's one of the things that Ms Graham and Mr Careless can do for him; they can provide validation material for people to find independently when they Google the brand as a first test.

With that sort of expertise to guide LCF's operation, the numbers, in terms of bond sales, continued to grow. At <SUR00129311-0001> --

MR JUSTICE MILES: Sorry, can you just remind me what GCEN is?

MR ROBINS: GCEN is LCF's payment processor.

MR JUSTICE MILES: Is that an independent entity?

MR ROBINS: Yes. It is an independent currency transfer entity. The problem for LCF is that it doesn't have the regulatory permissions required to receive investors' money. It's been running its operation through Buss Murton's client account. In summary of a story we will see in more detail in due course, Mr Sedgwick's colleagues find out about this and are deeply unhappy. Mr Thomson tries to placate them by offering to formalise the arrangement and to appoint Buss Murton as some sort of official agent to receive LCF's money, but they don't much like the idea, they don't want to do it. So Andy Thomson goes back to the materials that his entire understanding of bond issues is based on -- the Lakeview UK Investment's bond issue -- and GCEN were the payment processing agent in that bond issue. So, he gets in touch with GCEN and asks them if they would act in a similar role for LCF. They have the regulatory permissions. It enables Surge's sales people to rely on the fact that they have a payment handler who is FCA registered and regulated, but, really, what GCEN does is receive the money, and when the money has been received and various Know Your Customer checks have been performed on the bondholders under the anti-money laundering legislation, GCEN pays it over into LCF's bank account. LCF, by that point, having opened a number of accounts with Lloyds.

So, it is a third party payment processing company, and Graham Reid at Lewis Silkin has been liaising with them. They have raised a concern about Best Investment Funds and Mr Thomson says, "Well, search me. I've never heard of it. I will look into it".

At <SUR00129311-0001>, on -- it must be the final page of the email chain -- sorry, previous page. One more page, sorry. Here we are. Halfway down, Mr Careless is emailing Pat and Phil of Blackmore and he says:

"Hi Chaps, here's an update for you."

For Blackmore Estates, it's £170,000 funds in; £44,000 awaiting cash to come in. For LCF, he tells them £356,000 app out; £5,000 funds in. So, applications with a face value of £356,000 have gone out, £5,000 has come in so far. At the bottom: "We anticipate £100,000 of the LCF money coming in this week, which will release £25,000 in comms [commissions]."

"JRM and a few of the main guys have been focusing on LCF for the past two weeks to ensure we have good cash flows moving forward. We will hit £1 million into LCF in the next 19 days. The boys have 2 per cent comms on LCF ..."

So the sales people, the salesperson, responsible for the sale gets a commission of 2 per cent: "... and according to JRM it is an easier sell due to the higher coupon (8.5 per cent) and the interest being paid quarterly, the latter being the big main reason.

"We are learning plenty of lessons about the selling. Persistence is key. Five leads per man per day is more than sufficient if worked properly. Some folks agree to come aboard after 20 + calls. "A few other points of note."

He sets out some other points. At the bottom, he says:

"And finally, despite all of the above, between now and Christmas the plan is to concentrate on selling LCF to achieve a strong cash position. At least £1 million in sales for August, September, October and November will provide the comfort (£1 million) and fiscal strength to push very hard in the new year." So, it's £1 million in sales for each of those four months. Surge gets 25 per cent. That will be £1 million in total and will give them the fiscal strength to push very hard in the new year. He seems to be telling Pat and Phil this because, as we will see, they are only paying him 7.5 per cent,

and he's telling them he's going to focus on LCF because they are paying a lot more. We can see that on the first page -- sorry, the second page first. Phil -- sorry, the third page. It is a longer chain than I remembered. Phil Nunn says:

"Hi Paul, good idea re bridging, I'm meeting a top guy today. Does that mean we are stopping focus on to estates [Blackmore Estates] because we can't really as we are committing to sites and builds? Re your last point. Please let me know."

Paul Careless says:

"Not at all mate. BME is still our priority, we own it. The extra comms on LCF has had the boys' attention in the last week and it has been converting slightly better due to the reasons outlined below. It's just for cash flow in the short term but BME will be and remains our priority."

Phil Nunn says:

"Why don't we push out 2 per cent on Estates for the staff?"

So give 2 per cent to the sales people who convert leads on Blackmore Estates. And then Paul Careless replies:

"We still need a little cash to be comfortable we have been operating on fumes for circa six months. JRM wants to fill the coffers and thinks we can do that without it being to detriment of BME sales. 2 per cent comms is a good idea."

At the top, Phil Nunn says:

"We need to increase the funding somehow then. Let's discuss. We can help. I'd rather that." So, it seems that Mr Careless's tactic has worked to say, "We are going to focus on LCF because they are going to help us fill the coffers". Phil replies by saying, "Well, we need to increase the funding". But we see from the email the ambition of Mr Careless to get £1 million into LCF in the next 19 days and to sell £1 million worth of bonds in each of the remaining months of the year.

But he's referred also to the fact they have been operating on fumes, cash flows being extremely tight. Mr Careless turns to Mr Golding to see if Mr Golding can assist with that. At <SUR00001783-0001>, Mr Careless says to Mr Golding:

"Hi Spencer.

"I hope you don't mind me emailing you on a Saturday but I wanted to clarify John's call with you yesterday. In brief, we have two products that we are driving funds into, yours and Blackmore Estates, a property fund in which John and I are shortly to be shareholders. With property being long the commissions upfront are not that great but owning a fund is far more profitable for us in the long run. However, your product fits our leads extremely well and, as you are aware, we only started selling LCF on Tuesday, 4 August, and we already have £11,000 closed and £360,000 in 'applications out', 90 per cent of which we will expect to close within two weeks. This is why if you were to support us in a sprint for LCF it would only be needed from Monday or Tuesday next week. After that, the opportunity is redundant as we would not need any outside cash. "We simply wanted to move quicker and thought you'd be keen to help us do that."

