PFG | Provident Financial Group

No. 1 Godwin Street
Bradford BD1 2SU
www.providentfinancial.com
Phone + 44 (0)1274 351351
Fax + 44 (0)1274 730606

20 April 2021

Sheldon Mills
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
VIA EMAIL ONLY

Dear Sheldon

Thank you for your letter of Monday 19 April and for confirming that the FCA is not opposing the application for leave to convene a meeting for customers to vote on the Scheme. Given the stark alternatives faced by some of the customers of Provident Personal Credit Limited (PPC), which are to receive nothing in an insolvency or some cash in a Scheme, we firmly believe they should be given the opportunity to vote on the Scheme.

I am pleased to say that many of the concerns you have raised have been addressed in the Court papers we filed on Friday 16 April. This is testament to the continuous and extensive dialogue on the Scheme between our teams over many months, facilitated by the fact that we have moved the convening hearing twice to provide time for these discussions. Nevertheless, given your letter is being published on your website (and we too will ensure it is published alongside our response), I thought it would be helpful to set out a brief response on behalf of Provident Personal Credit Limited, Provident SPV Limited (SchemeCo) and Provident Financial PLC.

At the time PPC obtained formal authorisation in November 2018, the FCA asked for PFG's assurance that it would support the business in this important sector of the market. Indeed, in the four years ended 31 December 2020 PFG and its shareholders contributed about £390m to PPC. However, as noted in PFG's announcement on 15 March 2021, the sector dynamics changed the operating environment materially for PPC during the second half of 2020. When combined with the impact of Covid-19 on its profitability, customer complaints could no longer be treated as part of operating costs and this drove PFG's decision to support PPC's customers as best it could.

In a discussion with the FCA in December 2020 regarding the alternatives for PPC, it was confirmed that PFG was keen to avoid PPC's insolvency and do the right thing bearing in mind its various stakeholders. These stakeholders include all the customers in PFG's various subsidiaries (including PPC), the FCA, the Prudential Regulatory Authority (PRA), being our other Regulator, the group's employees, as well as shareholders, to name a few. PFG therefore took the decision to pursue a Scheme where PPC customers alone would have the benefit of a £50m cash injection, as opposed to receiving nothing in an insolvency of PPC. PFG also agreed to fund the costs of the Scheme, estimated at £15m.

We share your concern that PPC customers with valid redress claims stand to receive significantly less than the value of their claims. However, we disagree with your suggestion that there "may be" scope for the Group to increase the level of funding to the Scheme and with the FCA's comments in relation to growth and impairment made in paragraph 5.3 of your letter. Also, I need to emphasise that we are not in a position to give the market guidance on future business growth and, therefore, the various business forecasts set out in your letter should not be regarded as market guidance.

Financial modelling is multi-dimensional and bearing in mind the requirements of the PRA, with whom we have also had dialogue, we believe that we can only contribute a maximum of £50m from capital to the Scheme. We therefore remain firmly of the view that the Scheme is the fairest compromise that could have been offered to customers with valid redress claims by the group.

The remaining points in your letter are topics we have previously discussed at length with your team. We will of course continue to liaise with the FCA ahead of the convening hearing.

Yours sincerely

Malcolm Le May
Group Chief Executive
Provident Financial plc