

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
BUSINESS LIST (ChD) AND INSOLVENCY AND COMPANIES LIST (ChD)**

IN THE MATTER OF

CLAIM NO. BL-2020-001343

B E T W E E N :

- (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/Applicants

-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 INVESTMENT LIMITED
(10) HELEN HUME-KENDALL
(11) FRANCIS MICHAEL WILLIAM STARKIE
(12) MARTIN STEPHEN RUSCOE
(13) ERIC BOSSHARD
(14) ROBIN HUDSON
(15) CHARLES HENDRY

Defendants/Respondents

WITNESS STATEMENT OF DAVID HUDSON

I, **DAVID HUDSON**, of FRP Advisory Group plc (**FRP Advisory**), 110 Cannon Street, London EC4N 6EU, will say as follows:

1. I am a Partner in the Restructuring Advisory team at FRP Advisory and have been assisting the joint administrators (the **Joint Administrators**) appointed in respect of the First Claimant/Applicant, London Capital & Finance plc (in administration) (**LCF**), and the Third Claimant/Applicant, London Oil and Gas Limited (in administration) (**LOG**).
2. I make this witness statement in support of the Claimants'/Applicants' application for permission to re-amend the Amended Particulars of Claim dated 6 April 2021 pursuant to CPR 17.1(2)(b), in particular in response to the objections raised by the Second, Third, Fourth and Tenth Defendants in response to paragraph 21A of the draft Re-Amended Particulars of Claim (**draft RAPoC**).
3. The facts and matters set out in this witness statement are either within my own knowledge and are true or are based on information provided to me, in which case the source is stated and the facts and matters are true to the best of my knowledge and belief.
4. There is now produced and shown to me Exhibit **DHI** to which I refer to in this witness statement. References to that exhibit in this witness statement will be made by reference to the exhibit followed by the page number, so that DHI/1 is a reference to page one of the exhibit, and so forth. Included in DHI are excerpts of the relevant rows and columns from a spreadsheet which was compiled by Smith & Williamson from LCF's bank statements which they obtained in their capacity as administrators of LCF (the **LCF Bank Spreadsheet**).

PARAGRAPH 21A OF DRAFT RAPOC

5. Pursuant to the order of Mr Justice Miles dated 30 July 2021 (**the Order**), the Claimants provided draft RAPoC to the Defendants on 17 September 2021. The draft RAPoC contained the following paragraph (**Paragraph 21A**):

"21A. Further, or alternatively, LCF operated as a Ponzi scheme by which interest and redemption payments made to Bondholders were paid with monies received from new Bondholders. In some instances, monies received from new Bondholders were paid over to borrowers, with the borrower receiving a sum net of Surge's fee. The borrower then repaid funds back to LCF, either directly or via other entities, and those funds were then used by LCF to pay interest and redemption to existing Bondholders. The funds repaid to LCF by such borrowers thus originated with LCF and were not generated by any commercial activity on the part of the borrowers. Such borrowers included LOG and L&TD. In other instances, sums received by LCF from new Bondholders was used directly to pay interest and redemptions to existing Bondholders without first being laundered through a borrowing entity. LCF was dependent on attracting new Bondholders in order to enable it to meet its existing liabilities. As with all Ponzi schemes, it was an inherently unstable and unsustainable model that was inevitably going to collapse at the point at which it could not raise sufficient funds from new Bondholders".

6. The Second, Third, Fourth and Tenth Defendants object to the inclusion of Paragraph 21A, the reasons for which are set out in the Seventh Witness Statement of Daniel Joseph Davis dated 3 December 2021.
7. To assist the Court, I set out below some factual examples which support the allegations in Paragraph 21A. For the avoidance of doubt, the information provided below is merely illustrative and does not form the totality of the information the Claimants/Applicants will rely on at trial to substantiate the point. However, I can confirm from my review of the documents that I have seen a very large number payments to bondholders originated from LCF monies. The examples set out below are illustrations of the mode of operations which occurred on a longstanding basis with very many such occurrences, often more convoluted than the examples below, being seen in the records.
8. Paragraph 21A relies on two propositions:
 - 8.1 *"monies received from new Bondholders were paid over to borrowers [including LOG and L&TD], with the borrower receiving a sum net of Surge's fee. The borrower then repaid funds back to LCF, either directly or via other entities, and those funds were then used by LCF to pay interest and redemption to existing Bondholders."* (**Proposition 1**); and
 - 8.2 *In other instances, sums received by LCF from new Bondholders was used directly to pay interest and redemptions to existing Bondholders without first being laundered through a borrowing entity."* (**Proposition 2**).