He gives a screenshot of the LCF pipeline and says: "We have only had a three of our sales team, including John, working on selling LCF for the past nine working days and with very few leads per man we have £1.2 million in brochures out and £360,000 in applications out. It is working and

working very well. Both John and I are now confident we can put at least £2 million a month into LCF almost immediately. "Our plan was to lend £20,000 from you ..." I think he means borrow £20,000 from you: "... for a week to two weeks to assist us in paying for a growth sprint into LCF starting on Monday. We would increase to five sales guys for two weeks, working from our offices in Eastbourne, where they can be driven by John. They are normally commission only but we will pay them £1,000 each for two weeks to push hard and work from our offices. The cash would also allow us to increase their lead volumes from four leads a day to 15 a day for that ten-day period. During this sprint we would look to put at least £2 million into LCF. We would also like to put a closing date on the LCF fund of 30 September for the 8.5 per cent deal and the new fund, launch immediately afterwards would potentially be less. John can discuss this with you on the phone. "As I said, the money would only be of use to us if it arrived on Monday or Tuesday. After that we would not require any funding at all as it would have been used to commit to a sprint for two weeks. Within a week our cash flows will be fine thanks to the commissions we will earn. It was simply [a] case of seeing if you wanted to help us grow a little quicker and it is no big deal if you don't want to do so, we will still hit our targets, just a little slower."

He says he wants to keep it simple:

"It is no issue at all if you do not want to lend us the cash on Monday."

Mr Golding replies two days later at <SUR00001810-0001>, where he says at the bottom: "Hi Paul, please accept my apologise. I have literally only just opened your email. If you still require the help I'd be happy to assist." Mr Careless replies:

"Morning, Spencer. Thanks for the positive reply. I suggest the following terms: £25,000 loan to Surge Financial Limited and Surge to receive half commissions (12.5 per cent) until loan cleared. We need to deliver £200,000 to clear the payment and I would reasonably expect to do so within two weeks. The timing could be perfect if we can secure it today allowing us to press ahead with our sales sprint for LCF according to plan."

So, Mr Golding does provide the money to enable this sales sprint to occur, and the sales sprint ultimately never really seems to end. At <D7D9-0001950>, at the bottom of page 1, over to page 2, Mr Careless is emailing Mr Russell-Murphy, Ms Graham and Mr Jones to say:

"Just a quick note for you before the week ahead." He says he wants to begin by understanding the current position:

"I know that we have had £100,000 into LCF and £75,000 into BME on Thursday and the comms are due tomorrow morning."

He then says, four paragraphs down, on that page in bold:

"Our immediate focus remains sales into LCF with a sense of urgency."

Below that:

"It is another sprint week; I expect full throttle from everyone."

At <SUR00129440-0001>, on page 2, the bottom half of the page, after Mr Russell-Murphy has updated Mr Careless on the sales pipeline, Mr Careless replies: "You can hit £1 million +. I just know it. We need another sales sprint starting Monday. All in, 15 leads per man, per day for three days each. Put a night out on at the end of the month for the boys. Something special. We can do this."

That's in September. It is much the same story in October, <SUR00129785-0001> on page 2, towards the bottom -- well, it is at the top. Mr Careless emails team@infoconnections and sales@the-investment-experts.co.uk copied to his accountant Mark Partridge, subject "November": "Good to see everyone last night. October was a nice warm-up and we have some handsome new faces. However, November is when things will be getting serious. I will expect to see results in November. Results as a team are important but I will also be watching for individual star performances. If you want to shine, this is the month to do it."

Then at the bottom of that page under "Investments" it says £1.5 million into LCF. £100,000 or three deals to qualify for the £1,000. We see that's an initial payment bonus that's available. And 2 per cent on any funds up to £250,000. 2.5 per cent if you break £250,000 in November:

"This is a one-off. It will/may change in December so make the most of it."

"You will receive a minimum of 100 leads." He says:

"The company you are part of today is growing quickly and I am relying heavily on each and every one of you. There are some big plans forming and I want each and every one of you to come with us on this journey", et cetera.

So he is looking now to get £1.5 million into LCF in the following month, and there is a report provided to him at <MDR00021317>, where, on the second page, page 2, we can see that he's provided with the current sales figures, and it is the email we have seen before with Philip Swarbrick, Brad Collier-Large's client. On the next page, it says at the end, "Total -- £1.298 million. Deals expected to complete this month", and it is a figure in excess of £1.6 million. So, the operation has been transformed from SAFE, which raised considerably less than that over a two-year period, to LCF, which can raise that amount in a single month. But that's not the limit of Mr Careless's ambition. If we go back to page 1 of this email, we can see what he says in the middle of the page to Mr Russell-Murphy. Something has gone wrong with the formatting again, but we can see number 1 is:

"Good numbers, we are on track to double October's figures and we are only just at the halfway point. £2 million is a distinct possibility." Mr Barker, we can see, is copied into that. So, the ambition is going up to £2 million a month. He then says, in paragraph 3:

"BSR is going live on Monday, subject to inspection and approval. It is being proofread today and tweaks made over the weekend. It looks incredible after the latest design uplift yesterday. A final copy will be sent round for review today by lunchtime. I have high hopes."

We might see a little bit more about BSR in due course.

In conjunction with the increased ambition, the new information memoranda and brochures are developed. There are going to be various new bond series with various different terms and interest rates. At <MDR00016961>, we see that, on 31 August 2015, Kobus Huisamen of cityonesecurities.com provides Mr Thomson with a first draft of a new information memorandum. The subject is "LCF first draft of IM": "Andy, your input in Part II is needed in this first draft, as well as the section on 'security' please. Depending on that outcome, we may have to add in provisions for a guarantor in the document." Mr Huisamen is providing a first draft, but, as we will see, it is largely empty. It is for Mr Thomson to fill it in.

At <MDR00016962>, we see the document bearing the logo "City One Securities". On page 10, we have seen this material before, this has just been taken from the previous draft that was in use earlier in the year, in the summer of 2015, the Ryan Holdaway version. That's all familiar. That's not

something that's been drafted by Mr Huisamen, that's Mr Thomson's historic wording being recycled. Then, on page 12, you can see it's largely empty. We can see the placeholders for Mr Thomson to fill in:

"Information on the company". Including: "Brand.

"Industry and market overview.

"Principal activities [what the company actually does].

"Business model [how it makes its money]. "[financial projections/financial model]. "Corporate governance.

"[control etc]."

A heading "Management".

Mr Thomson fills in the blanks. At <MDR00017208>, he sends an updated LCF bond prospectus to Kobus: "Hi Kobus, as discussed please find attached an updated version of the document."

