

QUESTIONS AND ANSWERS

5. DEFAULTED LOANS



5.1 How many Bridge Mortgage Loans have you been unable to recover?

None, we have never had a mortgage secured Bridge loan that was not recovered.

5.2 Do you only lend first or second charge?

Predominantly yes, however we do occasionally have an instance where there is a cause for third charge lending. This will only ever happen behind two long term First and Second Charge mortgages where extra stress testing has been calculated to ensure that the Loan is well secured and protected. This activity represents less than 10% of all the loans created by the Company.

5.3 Do you have mortgage secured Bridge Borrowers who default?

A number of our mortgage secured Bridge Borrowers default. Before originating a mortgage secured loan we copiously stress test to check what our position would be if the mortgage secured Bridge Borrower was to default, and we only approve loans when we have satisfied ourselves with a generous security cushion in the event of a worst case scenario of every mortgage secured Bridge Borrowers defaulting.

5.4 What happens if a Bridge borrower defaults on the mortgage secured loan they have with Certain Bridge?

Depending on the level of engagement we have with the mortgage secured Bridge Borrower, and their efforts to remedy the situation, we would either start legal proceedings immediately, or hold off for a short while and monitor them to provide to us an acceptable resolution.

5.5 Have you ever had to go to court/ repossess anybody?

We have had a number of court appearances, and have won every single one. We have never had to apply for physical possession once the Court has granted us a possession order. We find that once solicitors are instructed, and particularly when a Court grants us a possession order, borrowers usually remedy the situation very quickly.

We do however expect to repossess one day, and the necessary systems are in place to deal with this eventuality.

5.6 Who deals your Property litigation work?

We use a firm of solicitors who are one of the UK's Top 50 firm of Solicitors

5.7 Do you ever see any instance where you would be unable to recover a mortgage secured Bridge Loan?

The Courts generally hear possession proceedings very timely however we do understand that one day it may be possible that there could be a protracted possession case with a mortgage secured borrower. This situation would incur months of default interest and legal fees charged to the account. In this scenario there could be the case when the property is repossessed, that the sale proceeds of the secured property may not fully discharge all of the liabilities. In this unlikely situation, the company would look to recover any other assets that the client may have through further court applications, should the company deem it to be commercially viable to proceed with the recovery of what at worst would be a small shortfall.

The company it is entirely confident it would recover its initial loan which would include all of the initial interest and out of pocket legal costs.

5.8 What would happen to the business model if you were not able to recover a loan?

We would never expect a situation where the initial loan would not be recoverable. We could, as explained above see a situation where a protracted legal case may result in the possible loss of default interest.

For safety's sake when producing its financial projections, stress tested numerous situations including potential losses resultant from partially recovered mortgage secured loans and the impact of such an unimaginable occurrence. In all quite brutal scenarios due to the extremely profitable mortgage secured returns that the company enjoys across its Loan Book, the odd loss could be absorbed without any meaningful impact on its operations.

5.9 How much bad debt have you had, and currently have from your Bridge Mortgages?

Even in the event of default, we do not consider that we have any bad debt as all debt is very substantially mortgage secured within extremely conservative loan to value parameters.

5.10 Have you ever had to write off any debt?

Never