Proposition 1 – L&TD

9. In respect of payments from LCF to L&TD to LCF to Bondholders, I have reviewed the LCF Bank Spreadsheet and the current account bank statements of L&TD (**L&TD Bank Account**) and provide examples below to illustrate this point. At **DHI/1** are the relevant excerpts from the LCF Bank Spreadsheet, these specific entries relating to LCF's Operational Account:
 10. Payment of £11,081.51 to SALTER D and £33,244.52 to THOMPSON J
 - 10.1 According to L&TD's Bank Account statement, on 22 January 2016, it held a credit balance of only £92.17 in its current account (see **DHI/2 [D2D10-00002208]**).
 - 10.2 On 26 January 2016, the L&TD Bank Account received two separate payments from LCF totalling £50,000.
 - 10.3 On 26 January 2016 two transfers were made, one for £33,244.52 with a reference "T [REDACTED]", and one for £11,081.51 with the reference "S [REDACTED]" from the L&TD

Bank Account to the LCF Operational Account. These payments are shown in LCF's bank statements as follows:

LEISURE TOURISM DE T [REDACTED] 000000007056444801 203253 50 26JAN16 09:59
 LEISURE TOURISM DE S [REDACTED] 000000007056446001 203253 50 26JAN16 09:59

10.4 The LCF Operational Account bank statement then shows the following three payments by LCF on 26 January 2016:

| | |
|---|-----------|
| T [REDACTED] REPAYMENT | 25,000.00 |
| T [REDACTED] REPAYMENT | 8,244.52 |
| S [REDACTED] 400000000185333402 REPAYMENT 904886 10 26JAN16 10:38 | 11,081.51 |

10.5 LCF's payments to J T [REDACTED] add up to £33,244.52 – the precise amount of money that LCF received from L&TD with the reference "T [REDACTED]". Further, LCF's payment to S [REDACTED] was £11,081.51 – the precise amount of money that LCF received from L&TD with the reference "S [REDACTED]".

10.6 As explained above, these payments by L&TD to LCF were funded by a payment of £50,000 which LCF had made to L&TD to enable it to be in a position to pay that money back to LCF, with LCF then using it to make the payments to J T [REDACTED] and D S [REDACTED].

10.7 Contemporaneous documents confirm that J T [REDACTED] and D S [REDACTED] were bondholders:

- (a) A spreadsheet titled "OPERATIONAL 01.04.15 01.03.16.xlsx" was circulated by Katie Maddock, Operations Manager at LCF, on 3 March 2016 to Emma Benjamin at Oliver Clive & Co (the **Maddock Spreadsheet**) (see **DHI/4-15 [MDR00032219; MDR00032220]**). That spreadsheet included a "NOTES" column which confirms that the payments from L&TD were for the express purpose of repaying the named clients and that S [REDACTED] and T [REDACTED] were clients (in other words, Bondholders). The notes in respect of the above payments provided the following:

| Transaction Date | Transaction Description | Debit Amount | Credit Amount | NOTES |
|------------------|--|--------------|---------------|--|
| 26/01/2016 | S [REDACTED] 400000000185333402 REPAYMENT 904886 10 26JAN16 10:38 | £ 11,081.51 | | Client S [REDACTED] repayment |
| 26/01/2016 | T [REDACTED] REPAYMENT | £ 8,244.52 | | Client T [REDACTED] repayment |
| 26/01/2016 | T [REDACTED] REPAYMENT | £ 25,000.00 | | Client T [REDACTED] repayment |
| 26/01/2016 | LEISURE TOURISM DE S [REDACTED] 000000007056446001 203253 50 26JAN16 09:59 | | £ 11,081.51 | Loan repayment for client S [REDACTED] repayment |
| 26/01/2016 | LEISURE TOURISM DE T [REDACTED] 000000007056444801 203253 50 26JAN16 09:59 | | £ 33,244.52 | Loan repayment for client T [REDACTED] repayment |

- (b) An email dated 2 November 2015 from Joanne Baldock at LCF titled "redemptions" (the **Baldock Email**) (see **DH1/16-17 [MDR00019842]**) (which was then forwarded by Mr Thomson to Mr Barker) identified:

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

Mrs J T [REDACTED] investment date 19/12/2013 £30,000

Mr & Mrs A [REDACTED] investment date 19/12/13 £10,000

Mrs D S [REDACTED] investment date 19.12.2013 £10,000

Mrs D s [REDACTED] investment date 03.01.2014 £25,000

Mr K S [REDACTED] investment date 19.12.2013 £45,000

Mr C & Mrs V S [REDACTED] investment date 08/01/14 £80,000

Most of the above also apply for the 10% bonus that was offered too.

- (c) Notably, the payment to T [REDACTED] of £33,244.52 is slightly more than the investment of £30,000 plus the 10% bonus referred to in the Baldock Email. In a similar vein, the £11,081.51 to S [REDACTED] is slightly more than the investment of £10,000 plus 10%.
- (d) In addition, there is a spreadsheet in LCF's books and records dated 2 November 2015 with tabs titled "Client Sheet" and "Interest" (the **Client Spreadsheet**) (see **DH1/18-22 [MDR00019891]**). The Interest tab in the Client Spreadsheet identifies the sums loaned, the commission paid and interest. This spreadsheet identifies that S [REDACTED] was to receive £11,186.30 and T [REDACTED] was to receive £33,558.90 (figures only slightly different to the sums then transferred):

| Capital repayment | 10% bonus | Repayment Date | FINAL PAYMENT |
|-------------------|-----------|----------------|---------------|
| £ | £ | | £ |
| 10,000.00 | 1,000.00 | 20.12.15 | 11,186.30 |
| 30,000.00 | 3,000.00 | 20.12.15 | 33,558.90 |

