

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

BL-2020-001343

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 29 - Tuesday, 30 April 2024

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

Michael Andrew Thompson (D1) is represented by Miss Anumrita Dwarka-Gungabissoon

Simon Hume-Kendall (D2) & Helen Hume-Kendall (D10) settled and are no longer appearing

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

Tuesday, 30 April 2024 (10.30 am)

MR PAUL JAMES CARELESS (continued)

Cross-examination by **MR ROBINS** (continued)

MR ROBINS: Mr Careless, we were looking yesterday at members of the public asking if LCF's rates were too good to be true. Can we look at <SUR00004450-0001>, please. This is someone called Robert at Southend in an email that's sent to you. These emails were generated automatically when a member of the public asked a question, weren't they?

A. Let me check the date here. Yes, they were.

Q. He says:

"Hello, London Capital & Finance are doing a 3-year bond with an 8 per cent interest rate, does this seem too good to be true?"

That was a very common question for you to be asked, wasn't it?

A. Yes, it was asked. I think if you -- the order of events for questions which were asked by members of the public, certainly as LCF grew, was, firstly and foremost, "Is this product covered by the FSCS scheme?" That would have been, by far, the largest question asked. But this is another question that people would have asked, certainly.

Q. It was a fairly common question?

A. I don't want to give the impression to the court that this was something perhaps as common as you're inferring. We would have had thousands of people ask questions and, you know, you wouldn't have seen hundreds of these, by way of example. You would have seen some of these. But, yes, people would ask this question.

Q. Can we look at <SUR00004983-0001>, please. This is a chat transcript that we can see was sent to you. Jo Baldock says:

"Good afternoon and thank you for your question." The visitor says:

"Sound too good to be true I don't know of any investment with that rate of interest with no risk."
And Jo Baldock says:

"I understand your concern and this is not the first time this has been said."

It was actually a fairly common question to be asked, wasn't it?

A. Well, again, I refer you to what I said earlier: it's -- you're talking -- to put some perspective on it, Mr Robins, you're talking about thousands upon thousands of enquiries into London Capital & Finance, and a proportion -- I would suggest far less than you are inferring -- would ask this question. Visitor 67277946, this would be something people are interested in. They are investing their money and they want to ensure they are going to, first and foremost, get it back.

Q. Can we look at <SUR00004986-0001>, please. Here, Jo Baldock says:

"Good afternoon ..."

Again, we can see it's sent to you. The visitor says:

"The rate seems too good to be true."

And Jo Baldock says:

"I understand and this is a question we are frequently asked."

It was a question that was frequently asked, wasn't it?

A. Of course Jo is saying that, so she may well have been asked it a lot.

Q. You were copied into the email. Did you say, "It is not a question that's frequently asked. Don't say that"?

A. I don't know what I would have responded. We didn't do chat transcripts for very long because they weren't very effective.

Q. Can we look at <C2/3>, page 6. This is your witness statement. As you know, we say that there were misstatements in LCF's information memoranda. Halfway down the paragraph, you say:

"I have never read any of the information memoranda (IMs) as this is something Kerry would have done. That's not because I didn't care, but where documents had been prepared by professionals I would assume they were correct and so did not feel the need to read them. I didn't feel I would be able to contribute anything as that was not my skill set. Kerry was analytical and had an attention to detail. I understand that Andy has said that he and I discussed LCF's IMs. We may well have discussed the IMs but I don't recall any specifics and I wouldn't have given a view on the contents of a legal document like that."

Is that true?

A. Yes, sir.

Q. Are you saying that you weren't familiar with LCF's marketing materials?

A. I would have had some involvement early on, but, essentially, as I see here, I wasn't -- anybody who knows me will know I'm renowned for not reading particularly much detail, including information memorandums. That is not by way of making any excuse to -- that is simply me. I was the CEO of the company and I would have been much more casual in my approach to documents like this and I may have said things and given some comment, but I wouldn't have been the person to go through it line by line, Mr Robins.

Q. We are dealing with December 2015, January 2016. Are you saying that what you just said applies to that period as well?

A. That I would not have read the IM?

Q. Yes.

A. Yes, I may well have told someone I did, if they asked me to, but I probably wouldn't.

Q. My question wasn't limited to IMs. Are you saying you were not familiar with how your employees sold LCF bonds to members of the public?

A. No, of course I was familiar with that. That was our business.

Q. When we go to <SUR00129695-0001>. If we could look at the next page, please. We can see John Russell-Murphy on the right-hand side -- this is October 2015 -- is emailing someone called Kerry

Kyriacou. He says: "It was good to speak with you earlier and thank you for contacting The Investment Experts for some guidance when choosing an investment product.

"We discussed different investment opportunities available to you and I mentioned that we have access to a number of fixed rate bonds and would send information on one in particular -- London Capital & Finance. "LCF is a financial institution that lends finance to commercial businesses, all monies lent are organised on a secured basis and LCF has an experienced team to assess all applications. The company has a proven track record and has recently issued an investment bond to help with the growing demand for finance. Their bond offers the chance for investors to take advantage of this growing market in a safe and secure way." We can see, on the left-hand side, that Ms Kyriacou has replied, saying:

"I'm so pleased I came across the Investment Experts website. You've been very helpful."

John forwards that to you. That was typical of what was going on in late 2015/early 2016, isn't it? It was a small company and you kept a very close eye on what people were saying to members of the public?

A. This is true. We were a very small company. I presume, out of the £247 million that was raised by London Capital & Finance, we were probably less than 5 million at that stage. We were a start-up. We were finding our way. We had engaged with John because of his background with Rothschilds and St James's Place to head the sales and professionalise it. So, at this stage, we were still embryonic. This, of course, is not how we built scale and process to do it. And so, in answer to your question, yes, early on, I tried my best to give my input where I could.

Q. So, it wasn't just John overseeing sales; you also reviewed emails and expressed views on what wordings and points to use to overcome objections?

A. Yes, I probably would have done that.

Q. If we look at <SUR00130183-0001>, we can see Scott Allen is forwarding an email to the team and he says: "Paul has asked me to forward the below to you all for reference. It is working for me and covers the objection regarding the FSCS and security of funds, et cetera."

The term "objection" is a term used to refer to reasons that members of the public might give for not investing?

A. Yes.

Q. So you paid close attention to what was being said by members of the public and what worked in terms of overcoming those objections?

A. Yes, sir.

Q. You guided your team to help them perform effectively in overcoming the objections?

A. Yes, sir.

Q. If we look at <D7D9-0004085>, there's another email from Scott Allen to a member of the public with the same sort of wording about LCF being a financial institution and having an experienced team to assess all the funding applications.

You have replied to that to say, "Great email". This is fairly typical of the sort of feedback you were given to your sales team at this time, isn't it?

A. Yes, sir.

Q. We can see that Scott's email is not copied to you. Would it have been blind copied to an email address that included your email address?

A. I presume so, yes, potentially. Actually, no, sorry, I don't know how that would have come to me. I don't think -- perhaps it was. I don't seem to remember getting every -- oh, it's "sales@"-- did I get sales@ ...? I'm afraid I can't answer that with much recall.

Q. I think you were on tech@infoconnections.co.uk, weren't you?

A. Okay, yes.

Q. You were also at sales@londoncapitalandfinance.co.uk, weren't you? You kept an eye on every aspect of your small business?

A. At this stage, we were probably a dozen people. I don't know if I was on that sales@, to be honest with you, Mr Robins, unless you can tell me otherwise.

Q. Certainly tech@infoconnection --

A. Yes, tech was primarily sort of a good focus, because that's how you scale a business, with processes and systems.

Q. If we look at <MDR00044477>, we can see that it is blind copied to this infoconnectionlimited@pipedrive. Is that probably how you would have got the email?

A. So Pipedrive was a CRM system. It was the first CRM system we had when we were a small business. We ended up taking on the larger contract sales force which was more comprehensive, but at that time we used Pipedrive. Pipedrive was a system that allowed us to see how leads, sales were going through a pipeline, how long it took, what the level of, you know, investment was, and I'm not sure if I would have got that or whether it was an app on my phone or on my computer that I had to log into.

Q. But somehow or another, they found their way to you and you could review them and comment, "Great email", things like that?

A. Yes, I think -- I genuinely don't think I would have got a copy of every single sales email, because there were so many. You were talking in the tens of thousands. It would have been impossible. I think --

Q. Perhaps later on. But certainly at this stage, we are looking at December 2015, January 2016 --

A. Maybe -- if this is the first month or two, there is a chance, of course, that that is true, yes.

Q. At this time, you also received the internet chat transcripts, like the one we looked at a moment ago?

A. Yes, I don't think they lasted much more than a month or two either.

Q. Let's look at <D7D9-0002576>. We see the chat transcript in the bottom half of the page. The visitor asked if the three-year growth bond is guaranteed at 8 per cent and is it a totally safe investment. Jo Baldock says:

"Yes, the three year growth bond is as stated at a guaranteed rate of 8 per cent for the three years. Your full investment is protected up to 100 per cent with an asset backed scheme. The assets are

managed by an independent security trustee who ensures that there is 100 per cent coverage for your funds at all times." And the visitor asks:

"So in other words I am guaranteed to get my original investment back plus the 8 per cent interest whatever happens?"

And Jo Baldock says, "Yes, that's correct". Then we see, at the top of the page, that's forwarded to you. You reply:

"First webchat!

"Nice route to a lead. Well done tech team. "Great conversation, well guided Jo."

So you were familiar with what your employees were saying in the web chats?

A. Yes, sir.

Q. And you would have known that Jo was saying things like that to members of the public?

A. Yes, sir.

Q. If we could look, please, at <MDR00026254>. We can see another one. Jo says:

"Good afternoon and thank you for your ..." She's asked:

"If I invest is my money 100 per cent safe?" She says:

"Good afternoon and thank you for your enquiry today. Yes your money is safe, we are regulated by the FCA registration number: 651992. Your funds are protected by the FSCS up to the value of £50,000 whilst they are held with our secure custodian, once your funds are lent out then your bond funds are protected for their full value by our asset backed scheme and this is managed by an independent trustee to ensure that your funds are protected up to 100 per cent at all times. The bonds are secured by a debenture (a form of legal charge) over all the assets of LC&F (the security assets) which is held by an independent trustee on behalf of bondholders. The security assets include the cash services in the business and the security taken from the borrowing companies."

At the top of the page, you say:

"I'd say this was perfectly executed. Well done Jo."

Your opinion at the time was what Jo was saying was perfect?

A. Yes. Can I point one thing out to you, Mr Robins: I was the least learned. I make no apology if I have ratified something which was said in error. There are two points to your question that I think are worth noting. The first one is, this is the first month or the second month -- no, it is not, I beg your pardon. It is 1 January. So the first three or four months of a three-and-a-half-year endeavour with LCF. Out of the £247 million, this would have been less than the first couple of million quid. We were finding our feet, liaising with our client, LCF.

If Jo, who was -- in fact, turned out to be a very good account -- she was in charge of the account management team, which was fairly big. I would have trusted her to say the correct thing, and she would have been more learned on the product than I was.

Q. There is no criticism at this point. I'm just asking you to confirm that you were very familiar with what your employees were -- or consultants were saying to members of the public about LCF to sell the bonds?

A. Yes, sir.

Q. Can we look at <SUR00006248-0001>. This is 20 January, and you're commenting on how a member of the public seems to have been a bit rude to George. You were paying fairly close attention to the webchats at this point, weren't you?

A. Yes, and, as I said previously, they literally lasted about two months, the webchats, for the purpose -- for the reason I put there, really, it is very difficult, in some correspondence, to get texture and context over. It is much better to do it by email.

Q. I think, also, it took quite a long time. We saw, a moment ago, the chat with Jo Baldock, just a few lines long. If you look at the timestamps, she was tied up for almost half an hour answering just one or two questions. It wasn't a very efficient use of staff time, was it?

A. No.

Q. It may not have lasted but, for the period it did last, you were paying close attention to what was said, weren't you?

A. Yes, sir.

Q. If we look at <SUR00131096-0001>, we see you're making the very point:

"Was this you? 90 minutes of being tied up. Good times."

You have read the chat, you have seen that George was tied up for 90 minutes with a single member of the public, and you're beginning to think this is not an effective use of time?

A. Yes.

Q. Is that what was happening here?

A. Yes, that's what's happening.

Q. If we look at <SUR00007846-0001>, you say: "Nice one, Jo. Has an account with Ratesetter." That's something that's been mentioned in the chat. So you had read the chat on this occasion as well?