In the attachment, <MDR00017209>, we can see it is the same document. If we go to page 11, we see some new wording that Mr Thomson has drafted, Part II: "Who are London Capital & Finance and what do we do. "London Capital & Finance seeks to raise funds in the private market and lend these funds to UK businesses on a secured basis. LC&F is not a peer-to-peer lender or a crowd funding provider. This mini bond is LC&F's second fundraising. The first 2-year bond opened in 2013 and recently LC&F has started returning maturing original sums invested to bondholders ..." We have seen this before. There is some familiar wording from Mr Thomson about LCF intrinsically involving itself in all aspects of the funding lifecycle. And the diagram. We did, I think, look at this in another context.

At <MDR00017414>, we can see that Mr Thomson sends this draft to Mr Russell-Murphy, Jo Baldock and Mr Golding. We saw this in the context of seeing Mr Golding's continued involvement. Mr Thomson also sends it to Graham Reid at Lewis Silkin, who replies at <MDR00017676>. He says:

"We have done some due diligence on City One Securities and they are closed to new business according to the FCA. We do not see how they can approve an IM for distribution nor would we want our name to be associated with any attempted marketing (we are currently named on the draft IM which we haven't approved). I might be confusing these people with another party but these people may have been involved in potential boiler house selling (another client who they appear to be involved with had issues about this). I'm not sure these people are for you so probably no point in a meeting. We can discuss."

Mr Thomson continues to work on it. We see that at <MDR00018473>. He sends another draft to Kobus. He says he needs to add in the restricted investor bit at the end:

"... and will need to change the guarantee to a deed of charge but the attached should give you a good flavour of where my thinking has been ..." Then <MDR00018620>. He provides a further draft to Kobus. He also --

MR JUSTICE MILES: He now seems to be at Sentient.

MR ROBINS: Yes, who become LCF's section 21 sign-off partner, as it is known. It is section 21 of the Financial Services and Markets Act which enabled an approved person to sign off financial promotions for a third party bond issuer.

MR JUSTICE MILES: What does that mean, a third party bond issuer --

MR ROBINS: Like LCF, for example, would issue the bond. A company like Sentient is the company which effectively blesses the marketing materials under section 21 of FSMA. It's Sentient's regulation that ultimately enables these materials to be put out into the marketplace, not LCF's regulated status.

MR JUSTICE MILES: So Sentient is regulated by --

MR ROBINS: The FCA.

MR JUSTICE MILES: The FCA.

MR ROBINS: So a bond investment memorandum like this could be issued into the marketplace on the strength of Sentient's authorisation. It is not done on the strength of any separate authorisation of LCF, at this point. That does change subsequently.

Mr Thomson sends the latest draft to Lewis Silkin at <MDR00018947>. We see the internal view of Lewis Silkin. Ian McDonald, a senior associate, says to Graham Reid:

"Owen and me have discussed the latest draft IM from Andy. We think it needs a bit of work and that it would be useful to have a call with Andy tomorrow ..." Mr Reid responds:

"As discussed, if you and Owen can have a call with Andy, and I can follow up later, I think that's the best way to deal. It sounds like there's still a lot to do. It does make you wonder about the quality of the authorised persons that he is working with." So the in-house view seems to be that they're rather underwhelmed. We will look at the final versions in due course. I'm just looking, at the moment, on the means of preparation of these materials. My Lord has seen that the information memoranda are the responsibility of Mr Thomson. He drafts the substance of the content. The position in relation to the brochures is different. At <SUR00002886-0001>, Kerry Graham emails Mr Careless, Mr Russell-Murphy, Mr Newman-Jones, copies Steve Jones, with the subject "LCF IM and brochure. Section 21 et cetera". She says:

"The meeting with LCF was a success, our biggest obstacle has been removed: Andy has agreed that we can write the brochure 'freestyle'. This means that we will not have to take exactly worded extracts from the IM and construct a brochure from it. Because the IM is written from a compliance perspective and the brochure needs to be written from a sales perspective we were at a disconnect. This has been resolved. It's a big step forward. The unavoidable consequence is that the brochure now needs to be signed off as well as the IM. "In terms of the time line, things are delayed. I expect section 21 sign off for the IM will be granted by 6 November (earliest) but could be by 10 November. "Andy has not yet submitted the IM for approval. This morning he had news from his solicitor that the security could not be constructed exactly as he had described ... and Andy must make some key revisions before he submits.

"Once we have sign-off we can sell LCF via BSR. However, the brochure will not be ready until a few days after sign-off, which will impact some sales. BSR sales can happen without a brochure but it will be needed in cases where the online sale moves to an offline sale, eg where the sales team encounter objections to overcome or more information is requested and the salesperson uses the brochure as a tool.

"The sales team will continue to sell the old bond under the current terms until the new branded IMs and brochures ... are ready. I think this will be by Friday, 20 November. This is an estimate as we

cannot predict what questions the regulator will come back with which could slow down the section 21 sign-off. "LCF have an in-house copywriter and graphic designer. Therefore we are not producing the documents. I am writing a brief and they are taking it forward. "Ryan, the designer will need the design files we have for LCF."

I think that's an instruction to Ryan to give the design files to LCF's in-house copywriter and graphic designer:

"Perhaps you have a Dropbox link I can email? "There are some further changes to the current brochure. I shall detail on a separate email. "Andy has done some research and sought the advice of his solicitors and now wants to make the bonds: 4, 6.5 and 8 per cent for year 1, 2 and 3 respectively. This is different from our recommendation and Andy is happy to receive feedback ..."

So, the difference between the information memoranda and the brochures is, whereas the information memoranda are prepared substantively by Mr Thomson, the Surge team are writing the brochure freestyle as a sales tool. Again, we will look at the content of the brochures in due course. The present purpose is simply to see the mechanism of preparation and who is responsible for what.

The new brochures are put into use and the bond sales continue to increase.

At <MDR00044326>, we can see, at the top of the page, Mr Russell-Murphy is emailing, saying: "We will hit our 4 million goal. It's achievable and we are on target.

"Double income, bonuses all round."

So the target has now gone up. They want to hit 4 million a month.

At <SUR00025841-0001>, Mr Careless emails his team on the email address sales@lcaf.co.uk and copies the tech team, tech@infoconnections, and Ms Graham, subject "Focus":

"Morning Team.

"Our odds of success improve when you are forced to direct all your energy and attention to fewer tasks. "If you want to master a skill -- truly master it -- you have to be selective with your time. You have to ruthlessly trim away good ideas to make room for great ones. You have to be able to focus on a few essential tasks and ignore the distractions.