11. Payment of £38,777.12 to R [REDACTED] 2, £11,079.18 to A [REDACTED] and £33,272.47 to LEAR 2
- 11.1 According to L&TD's Bank Account statement, at the end of 26 January 2016, it held a credit balance of only £66.14 in its current account (see **DH1/2 [D2D10-00002208]**).
- 11.2 On 27 January 2016, the L&TD Bank Account received six separate payments from LCF totalling £115,000.
- 11.3 On 27 January 2016, a payment was made by L&TD to LCF in the sum of £38,777.12 with the description "R [REDACTED] 2" and a separate payment for £11,079.18 was made by L&TD

to LCF with the description "A [REDACTED]". The following day, on 28 January 2016, a further payment was made by L&TD to LCF of £33,272.47 this time with a description "L [REDACTED] 2".

11.4 These receipts are shown in the LCF bank statements as follows:

LEISURE TOURISM DE R [REDACTED] 2 000000007064194701 203253 50 27JAN16 17:29
 LEISURE TOURISM DE A [REDACTED] 000000007064686801 203253 50 27JAN16 21:00
 LEISURE TOURISM DE L [REDACTED] 000000007065066101 203253 50 28JAN16 02:44

11.5 The LCF Operational Account bank statement then shows the following payments by LCF on 27 January 2016:

| | |
|---|-----------|
| P R [REDACTED] SB1213R35 REPAYMEN | 25,000.00 |
| P R [REDACTED] 5B1213R35 REPAYMEN | 13,777.12 |
| A [REDACTED] 200000000179083019 REPAYMENT 090128 10 27JAN16 21:54 | 11,079.18 |

11.6 And one further payment by LCF on 28 January 2016:

| | |
|--|-----------|
| MR AND MRS S L [REDACTED] 500000000180993380 5B1213L30/2 REPAYM 404420 10 28JAN16 09:16 | 25,000.00 |
| MR AND MRS S L [REDACTED] 600000000180729443 SB1213L30/2 REPAYM 404420 10 28JAN16 09:17 | 8,272.47 |

11.7 LCF's payments to R [REDACTED] add up to £38,777.12 – the precise amount of money that LCF received from L&TD with the reference "R [REDACTED]". Further, LCF's payment to A [REDACTED] was £11,079.18 – the precise amount of money that LCF received from L&TD with the reference "A [REDACTED]". And LCF's payment to L [REDACTED] was £33,272.47 – the precise amount received by LCF from L&TD with the reference "L [REDACTED]".

11.8 As explained above, these payments by L&TD to LCF were funded by the payments totalling £115,000 which LCF made to L&TD to enable it to be in a position to pay that money back to LCF, with LCF then using it to make the payments to R [REDACTED], A [REDACTED] and L [REDACTED].

11.9 As with the above, LCF's books and records have identified R [REDACTED], A [REDACTED] and L [REDACTED] as bondholders:

- (a) the Maddock Spreadsheet identified, by way of the "NOTES" column, that the payments from L&TD were for the express purpose of repaying the named clients and that R [REDACTED] 2, A [REDACTED] and L [REDACTED] 2 were clients (in other words, Bondholders). The notes in respect of the above payments provided the following (see **DH1/4-15 [MDR00032219; MDR00032220]**):

| Transaction Date | Transaction Description | Debit Amount | Credit Amount | NOTES |
|------------------|---|--------------|---------------|-------------------------------|
| 27/01/2016 | A [REDACTED] 200000000179083019 REPAYMENT 090128 10 27JAN16 21:54 | £ 11,079.18 | | Client A [REDACTED] repayment |

| | | | | |
|------------|---|-------------|----------------|---|
| 27/01/2016 | LEISURE TOURISM DE A [REDACTED] 000000007064686801 203253 50 27JAN16 21:00 | | £ 11,079.18 | Loan repayment for client A [REDACTED] repayment |
| 27/01/2016 | P R [REDACTED] SB1213R35 REPAYMEN | £ 13,777.12 | | Client R [REDACTED] Repayment |
| 27/01/2016 | P R [REDACTED] SB1213R35 REPAYMEN | £ 25,000.00 | | Client R [REDACTED] Repayment |
| 27/01/2016 | LEISURE TOURISM DE R [REDACTED] 2 000000007064194701 203253 50 27JAN16 17:29 | | £ 38,777.12 | Loan repayment for client R [REDACTED] repayment |
| 28/01/2016 | MR AND MRS S L [REDACTED] 600000000180729443 SB1213L30/2 REPAYM 404420 10 28JAN16 09:17 | £ 8,272.47 | | Client L [REDACTED] repayment |
| 28/01/2016 | MR AND MRS S L [REDACTED] 500000000180993380 SB1213L30/2 REPAYM 404420 10 28JAN16 09:16 | £ 25,000.00 | | Client L [REDACTED] repayment |
| 28/01/2016 | LEISURE TOURISM DE L [REDACTED] 2 000000007065066101 203253 50 28JAN16 02:44 | | £ 33,272.47 | Loan repayment for client L [REDACTED] repayment |

Notably, the payment to A [REDACTED] of £11,079.18 is slightly more than the investment of £10,000 plus the 10% bonus referred to in the Baldock Email.