A. Yes, sir.

Q. If we look at <SUR00131390-0001>, and look at the next page, please. There's been some discussion about a chat and, at the top of the right-hand side, you said: "Suspicious chat."

John Russell-Murphy says:

"Looks like a genuine client to me, but I'm far too trusting."

Scott says:

"Defo genuine that one."

You say:

"Okay, I'm in agreement now."

This is the sort of discussion that would go on between you and Mr Russell-Murphy about the content of the chats?

A. Yes, sir.

Q. Do you remember why you were sometimes suspicious about chats and wanted your tech team to discover the IP number of the person who had been asking questions?

A. I do not recall. It was either I was concerned that we were breaching the regulatory perimeter or potentially I was concerned that we were -- it could have been a competitor, perhaps, trying to flesh out who was -- you know, what was happening. It was a quite competitive marketplace. But I don't recall this specific one.

Q. You knew from your oversight that the sales team were telling members of the public that LCF was a financial institution that lent to SMEs?

A. Yes, sir.

Q. If we could look, please, at <SUR00005560-0001>, you can see a chat goes to the tech@infoconnections address, and the visitor asks, at 04:13:42:

"How do you offer an 8 per cent bond?"

"You invest in high yielding corp bonds?" And she replies at 04:15:44:

"No we are not investing on high yielding corporate bonds we are a commercial lender, we offer short term lending to SMEs at a premium rate and this enables us to pass on the benefits of these rates to our investors." You knew this was how the sales team were answering the "Is it too good to be true" question?

A. Yes, sir.

Q. If we look at <SUR00006628-0001>, the visitor asks George:

"Can you tell me if your SMEs are UK based?" George says, "Yes, they are".

You knew that your sales team were telling members of the public that LCF was lending to UK-based SMEs?

A. Yes, sir.

Q. If we look at <SUR00007793-0001>, we can see another one. The second thing Scott says is:

"We are a corporate financier and lend money to small/medium size businesses (SMEs).

"Our funding is typically short term and rates start at around 18 per cent. Therefore, even at the highest rate of return for investors, 8 per cent, we are able to retain a profit margin."

This is the sort of comment to members of the public you were familiar with, isn't it?

A. Yes. I think it is unfair to characterise Surge's role based on things it did in the first four months over a three-and-a-half-year track record.

Q. Was that my question?

A. No, sir. The answer to your question is "yes".

Q. This is the sort of comment to members of the public that you were familiar with, isn't it?

A. Yes, sir.

Q. If we look at <SUR00013346-0001>, there's another one. We can see you're copied:

"We are a corporate financier which essentially means that we loan money to SMEs ... the security against these loans is taken from property or land owned by the business. That way if the business default on their loan, we liquidate their asset and put the money back into the bond."

The natural implication from what's being said there is that the property or land owned by the business is in the UK, isn't it?

A. Yes, it is.

Q. You knew that was being said to members of the public?

A. Yes, I did.

Q. <SUR00013400-0001>. If it doesn't work, let's look at another one. <SUR00018526-0001>. A visitor asks Scott "What does SME stand for" and Scott says: "Small/medium enterprise, in short small/medium size business. Our day-to-day business is lending money to these types of companies."

You knew that was being said to members of the public?

A. Yes, sir.

Q. Calls between salespeople and members of the public were recorded, weren't they?

A. Yes, at some stage, they began to be recorded, yes.

Q. You listened to the call recordings and gave feedback, didn't you?

A. I think, early on, I would have done that, yes.

Q. If we look at <D7D9-0002631>, for example, we can see the call has gone to the team@infoconnections email address and you say, "Great call George". This is typical of the sort of feedback you would give to the team members, isn't it?

A. Yes, sir. One point I would just like to make on this email in particular is, George Carlo became -- didn't work on London Capital & Finance, sir, he worked on the Blackmore Bond. But, of course, they all went to Surge, all the call recordings for both companies, so there's a chance -- he could have been perhaps standing in for someone, but we tended to have account managers trained in each client's --

Q. Do you see on the right it says "Call number LC&F dedicated line"?

A. Yes.

Q. So he was dealing with LC&F on this call, wasn't he?

A. He could have been, yes. I think this was very early on, yes, January 2016. I think he morphed into running the Blackmore Bond account management team. That's why I questioned it.

Q. Can we look at <D7D9-0003249>. We can see the subject of this one is "London Capital & Finance call recording". You said:

"Masterclass, great job Scott."

Again, this is typical of the sort of feedback you'd give after listening to the calls, isn't it?

A. Yes. I would like to make one point: there is a chance, sadly, that I may not have listened to a call and may well have just said, "Great job", because -- I'm not trying to recuse myself from -- I would have listened to calls, and I would have --

Q. You wouldn't have said "masterclass" if you hadn't listened to it, would you?

A. There is a chance I would have, I'm afraid to say. I was trying to breed confidence in a sales team and give them -- but, yes, I think it's fair to say I would have listened to calls early on, I would have done it. But there are occasions where I would have just -- someone would have sent me something and said, "Have a look at this guy, he's really great", and I would have said, "Yeah, you're really great", but --

Q. This isn't one of the occasions where someone sent this to you saying, "Listen to this. It's really great", though, is it?

A. I don't think so, no.

Q. Can we look at <D7D9-00032 --

MR JUSTICE MILES: Did the calls to these emails come to you automatically?

A. My Lords --

MR JUSTICE MILES: Are you on the tech@infoconnections.co.uk.

A. Yes, sir.

MR JUSTICE MILES: So that's how that one would have reached you?

A. Yes. I think, very early on, we were talking probably in the dozens -- scores, perhaps. As we grew, certainly after the first audit, it went to the thousands and it was inconceivable that I could receive any communication at all and everything went onto a CRM and then it -- you know, I had very little ability to sort of track it.

MR ROBINS: But at this point in time, you are tracking it, aren't you?

A. Yes, sir.

Q. Can we look at <D7D9-0003296>, please. When you're telling John Russell-Murphy and Jo Baldock and the wholesales team, the whole tech team, that this is another masterclass from Scott, you have probably listened to the call before saying this, haven't you?

A. Probably, yes.

Q. If we look at <D7D9-0005518>, when you say: "Feedback on this call:

"1. Tracey needs more confidence. This is the job, account managing is about being on the phone ..."

"2. In my opinion, there is too much talk about the FSCS. The client only asked what the security was. Simply saying 'we operate our own well managed asset backed scheme' is sufficient without entering into a tirade about how the FSCS doesn't cover you for this or for that and is not suitable. People won't buy that. Too many people automatically go into this on webchat and phone chat. It is far too defensive, tell them about the merits of our scheme and not ... the shortcomings of the FSCS scheme.

"3. Some clients will ask a question and the account manager will answer the question and then keep talking. It is perfectly fine to answer a question succinctly. Then await anew question or comment from the client. Listening is the biggest part of selling, not talking.

"Accuracy, brevity and clarity is what the client wants. Be confident, be open and be happy." You accept you listened to this call?

A. Yes, sir.

Q. And you accept this is the sort of detailed feedback you gave to the sales team, giving them your experience of how to sell?

A. Yes, sir.

Q. Can we look at <D7D9-0006262>. When it says, "Great call Tracey", again, you'd probably listened to the call before commenting, hadn't you?

A. Yes, sir.

Q. If we look at <MDR00036550>, again, you say: "Generally very good call.

"Feedback:

"1. You say 'Alright' a few times at the beginning. "2. You said £75 thousand quid. Say Pounds please ...

"3. Nice statement regarding £8m out in loans, £33m in assets.

"4. 'Filling up really quickly' -- nice," et cetera.

This is in April 2016. You accept, from January to April 2016 at least, you were listening to calls and giving this sort of detailed feedback to the salespeople?

A. Yes, sir.

Q. Could we go back, please, to <C2/3>, and we are looking for paragraph 62.10. I'm afraid I don't have on this one a page reference. Next page [page 13]. So you say at 62.10:

"I believe that very early on a promotional video was created, however it was eventually scrapped. Kerry would probably have been involved with this, not me." Is that true?

A. I thought it was true, yes.

Q. Do you think it's true now?

A. I'm not sure, based on the fact that you're probably going to show me something which proves it not to be. But I wouldn't have written anything in that statement that I believed purposely not to be true. It would have been a memory issue.

Q. Can we look at <SUR00006090-0001>. That's an email from Ryan Holdaway to you. Did he work in sales or tech?

A. He worked in tech -- well, chief marketing officer. So tech really encompassed, early on, about three or four people. Eventually, there were about 15 people in there. They ran three things. They did all the online portal and technology. Ryan was a part of the marketing, there was a small marketing team as well, and they did the security.

Q. He says:

"Shall we do a video showing the business model and the direct results it has on each party? "1. A SME business owner getting denied a bank loan to expand their business. 2. Approaching LCF and asking for a loan. 3. LCF doing due diligence. 4. LCF granting the loan and getting security. 5. Business owner agreeing and growing their business with the funds. 6. Zoom out showing multiple business owners paying back LCF after successfully expanding the business because of their loans. 7. LCF releasing funds to investors. Something like that?" First of all, the seven points that he's setting out presumably reflected your understanding at the time -- January 2016 -- of how LCF operated?

A. Yes, sir.

Q. Second question: if you are doing sales, you want to maximise sales figures and one of your tech employees suggests something like this, you'd probably think it was a pretty good idea, wouldn't you?

A. I don't know with a video. Potentially. I mean, to put some context on it, I was the CEO. Lots of people were approaching me with various ideas for marketing and sales throughout the entirety of the period we worked with LCF. So, you know, this would have been a loan pitch. I would have seen various pitches and, indeed, proposed my own.

Q. You can't remember what you thought about this suggestion?

A. No, sir.

Q. Can we look at <SUR00006124-0001>. You say: "Like that, good story board. Explains security, how we afford to pay 8 per cent."

You were on board with the idea, reasonably enthusiastic about it, weren't you?

A. Yes, sir.

Q. Can we look at <SUR00006589-0001>. Kerry is sending an email to Ryan and you and she says:

"New content for you."

Would this have been content for the website?

A. I presume so.

Q. It says:

"Above market interest rates, an explanation ... "The interest rates offered by London Capital & Finance are above average by comparison to other investment bonds commonly promoted in the bond markets." That was correct, wasn't it?

A. I don't think that was correct. I think -- as I said to you yesterday, Mr Robins, I think there were a large number of bonds which offered that, many of which I could name for you today and you could check.

Q. I'm asking you about your understanding at the time. You thought at the time they were above average by comparison to other investment bonds commonly promoted in the bond markets?

A. They were comparable with others in the market --

Q. So it was wrong? What Kerry wrote there was wrong?

A. Potentially, yes.

Q. Then she says:

"We are often asked how it is possible for us to maintain such high rates of interest?"

That was a very common question, wasn't it?

A. Well, it was a question, yes.

Q. Then it says:

"There are two reasons for this: 1. A profitable business model. 2. Prioritisation of our market share. The core business of London Capital & Finance is lending money to small and medium sized companies. The loans are short term with high rates of interest, APR can range from 20 to 30 per cent. Hence the core business is highly profitable and these profits can be passed on to investors who purchase bonds. It is also important to note that loans are safeguarded; all borrowing companies undergo a strict evaluation process and must provide security at no less than 75 per cent loan to value."

As at 25 January 2016, was that your understanding of how LCF worked?

A. It's the first time I've read this in nine years -- sorry, after I read it the first time, if I read it the first time. If it came from Kerry, there is a chance I probably wouldn't have read too much detail in it. But, yes, I think that's how I thought it was.

Q. Can we look at <SUR00006592-0001>. You replied to Kerry saying:

"Nice content, even nicer sentiment."

Do you think you probably did read it?

A. Possibly, sir, yes.

Q. Do you accept you didn't say, "No, that's wrong. The interest rates offered by London Capital & Finance are not above average by comparison to investment bonds commonly promoted in the bond market? You didn't say that, did you?"

A. No.

Q. You didn't say, "You got it wrong. We are not often asked how is it possible to maintain the high rate of interest", did you?

A. No, sir.

Q. You agreed with those things because that's what you thought at the time?

A. Yes.

Q. Can we look at <D7D9-0004405>, please. Do you remember Jo Baldock telling you about Shenton International and its mini bond?

A. I'm afraid I don't, no.

Q. That's the subject, "Shenton minibond". She says: "Just put an application through this. It's 8 breadcrumbs long ..."

What are "breadcrumbs"?