"Simplify and direct your focus.

"In the next 17 days we will hit £4 m. "Tech will ensure you have enough leads. Sales you ensure you close them.

"Be persistent, be professional, be confident. "Focus and make this week count."

There is a PPS:

"Well done on our biggest weekend numbers to date, closing ... £350,000."

So, it seems as though the £4 million target is being pursued. It is not met initially. At <MDR00050658>, Jo Baldock emails sales@lcaf.co.uk and the tech team at InfoConnections with the subject "July ... boom!". She says:

"Dear All.

"Thanks to a massive final push and rinsing every last client it looks like we are going to smash it through the £3 million in! The current total sits at £2,995,800 and we have commitments from

clients transferring today for another £10,000, £5,000 and possible £6,000. Well done, everyone. Great job." So it looks as though they are doing £3 million for that month rather than the target of £4 million, but Mr Careless isn't dissuaded. At <MDR00050644>, he comments --

MR JUSTICE MILES: This is the next month, isn't it? The one we were looking at before was June, I think, the 4 million.

MR ROBINS: He was saying "We will hit our 4 million goal".

MR JUSTICE MILES: But I guess he's doing it monthly, so he probably was talking about --

MR ROBINS: Yes. In which case, it's not met for July.

MR JUSTICE MILES: Yes.

MR ROBINS: Although the subject is "June ... boom". It may be there is a difference between what numbers you're looking at. There is the applications out number and there is the cash in number. When you're growing, it is likely the latter is going to be smaller than the former. But the £2.995 million is cash in.

MR JUSTICE MILES: So maybe that is the right comparator --

MR ROBINS: It is --

MR JUSTICE MILES: -- with the 4 million. This is now quite late in July. So you would think they would know what cash they had had in. But there it is.

MR ROBINS: It can take a bit of time. I think there is a bit of light cast on this by the next email, <MDR00050633>. This is still on 22 July, where Mr Careless replies. He says:

"That is good work. 3 million is a solid number. No doubt in my mind 4 million is achievable for June." I think it is the lag. You get people to sign up or express a commitment in the month. Those are June clients. But they might not pay their money initially. You might need to chase them down, you might need to rinse every last client, to get the money in, and so you may not know your June number for a while. You may not know how much the June client contacts have actually produced until a month or two later.

I see the time. Perhaps now would be a convenient moment for the shorthand writer's break?

MR JUSTICE MILES: Five minutes, thank you. (3.14 pm)

(A short break)

(3.21 pm)

MR ROBINS: My Lord, I think the email we were just -- the analysis of the email we were just looking at might be confirmed by the next one, <MDR00055278>. This is 24 August. Jo Baldock is emailing sales@lcaf.co.uk to say -- the subject is "July". She says: "However, we have had funds in today taking the total to £3,973,500 which means with Amy's client Mr Marshall and his £30,000 we are over the line. Great job everyone. There are still a handful of clients on the July list so please keep on them."

So it seems to be in August they have hit 4 million for July but there is still a bit to be chased down: "Cash in for August so far is [just over 2.2]." At <MDR00058126>, this is now middle of September. The subject is "August update" and the attachment is "August outstanding sheet". She says:

"Sheet attached, now up to £4.7 million ... "There is still £1.6 million on the sheet to collect in and we need just £222,600 to hit the £5 million. "Go go go."

This is in September, chasing down the money from the August clients. But they're close to hitting £5 million for August.

At <MDR00058991>, she emails the sales@lcaf.co.uk team with the subject "August". We can see her email, it's the second one on the page. She says: "And the scores on the doors this morning for August cash in are £5,007,400.

"BOOM!

"Great job everyone."

And Mr Careless replies:

"Excellent work, well done."

So they have now hit £5 million for August. For September, we can see the picture as at <SUR00051000-0001> which is now 25 October. With the subject "September", Jo Baldock says: "September total as of this morning £3,003,600. Still a few cases to trickle in so keep at it but let's crack on and smash through the very achievable £5 million for October."

At <MDR00063574>, on the last day of the month of October, 2016, she says to her colleagues: "Happy Halloween. Last day of the month today so massive push please to get those cases over the line and on GCEN. We currently stand at just over £7 million in applications in and £3.2 million cash in. Conversions are back up thanks to hard work and the difference made with calling clients more and the change of process but they can still go higher so keep up the momentum. £5 million is where we want to be. The leads are good and you all have plenty of data to work with. The series 4 interest payments will be available in clients accounts today to download so take this opportunity to rebroke."

"Rebroke" seems to be the term used for persuading a client to reinvest their interest. So you've got rollovers, which are the clients who have reached the maturity date of their investment, and this seems to suggest that rebrokes are reinvestment of interest payments, she says "Series 4 interest payments will be available ... so take this opportunity to rebroke". At <SUR00052406-0001> she provides an update to her colleagues to say -- this is for the subject "October": "This morning's cash in ..."

A sum of just over £4 million:

"Keep up the momentum just under £1 million to collect for the big £5 million."

That's the new monthly target.

At <MDR00072502>, towards the bottom of the page, Jo Baldock has said, for December, the cash in now stands at a little over 3.2 million, but Steve Jones replies to say:

"Pretty good for December ... FYI so far we are on almost exactly £5 million funds into GCEN for January." So although the month isn't even over yet, they have almost smashed the £5 million target and she said: "I know, great month."

At <SUR00062966-0001> in the middle of the page Mr Careless emails his team to say:

"A note to the entire Surge team to say well done to every single one of you. Today has been our best day on record. January has been our best month on record. As a group, we broke £1 million in sales in one day." He says "as a group", I think that includes Blackmore as well as LCF, the Surge employees are split into two teams:

"Great business is simply about great people. Roll on February.

PS. The day isn't even over yet.

"PPS. I expect to break this record several times in the next 30 days."

Mr Russell-Murphy replies at the top of the page: "Great figures, the company is going from strength to strength and we are getting rich buddy." There are some emojis. I'm not sure what they are. Oh, champagne bottles and party poppers. It seems that another record is broken at <MDR00074637>. About a third of the way down the page, Mr Russell-Murphy says:

"Great figures, guys and girls. Looks like another record month!"

And Jo Baldock replies, "Stonking!"

We can see the numbers at <SUR00066574-0001>. Aaron Phillips of Surge tells his colleagues that the numbers are excellent. The funds on GCEN is a sum in excess of £6.3 million.