- (b) Further, the Client Spreadsheet identifies that A [REDACTED], R [REDACTED] and L [REDACTED] were to receive the following (figures only slightly different to the sums then transferred) (see **DHI/18-21 [MDR00019891]**):

| Surname | Repayment | | | | | |
|--------------|-------------------|------------|----------|---------------|--|--|
| | Capital repayment | 10% bonus | Date | FINAL PAYMENT | | |
| L [REDACTED] | £ 30,000.00 | £ 3,000.00 | 17.12.15 | £ 33,537.95 | | |
| R [REDACTED] | £ 35,000.00 | £ 3,500.00 | 23.12.15 | £ 39,176.51 | | |
| A [REDACTED] | £ 10,000.00 | £ 1,000.00 | 23.12.15 | £ 11,193.29 | | |

12. Payment of £27,697.95 to S [REDACTED]

- 12.1 According to L&TD's Bank Account statement, on 17 February 2016, it held a credit balance of only £646.36 in its current account (see **DHI/23 [D2D10-0002659]**).
- 12.2 On 17 February 2016, the L&TD Bank Account received two separate payments from LCF totalling £30,000.
- 12.3 The final and last transaction on 17 February 2016 was a payment by L&TD to LCF of £27,697.95 with the reference "S [REDACTED]". This payment is shown in LCF's bank statement with the description "LEISURE TOURISM DE S [REDACTED] 000000007184227801 203253 50 17FEB16 17:24"
- 12.4 The LCF Operational Account bank statement then shows the following two payments by LCF on 18 February 2016:

| | |
|---|-----------|
| S [REDACTED] 300000000188524658 REPAYMENT 904886 10 18FEB16 09:37 | 25,000.00 |
| S [REDACTED] 200000000183099443 REPAYMENT 904886 10 18FEB16 09:38 | 2,697.95 |

12.5 Again, as may be seen, LCF's payments to D S█████ in the sum of £27,697.95 were funded by the receipt by LCF of that precise sum from L&TD with the reference "S█████ D". And L&TD was only able to pay £27,697.95 to LCF because it had received £30,000 from LCF on the same day in order to enable it to do so.

12.6 As with the above, LCF's books and records identify S█████ D as a bondholder:

- (a) the Maddock Spreadsheet identified, by way of the "NOTES" column, that the payments from L&TD were for the express purpose of repaying the named client and that S█████ D was a client (in other words, a Bondholder). The notes in respect of the above payments provided the following (see **DHI/4-15 [MDR00032219; MDR00032220]**):

| Transaction Date | Transaction Description | Debit Amount | Credit Amount | NOTES |
|------------------|---|----------------|----------------|--|
| 17/02/2016 | LEISURE TOURISM DE S█████ D 000000007184227801 203253 50 17FEB16 17:24 | | £ 27,697.95 | Loan repayment for client S█████ D repayment |
| 18/02/2016 | S█████ D 200000000183099443 REPAYMENT 904886 10 18FEB16 09:38 | £ 2,697.95 | | S█████ D repayment |
| 18/02/2016 | S█████ D 300000000188524658 REPAYMENT 904886 10 18FEB16 09:37 | £ 25,000.00 | | S█████ D repayment |

Notably, the payment to S█████ D of £27,697.95 is slightly more than the investment of £25,000 plus the 10% bonus referred to in the Baldock Email.

- (b) Further, the Client Spreadsheet identifies that S█████ D was to receive the following (figure only slightly different to the sums then transferred) (see **DHI/18-21 [MDR00019891]**):

| Capital repayment | 10% bonus | Repayment Date | FINAL PAYMENT |
|-------------------|------------|----------------|---------------|
| £ 25,000.00 | £ 2,500.00 | 13.01.16 | £ 27,575.68 |

13. Payment of £88,558.90 to S█████

13.1 According to L&TD's Bank Account statement, on 18 February 2016, prior to receiving funds from LCF, it held a credit balance of only £2,948.41 in its current account (see **DHI/24 [D2D10-00002659]**).

13.2 That same day, L&TD's Bank Account received 14 separate payments totalling £329,000 from LCF (see **DHI/23-24 [D2D10-00002659]**).