A. "Breadcrumbs" is a colloquial term that marketeers give for a stage an application goes through from start to finish.

Q. So the application form is eight stages, or eight segments, long?

A. Yes, sir.

Q. "... and You Have to put in your bank data details mid app which put me off a bit. Although you register with them mid application using your email as your user name and you choose your own password, this is then my log ins to the bond at the end of the application and for future use."

In the penultimate paragraph, right at the end, she says:

"Video is good too.

"Overall, definitely better."

Do you remember Jo researching LCF's competitors to see how their application process compared?

A. I don't recall.

Q. Do you remember you thought that you should ensure that LCF was as good as Shenton?

A. It was eight years ago. I'm sorry, I can't recall precisely that.

Q. Can we look at <D7D9-0004409>. You said: "Thanks Jo. Great report and actually good news. We don't need to reinvent the wheel. Thanks Shenton. Ashleigh/Ryan/Manuel: operation make us as good as Shenton as fast as possible starts Monday. Spec up what needs to happen, timelines, et cetera." Do you remember, looking at this, you were impressed by Shenton and thought LCF's operation needed to improve?

A. Yes. I mean, now I've looked at it a bit more, I do remember Shenton, yes. I recall. I don't recall this specific email, but I can recall sort of saying who they were.

Q. Do you remember watching Shenton's video?

A. I can't, I'm afraid.

Q. Can we look at <D7D9-0004474>. You email the sales team and the tech team and say:

"The Shenton video is perfect. As good as that, just slightly better. That is the benchmark." Do you accept that you watched the Shenton video and were impressed by it?

A. Yes, sir.

Q. Do you remember your mind began to turn about how your sales team could use an LCF video in sales conversations?

A. I'm afraid I don't.

Q. Can we look at <SUR00006891-0001>. You comment on a chat:

"This shows why a great quality video that explains the bond would work really well. Here, George could just send the link to the video."

Do you remember thinking that an LCF video would help make the webchat process a lot smoother and less time consuming?

A. I don't recall this, but, yes, obviously I did.

Q. If we look at <SUR00131254-0001>, this is you emailing the sales team and the tech team:

"Immediate mission: 60 leads a day ...

"Secondary mission:

"New video this week as good as Shenton. "Overall mission:

"Sign up with new API ...

"Go Go Go.

"Definite sprint."

Do you remember telling your team that they needed to come up with a new video as good as Shenton with these expressions of urgency?

A. No, sir, I don't.

Q. Can we look at <D7D9-0004565>. We can see, at the bottom half of the page, Scott has drafted a script and says:

"Paul, please see attached as requested. I'm not sure how compliant it is, but it's a starting point at least."

You said at the top:

"Anyone feel free to write their own version. All attempts welcome."

Do you see that?

A. Yes, sir.

Q. Why are you sending that to an NHS GP called Ronak Patel?

A. Ronak Patel was a friend of mine. We started a business together called Ask a Doctor, which was part of the other sites that you saw -- sort of the other ones we saw yesterday. I had Ask a Lawyer, Ask a Financial Advisor, of course The Investment Experts, and we had an Ask a Doctor site. He was the founder of that business. Kerry and I worked with him to try and build out a way for members of the public to get initial screens/medical advice for a fee.

Q. He wasn't generally involved in LCF business, was he?

A. No, he wasn't.

Q. So this would have been quite unusual, you bringing him in and asking him to write a video script for LCF?

A. Yes, it would have been.

Q. Seeing that, that doesn't jog your memory at all that, yes, this is something that happened?

A. No. I think, to put some context on it, Ask a Doctor was a failure. It was too early for people to be willing -- you're talking, obviously -- I think we did Ask a Doctor in around 2014, it was ten years ago. People weren't ready. That business was a failure. Ronak, along with us, had lost some money and we were looking to work with him in another way because he was a very entrepreneurial chap, he was a friend of mine, I liked him, and I'm afraid I can't explain why I cc'd him in here.

Q. It is fine if you can't remember. Is that just something you can't remember because it's, what, nine -- eight or nine years ago? Okay. If we look at Scott's script, that's <MDR0002973> -- no, it is not. <MDR00029736>. This is Scott's script that he sent to you:

"Welcome to the London Capital & Finance Plc asset backed minibond. Our bonds pay a fixed rate of interest of up to paying up to 8 per cent a year with all of our investments fully secured against UK assets.

"LCF is an established business model successfully raising millions of pounds each month which is then deployed to small and medium size enterprise.

"SMEs account for 99 per cent of all businesses in the UK. Even viable and strong UK businesses struggle to receive funding from traditional banks.

"If SMEs prosper, then so does the UK economy and ultimately so does every UK citizen.

"At LCF, we are seeking to support SMEs with securitized loans", et cetera.

Do you remember getting this and thinking it needs a bit of work?

A. I don't remember, sir.

Q. Do you remember working on it yourself?

A. I do not remember working on it, but I could have done.

Q. Can we look at <D7D9-0004710>. This is an email from you to the tech team, 3 February 2016. At the bottom of the page:

"Orders.

"1. Following this email, I will work on the draft video script and get it over to Andy Thomson for approval tonight."

Looking at this, you would accept that you worked on it, would you?

A. Yes, sir.

Q. Do you remember working on it?

A. I'm afraid, genuinely, I don't, but obviously I clearly did.

Q. You sent it over to Mr Thomson and he sent you a revised version. Do you remember that?

A. I'm afraid I don't.

Q. Can we look at <MDR00029789>, please. You are telling Mr Thomson that his script sounds brilliant. You say: "Good job, thanks Andy."

Do you remember he worked on it and made some changes?

A. I don't, I'm afraid, remember.

Q. Can we look at <MDR00029799>, please. You are forwarding Andy's script to Manuel. He was part of the tech team, wasn't he?

A. Yes, sir.

Q. And Kerry is copied as well. You say: "New approved by Andy script.

"It is a little longer than I'd hoped but it does a good job of explaining ..."

You would have been turning it over to Manuel so he could get on with the job of producing the video, wouldn't you?

A. Yes, sir.

Q. Can we look at <MDR00030398>. Kerry says: "I have amended the video script slightly (additions in red) ..."

This is the first time, I think, we have seen her having any involvement in the video. So, when you say in your witness statement, "Kerry would probably have been involved with this", that's correct, isn't it? It is just the next two words in your witness statement, "not me", that aren't correct?

A. I think we need to take some context. We are talking over a three-and-a-half-year period and you are focusing on a four-month period. The majority, the vast majority, of anything involving detail, whether it be contracts, whether it be dealing with the solicitors or indeed LCF, would have been conducted by Kerry. She was the chief operating officer and it was her role to do so, and I was busy trying to grow the head count and scale the processes and systems, Mr Robins.

Q. You mention the video in your witness statement. You say -- you're the one who raises it, you say, "Kerry would have been involved, not me". That's not correct, is it?

A. Well, no, I'm afraid it's not correct.

Q. Do you remember telling Mr Thomson that the first draft of the video was ready?

A. No, sir.

Q. If we look at <MDR00031180>. You say at the bottom half of the page:

"Manuel has put together the first copy of the video. It is only a draft as the original script (a combination of mine and yours) was far too long, it turned into The Lord Of The Rings."

You ask Manuel to send the current version. At the top of the page, he gives you some feedback: "I think a video will really assist the site so the sooner agreed the sooner implemented."

You don't remember any of this?

A. No, I do not.

Q. You said in your email this was the draft video. Do you remember working on a further version after this?

A. I do kind of remember we did a video and all of this is bringing it back, but it is not something I sort of have much detail of. I probably formed the impression we would have done it for marketing, but I don't remember the specifics of it, Mr Robins.

Q. Can we look at <SUR00131799-0001>. Kerry has provided a revised script. The subject is "Wellesley video" because you all found out that Wellesley had a video as well and you watched that and have taken some inspiration from it. Her script says:

"London Capital & Finance Plc is a corporate finance company, we lend money to small and medium sized companies and provide bonds to savers like you. We charge borrowers interest rates of 12 to 18 per cent and pay you the customer up to 8 per cent. This innovative business model provides a viable alternative to risk averse customers who are seeking high returns ..." Then if we could look at the second half of the page:

"London Capital & Finance Plc have an experienced lending committee who analyse each application for finance; scrutinising the financial records of the business and ensuring that they have adequate collateral to secure the loan."

Do you remember seeing Kerry's script?

A. I don't remember it. But I have no doubt I would have, because I'm -- I think -- am I cc'd? If I'm cc'd on it, then, yes, there is a good chance I would have read that, Mr Robins.

Q. There is another version of the script. Can we look at <D7D9-0006300>. Ryan has worked on it and this one is obviously sent to you. You would have looked at this as well, given your involvement, wouldn't you?

A. Yes, sir.

Q. This one says, three paragraphs from the end on this page:

"Your investment is not tied to one borrower but against our whole loan book, so as our loan books grows, so does your diversification ..."

Do you remember diversification becoming an important selling point for LCF?

A. I'm afraid I don't.

Q. "Due to our strict lending criteria, secured assets and the diversification, we have a 100 per cent success rate of repaying investors ..."

You don't remember this was something that was being emphasised at this point?

A. Not specifically, no.

Q. Can we look at <MDR00033734>, please. Manuel is updating everybody about the production of the video. The guy who did the previous versions, who was cheap, was in India and wasn't available and this was going to cost a bit more. Do you remember being involved in the process to produce the video?

A. I'm not sure. If it wasn't moving quickly, I may have took the reins, but I don't recall, I'm afraid.

Q. Can we look at <SUR00012114-0001>. You say at the top: "Can't wait for our video -- it will help with chats like this."

You were keen, weren't you, for it to be ready as soon as possible?

A. It looks that way, yes.

Q. Could we play the video? This is the final version of the video. Hopefully we can watch it. We need to go back to the beginning, I think.

(Video played)

MR ROBINS: Now you've seen that, you remember that was the video that you produced, wasn't it?

A. Yes, sir.

Q. If we go to <R1/25>, we have the transcript. The third paragraph:

"London Capital & Finance Plc is a provider of loans to UK businesses."

Do you say that was your understanding of how LCF operated at the time?

A. Yes.

Q. It says:

"We typically charge borrowers between 12 and 20 per cent per year which means we are able to pass on higher interest rates to our investors." Again, do you say that was your understanding of LCF's business at the time?

A. I'm presuming Andy signed this off, so yes.

Q. But was it your understanding at the time?

A. My understanding wasn't very clear at the time.

Q. So you thought this might be true, might not be true. Is that what you are saying?

A. Mr Robins, I am the marketing person in-company. It is not within my gift to dissect -- there is an irony here --

Q. I'm asking about your understanding.

A. I'm trying to tell you it, sir. There is an irony here that the information that I am providing the customer, I didn't focus, frankly, on the detail of -- my job was to try and present the information and not the entirety of the business model or, you know, set up the business model for the clients, and so, yes, it would have been my understanding at that time, perhaps. If I had an understanding, that would have been it.

Q. The third paragraph we see on the screen: "London Capital & Finance Plc have an experienced lending team who thoroughly assess each application before agreeing to loans."

Do you say that was your understanding of how LCF worked?

A. Yes, sir.

Q. The final paragraph on screen:

"Your investment is secured against our whole loan book, so as our loan book grows, so does the diversification of security ..."

Do you say it was your understanding at the time that LCF had a diversified loan book with diversified security?

A. So -- can you tell me the date of this again? What was the date of this video, Mr Robins?

Q. If we go to the next document, we can see <MDR00052396>. We can see this is 2 August 2016. You are saying to Craig:

"Don't be afraid to use the video. It's professional and will do a good job on the heavy lifting, sales wise."

A. Yes.

Q. It was something you encouraged your team to use during August 2016, wasn't it?

A. Yes, sir.

Q. Was it your understanding, in 2016, that LCF had a diversified loan book with diversified security?

A. Yes, it was.

Q. You were happy when your salespeople actually used the video in the conversations with members of the public, weren't you?

A. Yes, sir.

Q. You were also involved in drafting website content for LCF, weren't you?

A. Possibly, yes.

Q. Can we look at <SUR00007607-0001>. We can see Kerry's sending an email, it's copied to you, "New home page content as requested. I have tried something quite different, it's more direct, concise and to the point. What do you think?"

After the bullet points, it says:

"How is it possible to offer fixed rates as high as 8 per cent?"

Again, that reflects the fact this was a very common question you were asked, doesn't it?