At <SUR00069051-0001>, Aaron, at the bottom of the page, emails his colleagues again. After the numbers, he says:

"£7 million is on the cards this month." At the top, Mr Russell-Murphy replies:

"Brilliant month so far, let's break the 7 million figure!!"

There is an email from Mr Careless a few days later at <MDR00081987>. We need to start on page 5, because it's quite a long chain. Mr Careless says: "Morning, everyone. It's the last five days and we need a concerted push to break a combined 10 million." I think "combined" because it's the LCF team and the Blackmore team:

"Ensure your troops are motivated and in the right frame of mind to take this week and sprint finish.
"Daily updates towards our goal.

"Let's push hard."

Aaron, at the top of the page:

"Morning. Troops are on it! £7 million is in touching distance."

I think he means 7 million for the LCF team: "I will send out an update this eve when all funds are in for the day."

Then on page 4, at the bottom, Mr Careless says: "Excellent. Let's keep the communication up this week while we conduct this sprint. Especially between tech and the bonds."

In other words, the tech team and I think the sales team:

"If everyone in this company has to work 7 am to 8 pm to hit that goal then they do it. Just make sure we break £10 million. We pay big bucks, we expect big numbers."

In the middle of the page, Mr Phillips gives him an update. I'm not sure if there is anything on page 3, but let's just check I'm not missing. There is just another update, and then, on page 2, Mr Careless emails Mr Phillips to say:

"If you stay at home, ensure you communicate with the team and they are fully aware of what is expected of them. I only found out that you were at home late last night. You need to acknowledge it is your responsibility and that I hold you accountable to ensure calls are not missed during opening hours. No excuses will be tolerated on this morning forward. I am building £1 billion business and I expect absolute professionalism. I pay the best, I expect the best. £7 million was expected in March, it was a target I set. We hit our goals, not by accident but by planning and execution. Next month we hit £8 million." On page 1, at the top of the page, Mr Careless explains his motivations. He says in response to Aaron's email:

"I'm going to take that as an acknowledgement of your responsibility moving forward. You need to understand my determination to succeed will not allow me to be slowed down.

"With regards to your meeting on Tuesday, I don't have anything for your slides but it needs to be explicit that £8 million is the target for April and it's achievable. Because it is."

He says they will also discuss the bonus planned for April for him on Tuesday.

At <MDR00079609>, we are now in -- <MDR00097609>, we are now into August 2017, and Jo Baldock tells Mr Careless that she's updated the sheet from last night:

"The totals of the sprint are apps on GCEN 57, total of apps £930,700, total apps in for August so far [a sum in excess of £5.9 million]. Brilliant result." Mr Careless replies:

"Morning, that is really good. £12 million is possible. It really is."

We see that 10 million does seem to become the standard minimum that's expected.

At <MDR00097952>, Mr Careless emails Mr Thomson to say:

"I am not sure if you are back from holiday or not. I want to update you on a few things.

"1. We are on track to deliver £10 million as promised this month."

He mentions, "We have a new feeder site live". We can see what a feeder site is in a moment. At <MDR00099678>, on 1 September 2017, Jo Baldock is emailing colleagues to say:

"Hi All.

"Another massive month for LCF. Final numbers as confirmed this morning:

"722 applications totalling [a sum in excess of £9.6 million]. Total cash received [a sum in excess of £8.3 million]."

She says, at the bottom of the page, underlined: "September is going to be busy."

There is going to be a series 10 launch email to go out early next week:

"This will go to all clients both leads and investors circa 14,000."

And there will be a personalised company update letter which will be sent to existing bondholders by post enclosing a brochure.

"This letter will quote loan figures, how the investors funds are assisting businesses and talk about the company growth and success, letting the client know what a great product they have invested in." So, as my Lord has seen through that, what starts as £1 million a month, by the second half of 2017 is up to a figure in the region of £10 million a month. Part of the recipe for success, if I can put it that way, is the feeder sites. We saw that term mentioned in an email a moment ago.

This is a development of the idea we looked at earlier of Best Investment Funds. These are websites that can look like comparison websites, LCF can be listed in first place, so, if people Google it, they can see LCF in first place and, what's more, they can click through to an online sign-up process by which they can fill out their details. Ultimately, if they proceed all the way through the online process, they can apply and transfer the money. They can do what's come to be described as a hands-free sale, in other words, a sale achieved without any input from a salesperson. But if they drop out of that process at any stage, at the very least, by that point, they will have added their contact details and a salesperson can get in touch with them and try to push them over the line. These feeder sites become part of what is known as the "sales funnel". They talk about dropouts from the sales funnel needing to be contacted, et cetera. We can pick up the beginning of this story at <SUR00002232-0001>. If we can go to the bottom of the email chain, please, and the previous page together, perhaps, we can see that Ryan Holdaway says on 10 September 2015:

"Hi All.

"We are going to be building a website that lists 10 or so accounts where a person can put their savings, like a comparison website. This will be used to push people through an online application for LCF. The following are domains that are available. Which one(s) do you prefer?"

And he mentions top-savings-accounts.co.uk; best-savings-accounts.co.uk; compare-savings-accounts.co.uk; your-savings.co.uk; safe-savings.co.uk; safe-savings-accounts.co.uk; and savings.porn, which he says is actually available. Steve Jones says to Ryan, copying Mr Careless and Des Bailey and Ashleigh Newman-Jones and Ms Graham -- again, at this time, as I mentioned, all on their InfoConnections email accounts, they are not using their lcaf.co.uk ones at this point. It may be that they haven't got them yet. We will see. He says: "Hi Ryan.

"My favourites are your-savings.co.uk, best-savings-accounts.co.uk, or what about ..." And he gives a few suggestions, including best-savings-rates.co.uk.

On the previous page, we can see Kerry Graham says: "Oh, yes, I like:

"best-saving-rates.co.uk.

"compare-savings-rates.co.uk."

On the top, on the left-hand side, Steve Jones says: "... best-saving-rate ... is available: "The reason for suggesting 'rate/s' rather than 'accounts' is because we will [be] ... listing accounts and bonds, not just savings accounts. 'Rates' covers all product types."