13.3 On 19 February 2016, £88,588.90 was transferred by L&TD to LCF with the reference "S█████". This transfer is shown in LCF's bank statement as "LEISURE TOURISM DE S█████ 000000007198289401 203253 50 19FEB16 15:10"

13.4 The LCF Operational Account then shows the following four payments by LCF which total £88,588.90:

| | | | |
|----|---|--------------------|-----------|
| CI | S | SB0114S80 REPAYMEN | 25,000.00 |
| CI | S | SB0114S80 REPAYMEN | 25,000.00 |
| CI | S | SB0114S80 REPAYMEN | 25,000.00 |
| CI | S | SB0114S80 REPAYMEN | 13,558.90 |

13.5 As with the above, LCF's books and records identify S as a bondholder:

- (a) the Maddock Spreadsheet identified, by way of the "NOTES" column, that the payments from L&TD were for the express purpose of repaying the named client and that S was a client (in other words, a Bondholder). The notes in respect of the above payments provided the following (see **DH1/4-15 [MDR00032219; MDR00032220]**):

| Transaction Date | Transaction Description | Debit Amount | Credit Amount | NOTES |
|------------------|---|--------------|---------------|-----------------------------|
| 19/02/2016 | CI S SB0114S80 REPAYMEN | £ 13,558.90 | | Client S repayment |
| 19/02/2016 | CI S SB0114S80 REPAYMEN | £ 25,000.00 | | Client S repayment |
| 19/02/2016 | CI S SB0114S80 REPAYMEN | £ 25,000.00 | | Client S repayment |
| 19/02/2016 | CI S SB0114S80 REPAYMEN | £ 25,000.00 | | Client S repayment |
| 19/02/2016 | LEISURE TOURISM DE S 000000007198289401 203253 50 19FEB16 15:10 | | £ 88,558.90 | Loan repayment for client S |

Notably, the payment to S of £88,558.90 is slightly more than the investment of £80,000 plus the 10% bonus referred to in the Baldock Email.

- (b) Further, the Client Spreadsheet identifies that S was to receive the following (figure only slightly different to the sums then transferred) (see **DH1/18-21 [MDR00019891]**):

| Capital repayment | 10% bonus | Repayment Date | FINAL PAYMENT |
|-------------------|------------|----------------|---------------|
| £ 80,000.00 | £ 8,000.00 | 20.01.16 | £ 88,372.60 |

14. As set out in each of the above examples, LCF got the money for those payments from L&TD (in the exact sum required), and L&TD was able to pay that money to LCF only because LCF had paid it to L&TD in the first place. Thus, the repayment by LCF to the named Bondholder came from monies originating from LCF and not from monies originating from any business carried on by L&TD.

Proposition 1 – LOG

15. In respect of payments from LCF to LOG to LCF to Bondholders, I have reviewed the LCF Bank Spreadsheet and the bank statements of LOG (**LOG Bank Account**) and provide examples below to illustrate this point.
16. On 28 March 2017, the LOG account held a total of £6,197.40 (see **DHI/27 [MDR00215757, pages 31-32]**). On 29 March 2017, the LOG bank account received £101,500 from LCF. Immediately following receipt, LOG transferred the following to LCF:

| Date | Transaction | Transaction Amount |
|-----------|---|--------------------|
| 29 MAR 17 | FT17088J4R23 Outward Faster Payment London Capital Finance 2 Series 5 Interest | -90,277.33 |
| 29 MAR 17 | FT170888JVHP Outward Faster Payment London Capital Finance 2 Series 8 Interest | -4,185.41 |

17. Notably the descriptions refer to "Series 5 Interest" and "Series 8 Interest" respectively.
18. Prior to receiving the monies from LOG on 29 March 2017, the LCF Bondholder Repayment & Interest Account was at zero. On 29 March 2017, the LCF Bondholder Repayment & Interest Account received the following sums (the relevant rows and columns from the LCF Bank Spreadsheet are at **DHI/29**):

| | | |
|------------|--|------------|
| 29/03/2017 | LONDON OIL & GAS L SERIES 5 INTEREST 000000FT17088J4R23 230580 10 29MAR17 15:45 | 90,277.33 |
| 29/03/2017 | LONDON OIL & GAS L SERIES 8 INTEREST 000000FT170888JVHP 230580 10 29MAR17 15:46 | 4,185.41 |
| 29/03/2017 | LEISURE & TOURISM INTEREST LCF S2 000000FT17088X6N7B 230580 10 29MAR17 15:49 | 20,944.08 |
| 29/03/2017 | LEISURE & TOURISM INTEREST LCF S8 000000FT170888DMQJ 230580 10 29MAR17 15:50 | 9,216.68 |
| 29/03/2017 | INTERNATIONAL RESO INTEREST LCF S2 000000FT170881GWK9 230580 10 29MAR17 15:51 | 1,152.74 |
| 29/03/2017 | F/FLOW LEISURE TOU | 343,027.82 |

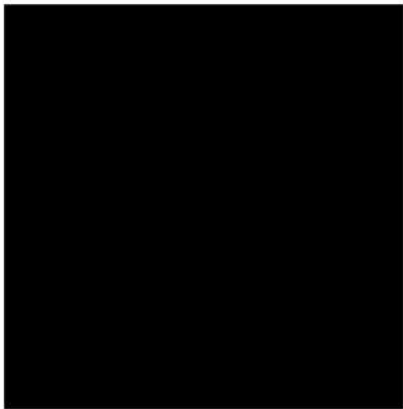
19. As set out above, the monies received by LCF from LOG originated from LCF.
20. In the same period, LCF also received £373,188.58 from L&TD. In respect of those monies, the L&TD bank statements show that on 14 March 2017, it held a balance of £6,331.63. Between 14 March 2017 and 29 March 2017, the L&TD Account received a total of £1,846,529.00 all from LCF (see **DHI/30-37 [MDR00215818, pages 18-24]**). Accordingly the above shaded sums totalling £343,027.82 also derived from LCF funds.