A. Yes, sir.

Q. "London Capital & Finance Plc operate as a corporate financier, lending money to small and medium sized businesses. All loans are secured, they are short term facilities that command high interest rates. This is a profitable business model and we have elected to pass on profits to bondholders to make this opportunity significantly attractive ..."

Do you remember reviewing and commenting on text like this?

A. I don't remember, but yes, I would have possibly done that.

Q. If we look at <SUR00007614-0001>:

"Well done Kerry. Ryguy ..."

Is that Ryan Holdaway?

A. Yes.

Q. "... direct you to him cc me in please." You're saying, "Send this to Andy and copy me in"?

A. Yes.

Q. This reflects how closely you were involved in matters like website content at the time, doesn't it?

A. Yes.

Q. There have been quite a few points yesterday and this morning where you have made the point that we are dealing with things that happened eight or nine years ago and you've said you can't remember. You said this morning what you said in your witness statement about the video wasn't purposely untrue, it was a memory issue. It is fair to say, isn't it, that your memory of things that happened eight to nine years ago has faded quite considerably?

A. Yes, sir.

Q. More recently, if we just look at the last five years, after LCF's collapse, journalists started asking you questions, didn't they? They wrote letters and questioned you?

A. Yes.

Q. You had to formulate your responses?

A. Yes.

Q. The administrators wanted to interview you, didn't they?

A. Yes, sir.

Q. They got an order for you to be examined in court?

A. Yes.

Q. You knew they were going to ask you questions?

A. Yes, sir.

Q. The SFO arrested you, didn't they?

A. They did.

Q. What was the date of that?

A. It was --

Q. Or month?

A. I believe it was in June 2019.

Q. Did you have any prior warning that that was going to happen?

A. No, sir.

Q. When you'd been arrested, you knew the SFO were going to ask you questions as well?

A. Yes, sir.

Q. Then these proceedings started in August 2020, didn't they?

A. Yes, sir.

Q. So, you've known for three and a half years that you could end up sitting here having to answer questions?

A. Yes, sir.

Q. So, in the most recent five years, there must have been many times when you were lying in bed or sitting in the bath or driving, thinking to yourself, "What questions are they going to ask me?"

A. Yes, sir.

Q. I'm not saying there is anything nefarious about that. Trying to anticipate the questions is a very natural thing to do. You would agree, wouldn't you?

A. Yes, sir.

Q. On those occasions, you would have been working out how to answer those questions, wouldn't you? Again, perfectly natural. I'm not suggesting there is anything nefarious, to use your word. But you would have been working out what answers to give to the questions that you were anticipating?

A. Yes.

Q. You have been over the questions and the answers countless times in your head, haven't you?

A. Yes.

Q. In doing that, you have constructed your own narrative, your own take, on the events, which has become more real to you than your own fading memory of them?

A. Yes.

Q. So yesterday, for example, I took you to your message to Steve saying, "Mark thinks Spencer is Madoff", and you said, "We were just laughing and joking in the pub, it was a throw-away, joking comment, not a serious allegation", that's not actually a memory, is it? You don't have a memory of Mark, in the pub, saying those words as a joke, do you?

A. You are completely correct in everything you have just said. My memory is not very good. I actually don't have a very good memory generally and I'm not known for one for detail. Anybody who knows me will know that's not really my thing. Although I don't have very specific memories, there are things that stand out which are ironclad in my mind, and not because I have retrofitted them or, indeed, because I know more now; because I relied on them then and there was certainty to them then and, therefore, they are sort of engrained. But I think, generally, it is fair to say you are right. My recollection on some things is pretty hazy.

Q. What you are doing, even on your ironclad points, is rationalising your behaviour, retrofitting it, to use your term. That's what's going on, isn't it?

A. I don't believe that's the case. I mean, if I have written something which is incorrect in my statement or said to you today, it would be because I had an honest-held belief. I believed that London Capital & Finance was not a fraud at the time, and that's very important, and I stand by that today, five years or so later, eight years later. I didn't think back then, with the information I had, it was a fraud. As I said earlier, Mr Robins, it is ironic that the very people, the barristers, who are questioning me were the people who knew more than I did, who sat in the room and told me they worked for the regulator for ten years, or accountants, who worked for two of the biggest auditors in the world, were signing this off. I had great comfort. I know we went past these points because, of course, they are inconvenient to your own case, but it is just the truth.

The bottom line, Mr Robins, is, yes, my memory is not as good as perhaps -- as accurate as it should be, but I had an honest-held belief that this was a real business and I said that to the SFO and I say it again to you today. It is only now, with the information I have seen since the opening submissions

and, indeed, Mr Thomson's evidence -- you know, I genuinely, right up until, you know -- so, yes, I think it's true to say my memory is not -- is probably not entirely reliable.

Q. Even when you say "I believed that LCF was not a fraud", that's your reconstruction of events, a reconstruction born of an urgent need to exonerate yourself, and that has now obscured, possibly even obliterated, any fading recollections that you might otherwise have had?

A. Mr Robins, I was removed from the criminal investigation over two years ago, or two years ago. I told the SFO, truthfully and honestly, what I knew then and I stand by it today. If I cannot, and indeed businesses cannot, rely on barristers as good as you, as smart as you, as forensic as you, sitting in a room, telling me they worked for ten years for the regulator, who clearly in discovery have seen -- I have seen now they have seen everything, or indeed PricewaterhouseCoopers or Ernst & Young, who I note have bought their way out of this litigation, and we are -- and I am carrying the can as the marketing company, then who on earth can I depend on?

Q. Here we go again. We saw it yesterday, when I was asking you about December 2015, you started talking about PwC. Now you have started talking about PwC and Ernst & Young. I have been asking you about December 2015 and January, February and March 2016. We haven't even got to that part of the chronology yet. What you are doing is holding on to the key points, the key planks, of your position, telling me about those, when I'm asking you about an earlier period. That's what is going on, isn't it?

A. That's fair to say, but I think you picking apart the scrappy nature of the start-up four, five, six months into its beginning as opposed to -- out of that £247 million, you're probably talking 10 million quid. People didn't put their money into it because we did a video, Mr Robins; people put their money into it because two of the largest auditors in the world said it had five times the amount of security for which it did. You do not give credit to bondholders to think that they would see an interest rate and say, "That's amazing, I'll put my money in". I'm sad to say, that's not the truth. The truth is, the bondholders put their money in because the security was there to pay them back and that is the number one cause of why someone would invest in it.

Q. Again, after your video was in use and in the period before the PwC audit has even come into existence, you are saying people put their money in not because of the video, but because of the PwC audit. You are clinging on to the key planks --

MR JUSTICE MILES: He said, actually, it was because of the security.

MR ROBINS: That's a fair point. But the audits were also mentioned. That's possibly a convenient moment, my Lord, because I'm about to move on to a new topic.

MR JUSTICE MILES: We will take a five-minute break.

(11.42 am)

(A short break)

(11.47 am)

MR ROBINS: Can we go to <B2/6>, page 1, please. Do you recognise this as your amended defence in these proceedings?

A. Yes, sir.

Q. Can we go to page 36, please. Did you sign this defence?

A. Yes, sir.

Q. Did you read the statement of truth before you signed it?

A. Yes, sir.

Q. So, do you say the facts stated in the amended defence are true?

A. Yes, sir.

Q. You understood, before you signed it, that proceedings for contempt of court could be brought against anybody who made a false statement without an honest belief in its truth?

A. Yes, sir.

Q. Can we go to page 6, please. In subparagraph 9, at the top of the page, you say:

"At all times, the Surge defendants acted in good faith in the honest and reasonable belief that Surge was providing outsourced marketing, technology and account management services to a respectable company operating a bona fide, lawful and legitimate business." Do you see that?

A. Yes, sir.

Q. So, do you say that at all times you believed that LCF was a respectable company operating a bona fide, lawful and legitimate business?

A. Yes, but that's not to say I wasn't cynical about LCF, because I was, many times, cynical about them. But I genuinely believed they were running a proper business.

Q. That's your reconstruction, isn't it?

A. No, sir.

Q. Well, if we covered what we saw yesterday, Mark had said 25 per cent commissions are insane and unsustainable but you wanted to do it to Christmas to ease your cash flow difficulties, pay some debts and fill the coffers. Mark said "Spencer is Madoff". A lot of people are saying the rates paid by LCF are too good to be true. We saw even Kerry said they're not credible. You haven't, at this point, seen any evidence of any SMEs, you didn't know the names of any borrowers. The reality is, you must have been thinking, by this point, there was a real risk that LCF was not a respectable company operating a bona fide, lawful and legitimate business?

A. There's a lot to digest there. I mean, I am cynical of the industry, and, indeed, I was cynical of London Capital & Finance. There were lots of reasons to be cynical. Indeed, people, often, when they are building businesses, say things, lofty things, which turn out to be untrue or insubstantial. But, genuinely -- sorry, I beg your pardon, generally speaking, I thought that we had met -- Andy had a banking background, Kerry also had a banking background, and she thought -- although they didn't get on, and that was more of a personality clash that developed over the preceding three and a half years, at that time, I had a lot of faith that they had good, early people to lend money to. I can't remember, at this period of time, whether -- how much I knew about the borrowers, Mr Robins, but, for example, I remember being in Goldman Sachs' office with Simon Hume-Kendall, Kerry and I, and a bunch of banking people, and we were asked to attend their offices on the basis of we were the people that were raising money for their lender.

Q. Do you think that was late 2017/early 2018?

A. I don't know when it was.

Q. I'm asking about December 2015. By that point, you thought that LCF could well be operating an unlawful and illegitimate business, didn't you?

A. No, sir. I didn't.

Q. Can we look at <SUR00158416-0001>, please. If we see on the next page, you sent the results of a dark triads personality test to Mark and seem to have scored rather highly on narcissism, Machiavellianism and psychopathy. Mark does the test and doesn't do quite so well. On the previous page, you say:

"Morning mate.

"Interesting and I would have guessed about that for you.

"Running your own ship for so long will have an effect on your Machiavellianism. It's a necessary evil."

Do you believe Machiavellianism is a necessary evil?

A. No, sir.

Q. You said:

"I couldn't get hold of Spencer last night but will do today. I have a plan to make the necessity of the DD seem more run-of-the-mill and less holy-shit-this-better-not-be-a-ponzi. I'll basically say that as Spencer is looking to revise an offer to be involved exclusively with us in one way or another and we want to run some DD to make the process easier down the line."

First, do you accept what I put to you yesterday, that, by December 2015, you hadn't actually done any DD yet? You started without DD because you wanted to fill the coffers?

A. Yeah, I mean, you mentioned -- I don't accept we didn't do any DD, no. I mean, you're showing me very specific emails like this one. Although this one is incredibly cringey and, you know -- I did know who it was from, it was from my ex-girlfriend, who sent it to me. You know, my star sign or my personality test between my friend and I, although it might be slightly embarrassing in this context, was merely, and only, just two friends who go to the pub, having a chat and, yes, you know, Mark was a good friend of mine and --

Q. What Mark had persuaded you was, by this point, DD was a necessity, wasn't it? You couldn't put it off any longer?

A. "I couldn't get hold of Spencer last night ... I have a plan to make the necessity of the DD seem more run-of-the-mill and less holy-shit-this-better-not-be-a-ponzi." Right. Some context around this, which might be helpful for the court. Please accept I'm in an industry where there are lots of things going on, lots of people with products which really weren't worthy of raising money, and they're a client and I actually thought -- if you look at it without fraud and look at it in this way, they are, I thought, the best client I could possibly get, and I did not want them running for the hills with Mark Partridge and his size 10s going in there. He's very blunt. He nearly lost the deal for me with Money Expert when we were trying to sell that in 2007. He says things bluntly. I was trying to not have him walk in there and do his DD in a way which destroyed the sort of relationship I was trying to create with a future client or with a general -- with a client I had, which I thought would have been a good relationship.

Q. That's exactly the point, isn't it: you didn't do any DD at the beginning because you wanted to fill the coffers; you're then getting 25 per cent commissions and thinking, "This is rather nice". Mark persuades you DD is a necessity, but you don't want to rock the boat. You don't want to jeopardise the 25 per cent commissions that are coming in. Those are rather nice?