So we can see the idea from these emails. It will be like a comparison site and it will be used to push people through an online application for LCF. Mr Careless explains it further at <SUR00002626-0001>. He emails, as he says on the left, the entire sales team, the tech team and the management team, basically everyone and he says:

"Here are some changes that are being made based on today's useful meeting in our Canary Wharf office (Eastbourne!). Though it will also affect the team based in our Silicon Lagoon office (Hove!)."
He says in paragraph 1:

"LCF bond rates are proposed to change from early next week subject to Spencer and Andy's approval. The new rates are two years 6.5 per cent and 3 years 8.5 per cent. There will be a one-year available bond which will drop to 3.9 per cent and should not be led with if at all possible. These rates will be across LCF, offered by The Investment Experts and will also appear as such on Best Savings Rates."

He says at 2:

"Lead issue will change from tomorrow to two half days per salesperson."

At 3, he says there's a new sales guy joining, which takes them to five full-time sales on investments and two full-time on pensions, shortly to be four. He explains about the targets and then, in 7, he says:

"Best Savings Rates is going live, subject to sign-off, this Friday. This will provide three added benefits to the company overall:-

"(a) people will sign up hands free directly into LCF.

"(b) Best Savings Rates will appear on Google for any search of LCF or its derivative search terms and can also be used as a direct sales aid by the sales team. This will enhance trust and therefore sales.

"(c) the first part of the sales process on BSR is name and contact capture. Should a customer leave during the following part of the process, this will become a lead available to be called, ideally from an LCF staff member who will work in our office." So, we see that BSR is, as I said previously, a sales tool. It is designed to help enhance credibility of LCF and it will create leads, very much in the same way that The Investment Experts has been doing so.

At <MDR00022625>, BSR has been launched and the first sale via BSR has been achieved. Kerry emails team@infoconnections.co.uk as well as copying it to Mr Thomson and Mr Barker and says:

"Amazing News! JRM got hold of Francis she is investing the £5 million.

"She tried to make a card payment but forgot her payment protection password. She is going to log back into the system to pay. JRM is following up with a call in the morning."

At <SUR00003524-0001>, Mr Careless, on the same day, is emailing his colleagues to say:

"Launched BSR today. First sale. BOOM!!" A couple of days later, he updates Mr Thomson and Mr Barker about this development at <MDR00022976> where he says:

"Hi Andy."

The subject is "BSR update":

"Apologies for the lateness of this email, today has been a nonstop from dusk till dawn type of day."
He is sending this email at 10.16 pm:

"BSR overview.

"As we discussed earlier on the phone it is too early doors to make accurate predictions based on the data at hand and things remain very fluid whilst we understand the customer journey but

nonetheless what we do have makes for interesting initial reading." Under the heading "Funnel" he says:

"1. For every 1,000 visitors that hit BSR from savings related terms ..."

That's savings-related search terms that they are Googling:

"... 28.8 per cent are clicking on the top spot (LCF) -- 288 users (interesting fact -- of that 28 per cent, 25 per cent of them also check out other bonds on the list too).

"2. Once on LCF, 12 per cent of those users are beginning the invest now journey from one of the two methods of entry on the site -- 35 users.

"3. Going all the way through our process and landing with GCEN is 7 per cent of those users -- 2 users.

"4. Converting hands-free to date is zero." Although we saw they had a sale, that was assisted by Mr Russell-Murphy dealing with Francis on the telephone. They haven't had a hands-free sale yet. He provides information about leads and sales. He says that, on Wednesday, the 25th, they created five leads with a combined declared investment value of £108,000: "None of these leads made it all the way through to a hands-free sale, all dropping out at varying stages. "All leads were then contacted by Jo Baldock as data is captured as stage one and acting in her role as LCF account manager Jo answered questions and assisted with product information.

"Being the excellent sales wizard she is, Joanne closed two of those leads, a combined value of £23,000, both of which have now transferred funds. "There is also a paper application out for £75,000 which we are expecting a cheque back for early next week.

"Therefore our first (half) day generated sales of £23,000 on the actual day and a 'whip' ..." I think he means "WIP", work in progress: "... of £75,000, which will convert early next week. Note to JRM; the £18k went over.

"Thursday, 26 November.

"We created 12 leads with an investment value of £560,000.

"None of these leads made it all the way through to a hands-free sale, all dropping out at varying stages. "Only 8 of these leads have been contacted or attempted to be contacted by Jo today; 4 came in after 7 pm this evening.

"1 of the leads, value £6,000, has had an app out and is expected to close imminently.

"The other 4 will be called tomorrow morning." Then, on the next page, under the heading "Development" he says:

"We are embryonic and require time to understand the data.

"We track every user in real time and this information is leading to changes, multiple daily changes."

He says in the fourth bullet point:

"Leads will close hands free in time. Andy, your idea of white labelling GCEN and rearranging the order of process to prevent replication is being investigated ... This will be a very positive move on conversions. Drop out at GCEN is certainly some of the issue, not all, but some.

"Development of BSR will take many months but the big early wins will be made over the next two weeks." Then under the heading "Expectations and Conclusion":

"This route to market is huge; we can drive far larger numbers than first anticipated.

"The sale has been done by the nature of the BSR site and its independence along with its association with strong and renowned brands."

By which I think he means the list includes more well-known financial institutions as well as LCF in the comparison table:

"Jo's feedback has been that the customer is already sold on the product when she speaks with them and she is predominantly confirming details, security, coupon rates as a reassurance.

"Numbers wise, well Andy, you and I have had that chat this morning and suffice to say it is big.

"Andy, I understand your requirement to estimate volumes for deployment and I will do my utmost to provide you with estimations as I have more data. One fact which makes the BSR sales route far more attractive than TIE [The Investment Experts] is that the sales velocity is very quick. The average sale from lead to cash in bank with The Investment Experts is c3 weeks. BSR is looking like it will be between 1 and 3 days. This will allow for much faster scaling as well as more accurate predictions numbers.

"Pipedrive [the computer system they use] is being developed to represent a better factual picture of BSR as we speak but it is not entirely accurate as of today. I expect it to be by the weekend though meaning you will have up to the minute real-time information on numbers." We see BSR being deployed in the early part of the following year at <SUR00004863-0001>, where Mr Careless emails Mr Thomson and says: "Hi Andy, here are some facts which will help you with assumptions on expectations:

"1. In December we averaged 30 leads a day through BSR. Yesterday we drove 60 and today is looking like 70.

"2. That doubling of leads is simply through more traffic.