21. Accordingly, the monies in the LCF Bondholder Repayment & Interest Account as at 29 March 2017 (ignoring the de minimis figure of £1,152.74 in the above chart) were sums which in short order, originated from LCF.
22. Those funds were then used to make a number of payments, including a total of £20,942.65 to following:

| | | | |
|------------|----|--|----------|
| 31/03/2017 | BP | | 131.75 |
| 31/03/2017 | BP | | 1,275.00 |
| 31/03/2017 | BP | | 2,125.00 |
| 31/03/2017 | BP | | 318.75 |
| 31/03/2017 | BP | | 1,062.50 |
| 31/03/2017 | BP | | 850.00 |
| 31/03/2017 | BP | | 425.00 |
| 31/03/2017 | BP | | 107.31 |
| 31/03/2017 | BP | | 2,125.00 |
| 31/03/2017 | BP | | 5,312.50 |
| 31/03/2017 | BP | | 637.50 |
| 31/03/2017 | BP | | 106.25 |
| 31/03/2017 | BP | | 212.50 |
| 31/03/2017 | BP | | 2,337.50 |
| 31/03/2017 | BP | | 850.85 |
| 31/03/2017 | BP | | 425.00 |
| 31/03/2017 | BP | | 637.50 |
| 31/03/2017 | BP | | 637.50 |
| 31/03/2017 | BP | | 628.77 |
| 31/03/2017 | BP | | 104.79 |
| 31/03/2017 | BP | | 419.18 |
| 31/03/2017 | BP | | 212.50 |

23. LCF's books and records contain a spreadsheet with, inter alia, a tab labelled "Client Sheet" and a tab labelled "Interest" which refers to a large number of the above named individuals. Each of the entries shaded grey above appear in the "Interest" tab with the name and exact figure under the column headed "Mar-17":

| Surname | Contact 1 | Contact 2 | Loan Amount | Term | Date Funds Received | Mar-17 |
|---------|-----------|-----------|--------------|------|---------------------|------------|
| | | | £ 6,200.00 | 3 | 14.08.15 | £ 131.75 |
| | | | £ 60,000.00 | 2 | 27.08.15 | £ 1,275.00 |
| | | | £ 100,000.00 | 2 | 09.09.15 | £ 2,125.00 |
| | | | £ 15,000.00 | 2 | 11.09.15 | £ 318.75 |
| | | | £ 50,000.00 | 3 | 29.09.15 | £ 1,062.50 |
| | | | £ 50,000.00 | 3 | 29.09.15 | £ 1,062.50 |
| | | | £ 10,000.00 | 2 | 29.09.15 | £ 212.50 |
| | | | £ 40,000.00 | 3 | 07.10.15 | £ 850.00 |
| | | | £ 20,000.00 | 2 | 06.11.15 | £ 425.00 |
| | | | £ 5,050.00 | 3 | 18.11.15 | £ 107.31 |



| | | | |
|--------------|---|----------|------------|
| £ 100,000.00 | 2 | 25.11.15 | £ 2,125.00 |
| £ 20,000.00 | 2 | 01.12.15 | £ 425.00 |
| £ 250,000.00 | 3 | 02.12.15 | £ 5,312.50 |
| £ 30,000.00 | 2 | 07.12.15 | £ 637.50 |
| £ 10,000.00 | 3 | 14.12.15 | £ 212.50 |
| £ 110,000.00 | 3 | 17.12.15 | £ 2,337.50 |
| £ 40,040.00 | 3 | 23.12.15 | £ 850.85 |
| £ 20,000.00 | 2 | 23.12.15 | £ 425.00 |
| £ 30,000.00 | 3 | 07.01.16 | £ 637.50 |
| £ 30,000.00 | 2 | 07.01.16 | £ 637.50 |

24. The same spreadsheet also has a tab labelled "Sheet 2" which includes the names and exact figures of the individuals shaded blue under the column headed "Mar-17":

| Surname | Contact 1 | Contact 2 | Loan Amount | Date Funds | | Mar-17 |
|---------|-----------|-----------|-------------|------------|-----------|----------|
| | | | | Received | Interest | |
| | | | £ 30,000.00 | 16.06.15 | Quarterly | £ 628.77 |
| | | | £ 5,000.00 | 29.06.15 | Quarterly | £ 104.79 |
| | | | £ 20,000.00 | 09.07.15 | Quarterly | £ 419.18 |

25. Due to the size of the spreadsheet, I include extracts of relevant rows and columns of the tab labelled "Interest" and the tab labelled "Sheet 2" at **DHI/38-39 [MDR00026299]**.