A. I think, to the contrary. I know we won't be looking at these emails because they are to my credit, but there are dozens, okay, way more than this, where -- you know, scores of emails where we ask Mr Thomson -- myself, my financial director, my accountant -- to update us on their security, on the position of the company. I tallied them prior to this court meeting. There are over 40. That is clearly not turning a blind eye. That is asking questions and, when those questions aren't satisfied, that is asking for further questions. Although I am embarrassing myself with, you know, this nonsense, essentially, I do not want my accountant, who is blunt, to destroy what I think is going to be a great business relationship which is what I thought was an up and coming -- I thought it was the best bond in the market. It was the best bond in the market at the time. Not with what I know now. Of course, with what I know now, I wouldn't have done it. But, at the time, I thought it was.

Q. You knew what a Ponzi scheme was, didn't you?

A. Yes.

Q. You know that it involves using monies from new investors to pay returns to existing investors?

A. That's not my definition. My definition is different. But I do know what a Ponzi scheme is, yes.

Q. Well, if you are going to do DD to satisfy yourself it is not a Ponzi, you need to know where is the new investor money going and how are payouts to existing investors being funded; right?

A. Yes, sir.

Q. Mark has persuaded you DD is a necessity, hasn't he?

A. There's plenty of emails prior to this where we are -- okay, yes, he has. Yes, sir.

Q. He's persuaded you of that by telling you that LCF could be a Ponzi scheme so you need to really check it out?

A. Yes, sir.

Q. So, it's not true, is it, to say that at all times you thought that LCF was operating a bona fide, legitimate and lawful business. In late 2015, you thought it could well be a Ponzi scheme?

A. I just don't accept that characterisation. And if I have said something wrong in my statement, you know -- I didn't think it was a Ponzi scheme in 2015. I thought it was a new start-up bond which had - which was showing signs of having the best products and the best backing around it.

Q. By this point, you'd been selling it for three months. You wouldn't think DD was a necessity unless you thought there was a real risk that something could be wrong in LCF?

A. Yes, sir.

Q. So, in late 2015, you thought LCF could well be a Ponzi scheme, didn't you?

A. I didn't, no. I know these colloquial, throw-away comments are not particularly helpful to my case, or indeed they are embarrassing, but the fact I am saying -- even pointing out that it could be a Ponzi is because it is my view that -- that shows you -- I mean, you know, I'm trying my best to get -- in

many emails, and Kerry, I'm trying my best to get Andy into the strongest position he can for a marketing point of view to enable it to be able to sell to members of the public. As I said yesterday, Mr Robins, the number one thing that people are interested in, when they put money into a bond, is that they will get their money back. The only way they can do it is not the protestations of what I say or indeed what Mr Thomson says. These are irrelevant. We have to rely on what the accounts say. They are the facts. If this courtroom is interested in facts, not my -- the facts are, the audits are key and I was constantly pushing him to upgrade the quality of his partners and, to his credit, he did, and of course that did reduce my view on it. Indeed, I didn't think this was a fraud well into 2019 -- well, I'm not going to say what I think now. But I just didn't. I'm afraid it was a start-up business. It was scrappy.

Q. What audits had happened by 8 December 2015?

A. I'm afraid I don't know. Was it just --

Q. Well, none. By this point, it is not about marketing. You were -- you had been persuaded by Mark that you had to satisfy yourselves that the underlying asset performed efficiently and you could be comfortable that your clients' coupon and your fees would be paid?

A. Sorry, sir, could you say that again?

Q. You had been persuaded by Mark you needed to satisfy yourselves that the underlying asset performs efficiently and that you could be comfortable that your clients' coupon and your fees would be paid?

A. Yes.

Q. You wouldn't have been persuaded of that unless you had actually thought there was a real risk that LCF might not be a legitimate business, would you?

A. No.

Q. But, as you have said, you didn't want to jeopardise the 25 per cent commissions, did you? You didn't want Spencer or Andy to get annoyed with you and tell you that the flow of money to your company would stop?

A. I'm afraid a "Yes" or "No" answer would do no credit to that question. There was a lot going on. As I say, my memory isn't fantastic and these emails are obviously prompting me in various ways, including the embarrassing ones. But, essentially, back then -- you need some perspective here. Spencer Golding was worth 40 million quid, apparently, or allegedly. I'm going to offices where there's Rolls Royces and all these other things and there's lots of wealth. I'm meeting people who are taking me to Goldman Sachs. Kerry and I were way out of our pay grade. We are marketing companies. You know, even at this point, we were blown away by -- we thought they were very successful individuals and they knew what they were doing. Obviously, you know, one of the things I've learnt from this five years is people often, certainly in the professions, sometimes don't, and you have to -- you know, my cynicism was always with LCF, Mr Robins, that of course they might not pay their coupon back. That's always the cynicism with everything. Sorry, I did go on a bit there. What was the actual question?

Q. You didn't want to jeopardise the 25 per cent commissions? You didn't want Spencer or Andy to get annoyed with you?

A. No, I didn't.

Q. Can we look at <SUR00130330-0001>, please, at page 2. There is an email from you to Mark, copied to John, Kerry and Steven. You say:

"JRM has been constructing and selling bonds for a long time and also has intimate knowledge of LCF and so if we can begin our DD journey with him and see what is required to satisfy ourselves that the underlying asset performs efficiently and we can be comfortable that our clients' coupon and our fees will be paid." That's what Mark had persuaded you you needed to satisfy yourselves, wasn't it, that the asset performs efficiently and you can be comfortable that your clients' coupon and your fees will be paid?

A. Yes.

Q. Then he said:

"We need to conduct this DD with a light touch, they are, after all, our commercial partners." You don't want to rock the boat, annoy them and jeopardise the 25 per cent commissions?

A. No.

Q. You're saying, "If we start the DD with John Russell-Murphy, ask him some questions, we can avoid any unnecessary annoyance to Spencer or Andy"?

A. Yes.

Q. That's what you are saying, isn't it?

A. Yes.

Q. Then, in the next paragraph, you say: "Jo also had some questions that clients are asking about the bond which may be a great way to initiate the process through Andy."

You're saying, "Rather than tell them that we need to conduct due diligence, we could say that clients are asking these questions, can you answer them"?

A. Yes, that was the idea.

Q. Then you say:

"Rather than call it DD, we can call it an 'exercise in understanding' for the benefit of enhancing sales." So you were saying you'd try and disguise your DD as something else, weren't you?

A. I mean, Mr Robins, I was trying to commercially and sensitively sort of do DD in a way which didn't sort of offend what was going to be a future potential business partner or, you know, a client, in a way in which we -- you know, we -- so, yes, I was trying to do it sort of more sensitively, and also I'm dealing with Mark Partridge, whose cynicism, you know, and his blunt nature, albeit I rely upon, is just damaging sometimes to commercial relationships and I was just trying to sort of lay the ground for him in this. I wasn't trying to sort of avoid it.

Q. You'd started without doing any DD to ease the cash flow difficulties, pay the debts and fill the coffers and saying to Pat, "It's just until Christmas to ease the cash flow difficulties". Then Mark persuades you you need to do due diligence, and you're thinking, "We can't ask these questions in an obvious way", because that could jeopardise the hundreds of thousands of pounds' profit you're making by that point?

A. Mr Robins, not all DD is essentially as formal as, perhaps, you would be used to, where people would just write straightforward questions. Sometimes due diligence comes from meeting people, from getting a weigh-up of who they are, how they look, the knowledge they have, the people they know. And we took that level of DD early on as -- you know, Kerry would have just sort of -- Kerry and I would have discussed this. Obviously, we were working together, 12-hour days. We would have discussed it in various ways. I'm sure, to be at this stage, we would have been satisfied that they were legitimate.

Q. If you had been satisfied that they were legitimate, you wouldn't have been saying, "holy-shit-this-better-not-be-a-ponzi", would you?

A. Could you look at it with a view that that's a good thing rather than a bad thing and, therefore -- I'm in an industry where it is renowned, perhaps, for having sort of lots of, you know, products which aren't, frankly, very good.

Q. If they'd had nothing to hide, then surely they wouldn't have been concerned about DD. You could have asked them the questions, they would have shown you the information. It was only if they had something to hide that you might be concerned with receiving an angry response? Is that right?

A. Yeah, I mean -- yes.

Q. That's the point Mark makes to you on the left-hand side. He says:

"IMHO."

That stands for "in my humble opinion", doesn't it?

A. I think it stands for "in my honest opinion".

Q. "If they have nothing to hide they shouldn't be concerned about due diligence."

That's a fair point, isn't it?

A. Yes, sir.

Q. He says:

"I am happy to grill JRM but in reality Paul I'd be surprised if we got anything meaningful that he has not told you already."

So he's saying, "Look, my concerns are not going to be satisfied by speaking to John Russell-Murphy", isn't he?

A. Yes.

Q. Then he says:

"The better news is that LCF have now had to be audited as they are a Plc."

This is the 10th. This is why I was saying, a moment ago, you didn't know about any audit on the 8th. Then he said:

"But for some reason they reported a single month period shortening their year end from March 2016 to April 2015???"

"The worse news is.

"All their loan book is lent to Thomson's company! This loan (or some of it not clear) was then shifted to International Resort Group, a company that Thomson used to be a director for.

"So it could be that the liabilities now have no assets to back them up.

"It may all be innocent but it is very convoluted." Do you remember Mark raising this concern?

A. Yes, he raised it by email and he would have raised it in person with Kerry and I as well.

Q. Can we look at the accounts to see what he's referring to. <L1/6>, page 1. If we look at notes 12 and 13, I don't know what page [page 18], we will have to scroll through. It is 12 and 13:

"Events after the reporting date.

"After the reporting date, the loan with One Monday Limited was taken over on 31 July 2015 by International Resorts Group Plc. A new extended loan term has been proposed and a new agreement is being drafted."

Then, right at the bottom of that, it says that there were loans advanced to Sanctuary, the parent company of One Monday, connected by a common directorship, MA Thomson:

"One Monday Limited drew down these amounts. "There was total interest receivable ... from Sanctuary ... relating to loans drawn down by One Monday ...

"Included in debtors at the period end was [£1.25 million] ... due from Sanctuary International ... The loan is at commercial terms with interest payable at 15 per cent."

If we look at page 10, do you see the debtors on the balance sheet, right at the top, the current assets, this is the whole loan book, is £12.25 million [as spoken]. So is this what Mark explained when he came to see you? The entire loan book is lent to Thomson's company, then shifted to International Resort Group?

A. I'm afraid he wouldn't have gone quite so intricate with me because it would have been lost on me. I would have taken it as a more sort of -- I would have said, "Is it good?", or something along those lines, and he would have said, sort of, "Yes" or "No", but I wouldn't have gone into this level of detail. I don't think so.

Q. If we go back to <SUR00130330-0001>.

MR JUSTICE MILES: Mr Robins, I think you said £12.25 million. Just for the transcript.

MR ROBINS: Oh. Did I? Sorry, £1.25 million. I'm so sorry.

MR JUSTICE MILES: Thank you.

MR ROBINS: <SUR00130330-0001>. The basic point, and if you put it in simple terms, is:

"The worse news is:

"All their loan book is lent to Thomson's company! This loan (or some of it not clear) was then shifted to International Resorts Group a company that Thomson used to be a director for.

"So it could be that the liabilities now have no assets to back them up."

That was Mark's basic point, wasn't it?

A. Yes, sir.

Q. When you got this, you can't have thought, "Oh, well, LCF was definitely a respectable company operating a bona fide lawful and legitimate business". That's not what would have been going through your mind at the time, is it?

A. I believe in you are innocent until you are proven otherwise. As Mark says, it may all be innocent. I don't go into relationships, commercial relationships, by thinking the people around me are fraudsters. It is just not something I do.

To be fair to Mark, and I said thank you subsequently, you know, Mark spotted things and pointed them out. We would have -- Kerry and I discussed this, probably with Mark, he would come to our office, not to the level of the detail of the numbers that you have just shown, but, ultimately, the view I formed was that, if there were issues like this, we would have presented them probably through Kerry to Andy and asked what was happening, or maybe through Mark. You know, we wouldn't have -- we would have -- we would have asked him -- so when is this? This is in December 2015. We had been working with them two months. We were kind of working out -- we didn't really know who was who, what was what. It was just too early to form the opinion that these people were fraudsters.

Q. What you did know was that International Resort Group was basically a land bank, didn't you?

A. I don't know if I knew that at the time.

Q. <SUR00000914-0001>. We looked at this yesterday. This is Kerry's notes that she sent to you after the meeting, the first meeting, at The Long Barn. At the bottom in bold, "IRG International Resort Group", "This is basically a land bank". It was explained to you at the meeting at The Long Barn in February 2015 that IRG was a land bank, wasn't it?