"3. We are now ranking top of page one with BSR for multiple long tail terms with our organic search after our SEO push in December."

I think that's search engine optimisation:

"4. We have a new version of BSR going live next week which will further optimise traffic through considerably.

"5. We started again after the break yesterday and have had £100,000 into GCEN on our first day from four clients (funds clear tomorrow).

"6. Our target is £3 million into LCF from BSR and £1 million from TIE. They are a far cry from our £1 million target in November. They are achievable. "7. We expect to be closing at least £150,000 every weekday. The fly wheel has started again from yesterday so that will take a little time to hit velocity but I am talking days not weeks until a day below £100,000 is rare.

"8. We are covering 9 am to 8 pm Monday to Friday and Saturday mornings now.

"9. We need to discuss the potential for more bonds being developed as the traffic through to other BSR products is significant.

"10. We are launching a second BSR site after the API push [I'm not sure what that stands for] but with a different angle which I will bore you with in person when I see you next."

There are examples in the trial bundle of BSR, the website itself, we can see one at <MDR00227293>. My Lord can see it says "Best Savings Rate" at the top. Maybe we can zoom in a little bit. LCF is in the top spot, with an interest rate of 8 per cent. The second spot is an investment product with an investment rate of 5.2 per cent. And the others are much lower -- 2.5 per cent, 2.5 per cent, 2.45 per cent. The column to the left of that gives some details. For example, for LCF, it said the account type is fixed rate and it gives a minimum investment amount of £5,000. On the right of the interest rate column is information about a security scheme. I can't really see very clearly for LCF but it says something about asset-backed security. For ones further down the list, we can see, in the penultimate row --

MR JUSTICE MILES: It says it is managed by an independent security trustee.

MR ROBINS: I'm grateful. Your Lordship's eyes are better than mine. For the penultimate row and the bottom row, the security scheme is FSCS, Financial Services Compensation Scheme. We will see in due course, when members of the public phoned up and said, "Are you covered by the Financial Services Compensation Scheme?", Surge's sales people would say, "No, we don't use the Financial Services Compensation Scheme. We have our own asset-backed scheme managed by an independent security trustee, which is much better because, whereas the FSCS only covers you for the first £50,000 of your investment, our asset-backed scheme covers 100 per cent of your investment". So, that's what they are referring to. I'm not entirely sure what the factual basis is, but we can investigate that subsequently. But there's a picture of BSR.

There is another at <MDR00227294>. The logo has changed at the top, but LCF is still in top place. We can see this is "Best Savings Rate 2017". In fact, if we zoom out a little bit, I think, at the top, we can see this is as of 19 May 2017. LCF is in the top spot. Account type is fixed rate bond, open with 5,000, interest rate -- my Lord can see we are on the two-year tab. If you click the different tabs, you see -- not on this, but on the real site as it stood, you could see the different rates for the different terms. This is a picture of someone having clicked the two-year tab and it is an interest rate of 6.5 per cent and there is a green tick under the word "Security". At <MDR00227296>, if we zoom in at the top, we can see this one is another -- June 7, 2017. LCF still in top spot. This is the three-year product. Interest 8 per cent. Then the final example to look at, at this point, <MDR00227299>. This is May 2017. LCF in top spot.

Despite the appearance of the site as a comparison website, the ordering of the product was not based on any objective ranking, but was optimised to maximise bond sales. We can see that, for example, at <SUR00087848-0001>, where, towards the bottom of the page, Mr Careless's personal assistant emails with a list of highlights from the meeting. The first point is "LCF ISA -- to be put top of BSR ASAP". Second is:

"LCF to be removed from BIR and Blackmore to go top."

Third:

"Blackmore Plc to be removed from site, everything to refer as Blackmore only."

Mr Careless asks, "Has the top one been done?" and he's told by Mr Newman-Jones, "Yes, it has been done", and he says:

"Well done. Let's see what damage it does. See you first thing."

We get a bit more of this, maybe a clearer example, at <SUR00093119-0001>. If we read up from the bottom of the chain, we see Ryan Holdaway of Surge is emailing Manuel Espinoza of InfoConnections with the subject "Lead volumes". He says:

"Hi Manuel.

"As I mentioned a couple of days ago, lead volumes (total) for LCF have decreased.

"Please can you look at the data before any more tests go live and ensure that by making BM more prominent we haven't reduced the volume of LCF leads? "This is especially important from BSR as it's LCF's highest converting traffic source.

"Please look at the numbers from the dashboard and anything that Rob/Ivan can get from the database." Manuel explains:

"This is exactly what happened.

"The test has shown great conversions on LCF ISA and Blackmore, however as I wrote on my report email, the LCF Bond conversions decrease massively. "According to my records now:

"1. LCF ISA Button conversion: 36.8 per cent.

"2. LCF Bond: 7.5 per cent.

"3. Blackmore: 13.8 per cent.

"I think that they are 2 factors:

"1. Certainly the order of the list by placing Blackmore above LCF Bond has an impact. "2. The reduction of the LCF Bond was to be expected, it was not a great source of concerns as we wanted to prioritise LCF ISA.

"I will check further with the guys. I will come back to you this morning with more data." On the previous page [page 7], reading up the chain, Ryan asks:

"How have LCF ISA leads changed?"

He says he really likes the new design with the large header. And Manuel says:

"The pattern started early January, if you look at the data will show you that it may be a seasonal trend, I wouldn't panic about it.

"However the amount of leads that we are sending to LCF ISA and Blackmore from BSR have increased. "I have already start thinking on ways to increase the LCF Bond conversions.

"The new design will be tested soon, I'm not ready yet, the idea with this is:

"1. Two extra boxes on top to highlight the top rated products.

"2. This two boxes will have extra buttons to LCF and Blackmore, this will give as double exposure and double CTA.

"3. Narrowing the listing has giving me extra space to include the ratings icons ... this may prequalify leads.

"As soon as the responsive view will be fully optimised I will start the test."

On the previous page [page 6], Ryan asks him to graph daily leads year to date for LCF ISA, LCF bond and Blackmore bond. He says:

"Leads have reduced dramatically for LCF whilst traffic has remained static."

Paul Careless says:

"Oh, just read this."

At the bottom of the previous page [page 5] and the top of this page [page 6] -- maybe we can see them together -- Ryan says:

"While big improvements have been made to BSR, making Blackmore more visible has negatively affected LCF lead volumes."