Proposition 1 – Global Advance Distributions

26. By way of further example, there are payments made from LCF to Global Advance Distributions (**GAD**) to LCF to Bondholders. Below is an example to illustrate this point.

27. Between 3 May 2016 and 29 May 2018, GAD received a total of £17,684,520, £16,611,645 from LCF and £1,072,875 from L&TD (see **DHI/40-129 [MDR00226741]**). The last payment from L&TD was received on 13 April 2017. The first payment received from LCF was on 3 November 2017.

28. On 15 May 2018, GAD received two transfers from the LCF Bond Account of £100,050 each (totalling £200,100) (see **DHI/125 [MDR00226741, page 86]**).

29. The LCF Bond Account shows two transfers from LCF to GAD of £100,050.00 on 15 May 2018 with the following details:

| | | | |
|------------|-----|-------------------------------|------------|
| 15/05/2018 | TFR | GLOBAL ADVA F/FLOW 1006635602 | 100,050.00 |
| 15/05/2018 | TFR | GLOBAL ADVA F/FLOW 1006635783 | 100,050.00 |

30. On 15 May 2018, the LCF Bondholder Repayment & Interest account ended the day with £12,163.51 on account. On 16 May 2018, the LCF Bondholder Repayment & Interest account received a total of £211,039.74 from GAD as follows:

| Date | Description | Credit |
|------------|---|-----------|
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1105 000000FT18136K1KOW 230580 10 16MAY18 10:27 | 20,780.00 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1205 000000FT18136W1JJR 230580 10 16MAY18 10:29 | 19,759.84 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1205 000000FT18136ZCQB 230580 10 16MAY18 10:31 | 31,170.00 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1205 000000FT18136JK63W 230580 10 16MAY18 10:32 | 207.80 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1505 000000FT18136G8N26 230580 10 16MAY18 10:33 | 10,390.00 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1605 000000FT18136DRN3Y 230580 10 16MAY18 10:34 | 17,663.00 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1705 000000FT18136LMTM1 230580 10 16MAY18 10:35 | 415.60 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1805 000000FT18136CSQMO 230580 10 16MAY18 10:36 | 51,430.50 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLREDEMP1805 000000FT18136QTZPJ 230580 10 16MAY18 10:36 | 38,443.00 |
| 16/05/2018 | GLOBAL ADVANCE DIS CSHOLUDEMP1905 000000FT18136VHPQV 230580 10 16MAY18 10:37 | 20,780.00 |

31. The GAD bank statements show the same transfers with the GAD bank statements also including the "CSHOLDREDEMP..." references (see **DHI/I25-I26 [MDR00226741, pages 86-87]**).

32. The following payments, which make reference to "redempti" are then made from the LCF Bondholder Repayment & Interest Account:

| Date | Description | Debit |
|------------|--|-----------|
| 16/05/2018 | [REDACTED] 00000357465345 4457-5248 REDEMPTI 090128 10 16MAY18 15:55 | 10,312.00 |
| 16/05/2018 | [REDACTED] 000363916139 4457-5250 REDEMPTI 090128 10 16MAY18 15:57 | 10,312.00 |
| 16/05/2018 | [REDACTED] 00000000357487444 4457-618-R1 REDEMP 160008 10 16MAY18 15:58 | 25,000.00 |
| 16/05/2018 | [REDACTED] 500000000359144074 4457-618-R1 REDEMP 160008 10 16MAY18 16:01 | 25,000.00 |
| 16/05/2018 | [REDACTED] 200000000357466275 4457-618-R1 REDEMP 160008 10 16MAY18 16:01 | 1,560.00 |
| 16/05/2018 | [REDACTED] 4457-659 REDEMPTIO | 20,044.16 |

33. Each named individual is included in a contemporaneous spreadsheet found in LCF's books and records which has a file name "series 3,4,5,6,7,8,9,10&11 Bonds.xlsx" (the **Bondholder Spreadsheet**). Due to the size of the Bondholder Spreadsheet, I exhibit only an extract of the relevant rows and columns of the "Investor Classification Report" tab (see **DHI/I30 [MDR00000009]**). The following information was included in the tab labelled "Investor Classification Report". Noteworthy is the fact that the above transfers were made exactly 1 year (in respect of Series 3 which was 1 year) and 2 years (in respect of Series 4 which was 2 years) from the date of the funds being received by LCF:

| Product | Investor | Bond Amount | Date Funds Received |
|-----------------------------------|------------|-------------|---------------------|
| LC&F Series 3, 1-Year Income Bond | [REDACTED] | £10,000.00 | 16-May-17 |
| LC&F Series 3, 1-Year Income Bond | [REDACTED] | £10,000.00 | 16-May-17 |

| | | | |
|-----------------------------------|--|------------|-------------|
| LC&F Series 3, 1-Year Income Bond | | £50,000.00 | 16-May-17 |
| LC&F Series 4, 2-Year income Bond | | £20,000.00 | 16-May-2016 |

34. The Series 3 tab in the Bondholder Spreadsheet confirms that the difference between the amount invested and the amount returned in respect of the Series 3 bond is the addition of interest net of tax. For example, [REDACTED] invested £10,000 on 16 May 2017 and received £10,312.00 exactly one year later in respect of the 1 year income bond. The Series 3 tab in the Bondholder Spreadsheet then states: (a) interest is paid upon maturity and (b) interest net of tax was £312 (gross of tax £390 with tax of £78).