A. I don't recall, but, yes, Kerry would have done that, yes. This is the DD you say we didn't do.

Q. This is the Google searches combined with Kerry's writeup of what you were told at the meeting. Are you telling us that was DD?

A. No -- well, yes, it was DD. I know -- you know, you guys do DD where -- we were a small, commercial start-up with six people. We don't sort of do -- you know, we will just Google it. I know it doesn't look great now, but that's the reality back then.

Q. So the outcome of the DD is that IRG is basically a land bank and Mark tells you that 100 per cent of the loan book has been lent to IRG. That's what you knew at the time, isn't it?

A. Yes, sir.

Q. You know that a land bank is a company that just owns land, isn't it?

A. Yes.

Q. It doesn't generate returns from trading businesses, does it?

A. If you say it doesn't, then no, of course not.

Q. If it's just holding land as a long-term speculation, it's not making weekly or monthly profits, is it?

A. No.

Q. So you'd been told by Mark that LCF, run by Mr Thomson on a day-to-day basis, is lending all the money to a land bank of which Mr Thomson also used to be a director. You must have thought, "How

on earth is that going to generate these returns week by week, month by month, to pay our commission and the interest?" That must have been going through your head.

A. Yes -- well, yes, paying the coupon and paying people if they -- you know, if they go under, of course, is -- that takes precedence when it comes to DD over anything else. It takes precedent over who owns what, what people say in a video. Ultimately, if a company has security to pay back the bondholder, should it go wrong or their plans go awry, or the people are corrupt or fraudulent, then that of course is the number one priority, and it's really the only thing I really cared about. I didn't care what -- I'm sorry, that sounds -- of course I cared, because I don't want my client to go under, otherwise I have five years of litigation. But that security is the focus for me, not what people say and not what a land bank does, frankly. I mean, I did read this, of course I would have read it because, if Kerry did -- you know, I try my best to read most things, but I genuinely don't see how I could have worked it out, you know.

Q. You knew LCF started 25 per cent down because of the commission, Mark had told you on a flat rate it would have to grow by 55 per cent in two years. You're then told the 75 per cent that it's left with has gone into a land bank. You must have thought that it was looking more and more like it could well be a Ponzi scheme?

A. I'm sorry, I just don't agree with that, Mr Robins.

Q. You did persuade Mark that it would be preferable to conduct DD with a light touch, didn't you?

A. Yes, I did.

Q. If we look at <SUR00004241-0001>, we see you emailed Andy and you said -- subject "LCF understanding": "We want to better understand how LCF operates to assist in both our sales and also from a commercial prospect. As it is way above my pay grade and JRM is snowed under I have asked Mark Partridge, our accountant, to liaise directly with you. We anticipate at least £50m into LCF bonds over the next 12 months and it would be helpful for us to ensure we know how the underlying assets work in more detail.

"Can I leave Mark in your capable hands ..." You weren't saying in terms "We need to conduct due diligence", were you? You were trying to soften the message?

A. Yes.

Q. But Mr Thomson didn't provide any information at this point, did he?

A. I'm not sure if he did or not.

Q. Well, we can't actually find any evidence that Mark got in touch with him at this point. If we look at <SUR00130384-0001>, Mark says:

"Missed this on Thursday."

And you say:

"Give him a nudge then first thing tomorrow for me please buddy."

Do you think Mark did get in touch at this point, then, mid December 2015?

A. I don't know. I presume you're about to tell me.

Q. I'm just asking about your memory. Do you remember --

A. I'm afraid I don't, Mr Robins.

Q. Do you remember Kerry trying to use questions from members of the public to get information out of Mr Thomson?

A. No, I don't.

Q. Can we look at <SUR00004510-0001>. If we go to the next page, we can see a member of the public has asked Kerry -- she was operating as a salesperson at this time, wasn't she, December 2015?

A. I mean, perhaps she would have done for a month or two, until we could get hirings. We were already running Blackmore at this stage and we couldn't afford to move people over because it was quite busy. So she could well have been working, for a very short period of time, doing some sales.

Q. We can see someone called David Sucden [as spoken], just below this extract, has asked:

"... could you tell me the size of funds under management currently?"

She's forwarded that to Mr Thomson, saying, "How would you like us to answer this question: 'what is the size of funds under management currently?'. "Another question regularly asked is: 'How many borrowing companies are there at this time and what is the average loan size please?'"

This was an example of using questions that clients were asking about the bond to initiate the process through Andy, wasn't it?

A. Yes, sir.

Q. He replies:

"The first is easy to answer.

"To date the company has c. £5 million under management (everyone has to start from somewhere ...) ...

"The second is a little more complicated as we put together larger funding lines which are cash flow dependant ..."

The last three lines of that paragraph: "Currently we have in place funding lines for an additional £10 million split over 5 company's." Kerry forwards that to you, saying:

"See Andy's comments regarding the £10mil over 5 borrowing companies. I'm interested to know if all 5 are ultimately under the same/connected ownership." That's a pertinent question to ask, isn't it?

A. Yes.

Q. You didn't ask Mr Thomson that question, did you?

A. I'm not sure if I did, but I'm pretty sure someone did.

Q. Kerry and other salespeople were trying to steer customers away from questions about LCF's lending book at this time, weren't they, because they didn't have the answers?

A. When is this? 12/2015. Quite possibly, that is correct.

Q. You didn't know anything at this point about the SMEs to which LCF was lending, did you?

A. I think I knew --

Q. Beyond what you had been told about IRG?

A. Correct.

Q. Can we go to <C2/3>, page 13, please. In your witness statement, at paragraph 62.12, in the fourth line, you say:

"We didn't want, neither could we, provide a service where we went to meet people. Firstly, it doesn't scale and secondly it had potential to lack controls. We did embark on some visits. Out of over 11,000 investors, a very small number of them would have had visits. The only reason we agreed for John to make visits was that these people were high net worth investors looking to invest anywhere from £250,000 to £1 million." Is that correct?

A. Yes, sir.

Q. Can we look at <SUR00004663-0001>. It is an email from you to the team:

"Hi everyone."

Second paragraph:

"We had a great end to 2015, breaking £1 million into LCF in just 18 days (including two weekends!), which, as John rightly pointed out to me is a fantastic milestone in its own right."

That would mean £250,000 commission in just 18 days, wouldn't it?

A. Yes, sir.

Q. Then over the page, page 2, under the heading "TIE", in the middle of the page, it says in your email, third line:

"We will be running an experiment with Joe Beal and JRM in January. Any big ticket leads ..." I'm assuming that's 100,000 plus, rather than 100 plus; is that right?

A. Yes, sir.

Q. "... will be fed to Johnny ... who will be setting appointments for JB and JRM to meet in person. I want to see how many appointments can be booked and what the conversion rate looks like. We haven't done this at scale yet and I will target Johnny with setting at least 30 appointments for JRM and JB in January. Spencer was adamant this was the route to scale TIE back when TIE was the only girl in the bar. We will test this theory rigorously in January using current resources before making a call on whether to scale it, shelf it or let it run as it is."

Home visits was something you explored quite closely, weren't they?

A. Yes. By way of context, again, we're a couple of months into working with them, we are finding our feet. We are trying to find product market fit. We are trying to find ways to scale, and that means processes and systems -- sorry, I'm at risk of repeating myself -- and, yes, we would have tested a way to see if customers would have preferred to meet a representative as opposed to just do it on the internet.

Q. Do you remember you had a lunch meeting with Spencer Golding scheduled for 29 December 2015?

A. No, sir. Possibly.

Q. Can we look at page 4 of the document, please. Right at the bottom:

"PPS [the second postscript] JRM -- can you text me and let me know about the lunch with Spencer tomorrow please."

Do you remember meeting him between Christmas and New Year 2015?

A. I don't, but very likely.

Q. Can we look at --

A. Sorry, just on this email, it does show the roles and responsibilities quite clearly for the court there. I know it's very early in our -- but you can see strategy, innovation, planning, boring emails. Kerry, just jumping down, she says operations, LCF account manager, strategy and planning.

I think that that was the -- you know, I'm trying my best to sort of -- considering we were growing, I was trying my best to sort of give people the roles and responsibilities moving forward that were necessary, and I -- you know, I -- sorry, I don't know why I pulled that up, but, yes, I then had lunch with Spencer.

Q. <SUR00004668-0001>, please. This is Mark's response to that email. Second line, he says:

"DD is obviously very important here in my eyes anyway."

He was still telling you you had really to conduct DD on LCF, wasn't he?

A. Yes, sir.

Q. Then towards the bottom, he says:

"So you are seeing Spencer tomorrow. Do you want me there or is it a three wise monkeys meeting? I would not be offended by the way but at some time we do have to address this issue."

You would have understood "three wise monkeys" to mean "see no evil, hear no evil, speak no evil", wouldn't you?

A. I don't, actually. I think I wouldn't read it like that. I do now know what that means, because you have just said it, but it's not how I read it at the time.

Q. Don't you think Mark was suggesting that you might want to go to the meeting with your eyes and ears closed to the reality and might prefer it if he didn't attend?

A. Ah, I see. I didn't --

Q. He says, "Do you want me there or is it a three wise monkeys meeting? I would not be offended, but at some time we do have to address in issue."

Isn't that what he's saying?

A. It's not how I read it, Mr Robins. I think you might be reading too much into that.

Q. Can we look at <SUR00004672-0001>. This is your response to Mark. Third paragraph down, you say: "He has offered £30 million in security, first charge et cetera, let's take that this month, for starters cover us while we get to grips with the underlying asset and how it performs."

Do you remember Spencer's response to attempts to probe LCF were met with his suggestion that he would instead put £30 million on the balance sheet?

A. So, I can't remember this email.

Q. You tried to probe with Spencer, but in a light-touch way, and he said, "Look, don't worry about DD. I'm going to put 30 million security on LCF's balance sheet instead"?

A. Can I just have one moment just to read it?

Q. Sure.

A. Can you ask me again?

Q. You tried to probe Spencer with a light touch, but he said, "Look, don't worry about that, I'm going to put £30 million security on LCF's balance sheet instead". That's what he told you?

A. I don't remember this at all. I do note here -- if you look above it, it says:

"A cynic may accuse them of being a Ponzi." I'm referring to a different bond there, called Wellesley, which was on TV as well. It was bigger than LCF. If you note, that's just pointing out -- highlighting that Mark Partridge could find a Ponzi in the Bank of England.

Q. You'd said yourself you were very cynical about the bond issuers as well at this time, hadn't you?

A. You.

Q. You explained that to us. If Spencer is offering £30 million in security, then isn't the implication that Spencer is the borrower? Why else would he be providing security?

A. Yes.

Q. So you understood that he might be the borrower?

A. Yes. So, obviously, my view has changed enormously over the last five years. At the beginning, it was very difficult to tell who was owning what, who was what, what the relationships were to each other, or indeed the companies. But, truth be told, it wasn't a focus then that it is now.

My priority for selling a bond is to ensure that security is in place, proper security, to ensure that, whatever the plans are, or who they're lent to, can pay the loans back. So, that was my focus, and I just didn't have the same level of sort of optics that you put to it now, that this is a fraud, based on the fact that security is being offered.

Q. If Spencer is saying, "I'm going to put 30 million security in place", you're thinking, "That must mean he's the borrower"?

A. Yeah, I think -- it could well be the case, Mr Robins.

Q. You were saying to Mark, "Well, let's take that for starters while we get to grips with the underlying asset and how it performs". You were saying this wouldn't be a substitute for DD, you would still need to perform the DD, weren't you?

A. Yes.

Q. I think it is fair to say, based on that, you recognised you wouldn't really be able to continue taking 20 per cent commissions legitimately if you didn't get to grips with those things, weren't you? That's what you were recognising?

MR JUSTICE MILES: Do you mean 20 per cent?

MR ROBINS: Sorry, did I say 20 per cent? 25 per cent.

MR JUSTICE MILES: Do you want to ask the question again?

MR ROBINS: I think it is fair to say, based on that, you recognised you wouldn't really be able to continue taking 25 per cent commissions legitimately if you didn't get to grips with those things?

A. Yes, sir.

Q. Even if there was 30 million on the balance sheet?

A. Yes, sir.

Q. If we look at <SUR00004685-0001>, please. At the bottom, you tell John, Mark, Kerry, Steve and Jo that you have been looking in detail at Wellesley: "They are five years old and turn over £200 million since being on TV in late 2013 when their turnover tripled. They offer 7 per cent in a world of 2 per cent and sell the same story as LCF, capturing the vacuum left by banks by lending to cash starved, asset rich SMEs."