My Lord can see Paul Careless is copied in to this exchange:

"Manuel is in the process of changing the order back while retaining the new design."

"Manuel,

"Like Paul says, you're making some great improvements, however please leave the order of the products unless it's discussed and agreed with me first."

Manuel replies on the left [page 5] to say he's just starting a new test "with the new styled BSR reordering as the lists as per your suggestion Ryan. "As I mentioned before we have found some sort of cockpit in BSR and we can play around repositioning the lists and changing the rates if necessary, depending on the conversions we want to increase."

"This test will certainly have an impact on conversions from the BSR side but I'm not yet sure about the impact you want to have on LCF funnel leads. "We will see in a couple of days."

Then at the top of the page Ryan asks:

"Perfect."

"So just to confirm we are currently running the following design with LCF ISA in 1, LCF bond in 2 and [Blackmore bond] in 4."

On the previous page [page 3], Manuel says: "Hi Ryan."

"I would recommend to stop your test on BSR, early tendency is showing that for a very little improvement on conversions for LCF you are jeopardising Blackmore conversions massively."

Ryan replies:

"Hi Manuel,

"This is only top of the funnel data. We need to take into consideration conversion rates for the bonds as well as business objectives."

"Blackmore does not convert leads to deals as well as LCF. Last month BM saw a vastly bigger volume of leads than they've ever seen before, however deals did not follow."

"We're now putting more focus in driving traffic to LCF to help us break £20 million funds in for the month."

Then if we could see the previous page [page 3] as well, Manuel replies:

"Fine, but the increment is so little that won't make great difference. I am stopping the test in the new BSR design because of this which is more likely to convert much better for LCF."

And then Ryan asked:

"What are you stopping?"

And Manuel says:

"Sorry my foreign English.

"I've only mean that I am holding on with my test on the new BSR design, until you will stop yours, which looking at the conversions now it's really not performing so good."

Ryan says:

"Perfect.

"Let's leave the current product layout for BSR to run for the next few days to see what lead volumes are like.

"BIR [Best ISA Rates] went live at midnight. I imagine we'll have to wait at least until after the weekend to get some data to see whether the bond or ISA performs better."

If we see the previous page [page 2], we can see that Mr Careless was copied into that.

Manuel then provides a daily report on both the tests. Unfortunately, we don't have the graphics, but we can see from the headings that he's explaining how reordering the listings has had an impact. Ryan says that's inconclusive at the moment, he will check again "later this evening".

Then if we can see the previous page [page 1], as well as the one we are now looking at, we can see Manuel replies to Ryan, copying Paul, to say:

"Hi, this morning the test values in BIR test are: "LCF ISA 34.83 per cent.

"LCF Bond 36.81 per cent.

"The BSR test:

"Ryan, this test has shown bad tendency from the beginning, none of them are converting, the most dramatic one is currently Blackmore ..." And asks whether he wants him to still run this or stop it.

On the first page, Ryan replies to Manuel, copying Mr Careless, to say:

"For [Best ISA Rates] I'll look at lead volumes. I'll look at that shortly.

"As for [Best Savings Rates], could you please clarify the following.

"Please can you provide the stats for LCF ISA, LCF Bond and [Blackmore Bonds] in position 1, 2 and 4 respectively (the current test).

"And also when LCF ISA, [Blackmore Bond] and LCF Bond were in position 1, 2 and 3 respectively.

"Please use the following format."

And he sets out the format that he would like to see that information in

He says:

"Again, we can't just look at these numbers in isolation. We have to look at lead volumes once they get to the website.

"This'll require stats from the database which I'll get Rob or Ivan to gather."

As I say, these websites that look like independent comparison websites are, in fact, very carefully calibrated to maximise lead volumes and conversion volumes -- mainly conversion volumes; that's what this chain has been focusing on, in particular -- which, of course, has the direct impact on maximising Surge's commission.

We see that again at <SUR00114170-0001>. This is to show that the same is the case throughout the period of LCF's existence. At the bottom left, Hayley Harris provides information on deal volume and Jo Baldock replies at the top left to say:

"Blackmore look like they will close over £1 million.

"LCF closed £10.3 million last month and we are on track to match this if we can keep our lead flow strong."

My Lord will see Mr Careless and Mr Russell-Murphy are copied into the email. She says:

"This week it has dipped and the new business team are starting to feel the results of this. Passion and momentum has been really high this month and going into December we need to keep it the same. "I propose we switch LCF back to the top of [Best ISA Rates] until the end of November the next 7 days would make the difference."

Again, an email revealing that the positioning on the sites is designed to optimise sales; it's not based on any objective rankings that can actually be of benefit or assistance to members of the public. My Lord, I'm moving to another topic. If your Lordship is happy to sit until 4.30, I'm happy to make a start on it.

MR JUSTICE MILES: I think we might actually stop now. Just let me make a note.

Housekeeping

MR JUSTICE MILES: I think we will stop at this point. So, we are back now on Monday morning. There is the application in relation to funding, if I can put it that way.

Where are you, in terms of your schedule?

MR ROBINS: I'm exactly where I hoped to be -- in fact, where I hoped to be at 4.30 today; I got there a tiny bit earlier.

I will need my remaining eight days to get through the rest of the material, so I would ask your Lordship to ensure that any time dealing with Mr Slade's application on Monday doesn't come out of my time for opening.

We do have some slack in the timetable because, notwithstanding the applications that your Lordship heard last year in relation to witness summonses, witness summaries, Mr Thomson has not, in fact, served any witness summonses on any witnesses, and the deadline to do that without permission, my Lord will recall, was seven days before the start of the trial. That didn't happen. It has still not happened.

So, we do have three days in the timetable allotted to the examination-in-chief and cross-examination of the witnesses on whom Mr Thomson had proposed to serve witness summonses but, as I say, as far as we are aware, as of the end of the day yesterday, no witness summonses had been served, and it would be too late for him to do that now, without permission. We have heard nothing further about it.

So, I don't think there is any difficulty with the hearing of the application on Monday. I don't think it is going to throw the timetable into chaos or require anyone to trim the time that they were expecting to have.

MR JUSTICE MILES: Does anyone else have any comment of any kind at this stage?

MR WARWICK: No, thank you.

MR JUSTICE MILES: We will resume at 10.30 am on Monday. Thank you.

(4.13 pm)

(The hearing was adjourned to Monday, 26 February 2024 at 10.30 am)

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