Proposition 2

35. In respect of payments received by LCF from Bondholders then used to pay interest and redemption fees of other Bondholders, set out below are some examples from LCF's bank statements. Again, to be clear, these are provided purely by way of illustration of a common feature. The evidence below is not intended to be comprehensive or exhaustive but it merely illustrative. I can confirm having reviewed the bank statements that these examples represent a common feature.
36. By way of background, on 6 November 2015, LCF entered into a Customer Agreement with Global Currency Exchange Limited (**GCEN**) (company no 04675786) and Global Custodial Services Limited (**GCS**) wherein GCEN and GCS (together the **GCEN Entities**) agreed "to provide their currency services and custody services" (the **GCEN Agreement**) (see **DHI/131-142 [DI-0001569]**). The GCEN Agreement, provided that the GCEN Entities would "provide an account or accounts in the name of [LCF] to which Customer Third Parties [i.e. Bondholders] may...make payments" (First Annex).
37. Monies payable by Bondholders to LCF were paid in practice by those Bondholders to GCEN/GCS which collected those monies from those Bondholders on behalf of LCF.
38. GCEN/GCS would then pay those monies over to LCF. Specifically, GCEN/GCS would pay the monies from Bondholders into LCF's "Bondholder Repayment & Interest" account.
39. For example, from 9 October 2018 until 6 December 2018, days before the FCA raid, the overwhelming majority of the monies received into LCF's "Bondholder Repayment & Interest" account came from GCEN/GCS, as shown in the table below :

| Description | Total |
|-------------|---------------|
| GCEN or GCS | £3,828,537.85 |

| | |
|--------------|----------------------|
| Crowborough* | £117,465.79 |
| All others | £20,505.07 |
| LCF | £155,177.29+ |
| TOTAL | £4,121,686.00 |

*from enquiries made of Barclays in respect of Mr Barker's bank accounts, the Joint Administrators were informed that the description "42Crowborough Fair Coat" was a reference to a cash withdrawal at the bank (see **DHI/143 [MDR00221913]**). I also believe, although cannot now recall from where I understand that, that this can also denote cheque deposits. I therefore assume that entries with the description "Crowborough" in the LCF accounts also denote cash/cheque deposits/withdrawals

+in respect of £71,511.91 of the £155,177.29, the description refers to RLE (being River Lodge Equestrian, one of the borrowers)

40. The above deposits can be found at **DHI/144-152** which is an extract from the LCF Bank Spreadsheet of the relevant rows and columns in respect of deposits into the Bondholder Repayment & Interest account between 9 October 2018 and 6 December 2018 sorted by description.
41. Thus, 92.8% of the money paid into LCF's "Bondholder Repayment & Interest" account from 9 October 2018 until 6 December 2018 came from GCEN/GCS which had in turn collected those monies from Bondholders.
42. LCF used the monies in its "Bondholder Repayment & Interest" account to make various payments, including very substantial payments to Bondholders.
43. For example, from 9 October 2018 until 6 December 2018 (i.e. the same period mentioned above), a total of £3,968,136.20 was paid out of LCF's "Bondholder Repayment & Interest" account to various recipients. An excerpt from the LCF Bank Spreadsheet with the relevant rows and columns containing the debits from LCF's Bondholder Repayment & Interest Account sorted by description is at **DHI/153-165**. Of that sum, £1,930,723.70 was paid by LCF to Bondholders (shown in the spreadsheet with no shading), £321,677.72 went to GCEN (shown in the spreadsheet in green shading), and £522,822.16 to other LCF account(s) (shown in the spreadsheet in grey shading).
44. Applying the percentage mentioned in paragraph 41 above, it would follow that £1,791,711.59 of LCF's payments to Bondholders was funded by monies from GCEN/GCS which GCEN/GCS had collected from Bondholders on LCF's behalf.
45. Alternatively, if it were to be assumed that the entirety of the receipts in this period from sources other than GCEN/GCS (i.e. £117,465.79 plus £20,505.07 plus £155,177.29) had

been used to fund the payments by LCF to Bondholders, then there would have been a shortfall which could only have been met by £1,637,575.55¹ of the money from GCEN/GCS, which had been paid to GCEN/GCS by Bondholders. On any view, payments by LCF to Bondholders consisted largely of money which originated from Bondholders.

¹ Being £1,930,723.70 less non GCEN/GCS funds (namely 117,465.79 plus 20,505.07 plus 155,177.29)

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Signed: ..



NAME: DAVID HUDSON

Date: 3 December 2021