Then after the link you say:

"JRM and I are meeting with Spencer on Tuesday mid morning in Crowborough. I intend to bring Mark and use this article as a discussion point that if we had the recently referred to security in place LCF would be in a far stronger place than Wellesley. If you scroll right down and read the comments you'll see the obvious concerns we need to address. 'Peter Smythe' in particular nails it. Having £30m on the balance sheet would defeat that argument and conversions would increase."

You were thinking with your sales hat on that, if we can get 30 million on the balance sheet, then we will be even more successful in selling this bond, weren't you?

A. Yes.

Q. If we look at the top of the page, Steve Jones stays: "Interesting and timely article. I am sure they will be sniffing around LCF in no time at all." You reply:

"No they won't. Wellesley got spotted because it went above the parapet by advertising on TV. They'll stay under the radar for a while yet."

Mr Careless, if you are marketing and selling for a legitimate business, you would want them to advertise on TV, wouldn't you?

A. Yes, I would.

Q. You would only want them to keep their head below the parapet and stay off the radar if you thought there was a real risk there might be something wrong?

A. Mr Robins, I know this is not an enjoyable email for me to read, or indeed to have read out in court, but the FCA -- I'm not -- look, the FCA knew about LCF, of course they did. When I talk about the "parapet", what I am trying to do here is, I do not want the regulator to stop -- if you look at the previous email that you put up, you say I put in there something like, "Well, at Blackmore, IFA got

stormed by the FCA". The FCA don't come into every business and shut you down every time. In my experience of seeing the bond market, they can come in and do very stringent reviews on your marketing -- I'm a marketer. The biggest conflict I have as a marketer is with the compliance people who do the, you know, the compliance, and trying to get information out to the customer in a way which is simple and is effective and works. This is an example of me not -- of course I don't want the regulator to look at my client. It would slow them down, it would slow the growth down, but not in the fact it's going to be a fraud. I think that's a really important distinction to make here.

"Above the parapet" is not a great phrase, but I don't want my client, very early on, to be stopped and slowed down by whoever, including the regulator.

Q. We have looked at the emails and chat transcripts and it's recognised in your email, you knew that LCF was selling a story about lending to SMEs, but Mark had told you that the loan book was lent to a land bank of which Mr Thomson used to be a director, and you hadn't seen any evidence of any SMEs. Your "light touch" request for DD had been met with an offer of security, which implied that Spencer might be the borrower. You wanted them to stay under the radar because you hadn't yet satisfied yourself that this was a legitimate business, had you?

A. I think, if you remove "legitimate" -- I don't think they were strong enough at that stage, and I didn't want to go above the parapet on TV until they were strong enough, because it would have been -- you know, they needed to build a better base. Some of the things you have just said there, Mr Robins, I do object to. I'm afraid I just forgot precisely what you said. You said we didn't know they were lending to SMEs, yet we did. We knew the first one -- it's like I said to the Serious Fraud Office in my interview. They say, "Do you not find it strange that the people they invest -- they're first lending to are companies they know?", and I would submit that, no, I would suggest that that's entirely who I would lend to at first. Rather than have some, you know, complete unknown business that goes through extensive DD, you would want a company to know that it had the security and the ability to pay it back. That would be sensible to me. Sorry if I'm digressing slightly there.

Q. Let's look at Peter Smythe's comment which you said nailed it. It is <SUR00130548-0001>, on the next page. His comment is:

"Such sloppy and irresponsible journalism. If you bothered to look properly at the 'savings bond' offering you would see that they can basically do whatever they want with the money. The funds invested in the 'savings bond' will be used to 'expand its business' and 'lending capabilities', ie they can use the money for television adverts and even raising even more money to do, basically, whatever they like with it.

"How does the FCA allow this stuff? These guys dangerously masquerade around as peer-to-peer lenders, but all they are in reality is an unregulated fund that offers terrible returns - particularly when you consider they have only been lending (other people's money) for a few months ... next scandal waiting to happen." That, you thought, nailed it, didn't you?

A. He was quite right.

Q. You thought, at the time, he'd nailed it?

A. If that's what I say, yes.

Q. <SUR00004685-0001>. The penultimate full paragraph, you say:

"If you scroll right down and read the comments, you will see the obvious concerns we need to address. 'Peter Smythe' in particular nails it. Having £30 million on the balance sheet would defeat that argument and conversions would increase." You thought that if LCF had 30 million on the balance sheet, then you'd be better able to overcome the sort of objections that we'd seen from Peter Smythe, didn't you?

A. I think the truth is, we'd be better able to repay the loans, Mr Robins. You will note I'm talking about Wellesley here. They're a market leader. They are on TV with 200 million. I met Wellesley. We didn't work with Wellesley. The reason being, is Wellesley did not have as good a security as London Capital & Finance had at the time I met them. London Capital & Finance had much better security than that bond, but that bond ended up failing -- no, it went into a CVA, a sort of commercial IBA, and paid back about 20p in the pound. But it was not as good as LCF. LCF's security was better, which is why LCF did so well.

Q. At this point, you were going to tell Spencer that LCF's security wasn't good enough and he needed to fulfil his promise of putting an additional 30 million security on the balance sheet?

A. Yes, sir.

Q. That didn't materialise, did it? You got a bit frustrated about that?

A. I presume so.

Q. Can we look at <MDR00025708>. This is Mr Russell-Murphy to Mr Thomson, 2 January 2016, third paragraph: "With regards to the new bond, how are you progressing with the 30 million land asset being placed into the company? I am organising training with the sales staff on Monday ..."

You had been told that the 30 million security was going to be a land asset, hadn't you?

A. Yes, I think so.

Q. Can we look at <SUR00004894-0001>. Kerry's emailing you, saying:

"I am concerned that the targets might not be achieved without the £30 million security because the terms of the new bond are not as enticing and I foresee a little dip in sales now ... Do we have a timeline for the enhanced security?"

Do you remember it had been promised but not provided?

A. Yes, I think I do, yes.

Q. So --

A. When is this, sorry?

Q. 6 January 2016.

A. Yes. So three or four months, yes, I do think we were pushing him for that, yes.

Q. You thought, "Holy shit, this better not be a Ponzi", you've initiated light-touch DD, you've been told, "We'll put 30 million security on the balance sheet", but that's not materialised. You must have been becoming even more concerned that this might be a Ponzi scheme?

A. I didn't think it was a Ponzi scheme back then, Mr Robins.

Q. Can we look at <SUR00158417-0001>. This is the next day. Mark emails you to say:

"Look what I'm playing for DD purposes". The attachment is <SUR00158418-0001>. It is a board game called "Ponzi Scheme". It is your experience, isn't it, that people often joke about things that are real, things that are difficult or uncomfortable? That's often the source of the humour, isn't it?

A. Yes. So, we are looking at a picture of what appears to be a Ponzi scheme board game. Mark Partridge could not stand -- I mean, we have been through this, but of course, at the fear of being repetitive again, Mark Partridge could not stand the industry, he didn't like it. Kerry and I thought we might be able to professionalise it, the first basis of which is to ensure that there's security in place. That means asking your accountant, who was very cynical, to do the work. It was an ongoing and longstanding joke. As I have said previously, and I wish I'd asked Mark to become a witness because you would have asked him himself: Mark Partridge did this right up until there was an audit in 2016 by PricewaterhouseCoopers, an email you won't show, or a number of emails you won't show, where he said "This is excellent" --

Q. I will, I will. No need to assume that I won't show you anything. I will show you everything.

A. Sorry, Mr Robins.

Q. Do you want to carry on?

A. No, sir.

Q. But you accept people often joke about things that are real but are difficult or uncomfortable? That's the source of the humour?

A. Yes, I do.

Q. Why can't you just accept, in early 2016, you thought LCF could well be a Ponzi scheme?

A. Because I did -- I had no information to show that. I had cynical advisers which I used to push and press for it. I'm interested in the facts. I'm not interested in what people think. I'm interested in cold, hard facts. Because, ultimately, as I said previously, lots of people say they're going to do this, they're going to do that, they're going to lend to this, they're going to lend to that. Ultimately, can you pay it back if it goes wrong? Yes or no? Because the rest of it doesn't matter, frankly. Of course it does. If you are saying things that are untrue, it does. But if you can pay them back, the bondholders, then not only are you going to attract more money because you're the best bond going, which is good for us, but you're going to be in a position to deal with the problems that occur when businesses go awry, which they do. And I'm afraid these longstanding jokes with Mark and I are being used to show that I should have been aware this was a Ponzi scheme in 2016, that now, some eight or nine years later, and five years after the SFO arrested them and have still not charged them with this obvious Ponzi scheme that I should have seen back in 2016, when I saw none of the detailed information that barristers, like your good self, saw, or indeed solicitors from great City firms, or indeed some of the best accountants in the world. I was privy to none of that information. My DD was not up to that level, and I appreciate that. But, you know, if Mark's joke is the one that condemns me for turning a blind eye to this fraud, then of course he's definitely off my beer friends list.

Q. You weren't interested in cold, hard facts. You had had your head turned by the money, hadn't you?

A. I'm an entrepreneur. It is my job to create businesses and generate revenue, but I do so legally and properly and within the law and I think it is unfair -- you know, the answer is, yes, I did, then. I was -- I did want to raise money for them. And it was the industry standard and I could have gone with lots

of bonds who were paying 25 per cent, including Wellesley. But of course I went with them because they had the best security to pay it back should it go wrong.

Q. The 30 million security you had been promised wasn't on the balance sheet yet, was it?

A. No, sir.

Q. Can we look at <SUR00130885-0001>, please. This is another email from Mark Partridge to you. He's concerned that something is being said now by Mr Thomson that's "completely the opposite of what was stated last week". He says:

"That's why emails go out giving completely the wrong advice. Because people want to say the things punters want to hear rather than reality. "That's the sort of thing that ends up shutting the company down. Bullshit.

"You can't believe anything that comes out of Spencer's lot and so JRM's mouth.

"Diversify ASAP. And consider your sales management."

This is your trusted adviser giving you advice, isn't it?

A. Yes, sir.

Q. When he says "Diversify ASAP", he means you can't have all your eggs in one basket with LCF; you need to start getting other clients, doesn't he?

A. We had to -- yes, he does. We had two clients, we were looking at other clients, and I turned down lots of other clients for LCF. You are correct, that's what he's saying.

Q. When he says "consider your sales management" he's saying you need to consider parting company with JRM, isn't he?

A. I think he is, yes.

Q. But you didn't diversify or part company with JRM, did you?

A. Not at this point, no.

Q. Instead, you focused on trying to make LCF look more credible to members of the public, didn't you?

A. Yes, sir.

Q. Do you remember, for example, thinking that LCF should have a lending page on its website so that it gave a more convincing impression of lending to SMEs?

A. Yes, I do.

Q. You accept that wasn't about attracting borrowers, it was a sales tool, wasn't it?

A. It was a sales tool, but it was also so that people could, as they grew, apply for loans.

You can't have a money lender that's growing -- or has ambition to grow ...

So the SME point of this is, we thought they were going to lend to SMEs.

Q. Sorry, what were you going to say, "You can't have a money lender that's growing -- or has ambition to grow~..."

A. Without having a flow of clients, SME clients.

Q. So if it was a legitimate operation, it would need to have a landing page?

A. Well, I would think it's better for the company to do that, yes. I think Andy's comment was something -- well, you're going to show me, I'm sure.

Q. But, from your perspective, it would be a helpful sales tool because it would enable LCF's business model to seem more credible in the eyes of the public?

A. Well, yes, that's true.

Q. Can we look at <MDR00026970>, please.

MR JUSTICE MILES: Sorry, Mr Robins, are you going to ask -- have you moved away from that document of 13 January?

MR ROBINS: Yes, but very happy to go back to it. Sorry, I should have asked if your Lordship had any questions.

MR JUSTICE MILES: Not at all. Don't ask that, because, if I have, I will -- but you have moved away from that?

MR ROBINS: Did your Lordship have a question?

MR JUSTICE MILES: Yes, just one question.

MR ROBINS: Was it <SUR00130885-0001>? Is that the document?

MR JUSTICE MILES: Yes. Mr Careless, it says Mr Partridge said "You can't believe anything that comes out of Spencer's lot and so JRM's mouth."

Did you think that JRM was one of Spencer's lot?

A. So, my Lord, the situation with John Russell-Murphy is, at the beginning, I knew he was connected to Spencer and had known him for some time, but we were running a professional business with Blackmore and we had ambitions to grow, and so I -- my perception and understanding developed over a period of time, and, yes, is the answer, he was connected to all of these people, and I kind of brought him in to Surge because I needed a sales director who had that -- you know, that IFA background, to assist me, because I was generating leads but I needed better professionalism in the closing, and of course, then he'd negotiated the deal and so I sort of brought him in and he -- and then he was my kind of go-to between them.

So, in answer to your question, yes, JRM and Spencer had a relationship which went back years prior to me meeting him.

MR JUSTICE MILES: Thank you.

MR ROBINS: If we look at <MDR00026970>, please. This is an email from you to your team, 14 January 2016. Then at the bottom you say:

"To achieve this ..."

You were setting a target and you say:

"To achieve this, we need the following to happen: "1. We need testimonials on LCF. Increase trust and fidelity of the product.

"2. We need the lending page on LCF going live and with it we need to add what a normal company we would lend to looks like. Ie £10m turnover; looking for £500k over 6 months; company has £4m in company assets ... "3. We need the new BSR look and feel launched. "4. We need more people on The About US of LCF ... More like 10+ people, not 3."

These are all points to try to make LCF look more credible and more professional, aren't they?

A. Yes, they are.

Q. Over the page, point 8:

"Security on the LCF balance sheet to combat the 'you are very new company' objection. Having £15m in assets on the balance sheet is very strong. This then added to scripts and my understanding by all AMs." Was it the case that you had been told that the £30 million that Spencer had offered was now going to be only 15?

A. Well, I presume so, from this. I'm looking at the date at the top left, 14 January 2016. We had been working with LCF for three months. Their CEO had said they were going to build an SME lending company. I was going to put their page up. I was trying to get their -- establish clearly what their security was. When bonds start, they don't have much security. That's why they are raising a bond, and they kind of build as they go. Of course, my focus was to try and put the -- as much security in there. I don't know. I can't answer the question, I'm afraid, what the security was at that situation, but I'm presuming it was less than 30 by some way, yes.

Q. But it hadn't been provided yet?

A. I don't -- I can't tell you, I'm afraid. It doesn't look like it.

Q. You were quite keen for it to be provided to defeat the "you're a very new company" objection?

A. Yes, I'm sorry about the "combat 'you're very new ...'" objection because, of course, the security is what attracts the investors. It is a misnomer to think it is the rate or indeed where they find it. People invest because they are going to get their money back. So security is all important. You know, when you -- that's why Barclays Bank attracts so much money, because they have got the security, and of course I wanted them to have as much security as they can. I can't see where the conversation is where -- or I know when it went from 30 to 15, or indeed if there was or what it was. I presume there is some -- as well as Mark, there is some other correspondence between lawyers or something on that.

Q. Can we look at <MDR00027361>, please. At the bottom, 14 January, you're emailing Elten Barker and you're saying in the final paragraph:

"I need to get the security on the balance sheet as fast as possible. I also need to understand what exactly it is, as the account managers will need to explain it to the clients it needs to be simple. It will defeat our main objection and increase conversions immediately, therefore it being added quickly will help increase sales."

You were trying to persuade them to put it on quickly by saying it would help increase sales, weren't you?

A. Yes.

Q. If we look at the middle of the page, four days later, you're chasing Elten again:

"What is the update on this please? In particular, the security on the balance sheet."

It is a point you were chasing him on, wasn't it?

A. Yes, sir.

Q. If we look at <EB0012466>, at the top of the page, Mr Barker says he is sitting with Andy and will get back to you with a response. So, you thought this was something being sorted out between, what, Elten, Andy and Spencer?

A. Yes.

Q. Then if we go to <SUR00005975-0001>, Mark Partridge is emailing you, on 18 January, saying:

"As per the literature LCF lend to 75 per cent of asset value.

"We should consider this.

"Per our conversation with LCF, 50 per cent of this asset is liquid. The rest is deferred 'consideration'.
"We need to consider whether to stop placing funds at £7.5 million x 75 per cent = £5.625 million or £15 million x 75 per cent = £11.25 million." So you would have understood from this that the 15 million consideration was now being said to be 50 per cent liquid -- sorry, the 15 million security was now being said to be 50 per cent liquid, 50 per cent deferred consideration?

A. Yes.

Q. And Mark's raising the point about the 75 per cent loan to value ratio and saying, "Should we stop placing funds at 75 per cent of the liquid 7.5 or at 75 per cent of the whole 15 million?", isn't he?

A. Yes.

Q. Do you remember having these discussions with Mark?

A. I'm afraid I genuinely don't recall the detail of them.

Q. Do you remember the position being explained to you about the security changing like this? You'd been told it was going to be 30 million, then it was going to be 15, then it was, oh, only 7.5 is liquid. Do you remember the story changing like that?

A. I actually -- I can't. All of the things you've mentioned today are at the very beginning, the first three or four months, and, frankly, a lot of that time was quite chaotic and I struggle to remember the detail of it, I'm afraid.

Q. If the security was meant to reassure you that LCF was legitimate, this changing description of what it was going to consist of can't really have been very reassuring for you, can it?

A. No.

Q. And the fact that it hadn't been provided yet can't have been very reassuring either?

A. No.

MR ROBINS: My Lord, I see the time. I'm sorry, I have run on a little bit, but I don't know if that would be a convenient moment?

MR JUSTICE MILES: Right. We will come back at 2.00 pm.

(1.03 pm)

(The short adjournment)

(2.00 pm)

MR ROBINS: Mr Careless, I was asking you some questions about the security ...

(2.01 pm)

(Fire alarm)

(2.55 pm)

MR JUSTICE MILES: Mr Robins, is everyone able to sit a bit later today, until 5.00 pm? Is that okay with the transcribers?

MR ROBINS: I'm grateful, my Lord. In terms of making up the other half hour, I suspect, if we ran a little into lunch tomorrow and the day after, it wouldn't be too --

MR JUSTICE MILES: Or we could sit a bit later.

MR ROBINS: Or, again, we could sit a bit later. I'm in your Lordship's hands. Certainly, for our part, we would be happy to go until 5.00 pm, given, effectively, we have had a two-hour lunch break.

MR JUSTICE MILES: We will do that.

MR ROBINS: Mr Careless, I was asking about the security you had been told would be put on the balance sheet. When this didn't materialise, you must have become increasingly concerned?

A. I don't really recall, at that stage, my thoughts on the security in that much depth. I mean, I would have preferred it to have been more, yes. But, I mean, it's a bond, and so early on, of course, they're just starting. So, as long as it's sufficient to cover the bonds which were issued sufficiently, that's better -- sorry, the more, the better.

Q. You were getting frustrated and thought that this was something that required urgent attention?

A. Yes, sir.

Q. Can we look at <MDR00028356>. At the bottom of page 1 over to page 2, 21 January, you're emailing Elten and Andy saying:

"As of yesterday we have £1.2m pledged into LCF from the first 20 days of the month, £2m by the end of the month is a genuine possibility. What would help us significantly is removing the objection about the company being young and having an empty balance sheet. The sooner the security is added the better. Can I ask you to let me know what the security will be precisely and when it will be added by in a way in which members of the public can see and our team can quote it." On the left-hand side, four days later: "Hi Elten, Hi Andy.

"I am just following up on my email from Thursday ..."

In bold:

"Can I get a response this morning by email regarding the security which is being added to the company please."

You say:

"We are growing very quickly and the quality of the balance sheet needs to be shored up to provide comfort for the clients. It remains the largest, most singular objection and [holds back] the conversions considerably. It requires your urgent attention." You must have begun to feel as though you were being fobbed off?

A. Mr Robins, one point here I'd just like to point out briefly, if I may. I write:

"It remains the largest, most singular objection ..."

Earlier on today, you were telling me the largest objection, because you were showing me, but proportionally I didn't think it was, in fact, the rates were too good to be true, and I stand by what I said earlier, that I believe the first and foremost thing the bondholders were interested in was the security and not "too good to be true" or, indeed, the FSCS or other positions. I think this demonstrates that.

Q. We can check the transcript. I don't think I said that. But is the answer to my question "Yes" or "No"?

A. The answer to the question is -- was I getting more concerned? Well, by the looks of this email, yes. I would suggest I am. I put it in bold in the middle.

Q. Did you begin to feel as though you were being fobbed off?

A. I can't say that I felt fobbed off, but I was obviously keen to see the words move into -- the things people were saying move into action, certainly.

Q. Can we look at <MDR00028358>. We can see, in the middle of the page, Mr Thomson replies to say: "Hi Paul, thanks for your email, unfortunately I didn't receive your email of Thursday." Then he says, in the next paragraph:

"I'm travelling this morning and would like to talk through a couple of bits as well as what you have raised in your email ..."

Was your experience of him that he was someone who would rather speak face to face or on the telephone instead of putting things in writing?

A. That's interesting. Not Andy -- amongst these people, not Andy and not specifically. I don't think so. Perhaps --

Q. This was a fairly important point you'd raised. You'd have probably wanted him to reply in writing, wouldn't you, so you'd have a written record of what it was he'd said?

A. No, that's not true. I mean, in the commercial -- well, not just in the commercial world, in the non-legal world, I don't -- I'm not thinking about discovery nine years later. I'm trying to progress a commercial relationship, of course, and, you know, I think maybe I was pushing for answers to get, you know, the security in, but I -- I don't think this -- you're inferring sort of alarm bells. In answer to your email -- sorry, in answer to your question, your actual question, which was he preferred to speak on the phone than he did in email, I don't think that's entirely correct either. I think there was a combination. And Kerry would be better placed to answer that because she would be the person who spoke to him the most. But I've seen enormous amounts of emails. I'm not sure.

Q. At the top of the page, when you say "Morning Andy, can you do me an email reply to include Kerry, Andy and Mark please with your points so they can action them. I am out of the office today, back tomorrow", you're saying that's not because you wanted to pin him down by getting him to respond in writing?

A. Well, pin him down, yes, but how, I'm not particularly concerned in. I am clearly trying to pin him down here.

Q. Can we look at <SUR00131168-0001>. You will see it is an email from Kerry to you and John Russell-Murphy and Mark Partridge and Steve Jones on the same day, subject "Update on due diligence from Andy":

"I have just spoken with Andy Thomson ..." It looks like, when you said you wouldn't speak to him -- couldn't speak to him by phone, he's gone to Kerry instead, doesn't it?

A. Yes.

Q. She says:

"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 would have struck you as a fairly strange thing for her to be saying, wouldn't it?

A. Potentially not at the time. I mean, now it does, yes, obviously, with what I know now. That doesn't -- you know, but with what I knew at the time, I don't think it was massive alarm bells. Obviously not, because we continued.

Q. Then:

"He's not replied to Mark's request for DD because he did not receive the emails."

Wouldn't that have struck you as a pretty flimsy excuse?

A. That's the first time I've read that in sort of eight years, and I can't remember it, to be honest. Obviously now, in light of the things I know, yes, it does.

Q. Then she says:

"There is no £30 million security. There is a transaction taking place with \$30 million (yes dollars) to the benefit of LC&F and interrelated companies, however the only asset which they are able to use for the purposes of enhancing LC&F is a loan note for £15 mill (yes sterling) in favour of LC&F. They have had it confirmed by their accountants that the loan note can be positioned in the balance sheet so that the assets of the company are boosted. The balance sheet currently shows assets of £6 million therefore an extra £15 million will take it to £21 million which is sizeable and therefore should assist sales but will not be as beneficial as the £30 million charge over the property which was originally suggested. Andy says this was a miscommunication by Spencer and it was never an option."

Spencer had told you, "I'll put 30 million on the balance sheet" and now Andy is saying that was never an option. You must have thought you couldn't really place your trust in these guys?

A. I mean, I have to be very careful I don't just agree with that on the basis that we are in the position we are many years later and having seen so much, but I just -- I genuinely can't think it was - it looked like a new company, a small company, taking shape and trying its best to cobble together

sufficient security to ensure that the bonds were secure. I don't think I -- it is difficult for me to agree that it sort of set off an enormous alarm bell.

Q. But they told you these things were going to happen, they never happened, and then you were told, essentially, that you had been led down the garden path. You must have been concerned by that?

A. I mean -- I don't recall this making me concerned. Like I say, as long as the security is sufficient, it's -- and it's starting and they have got enough -- I would like more security because I think it's more beneficial for sales to have a better secured bond, but, you know, everyone sort of has to begin their journey. And things do change. I think it's the only constant, is change, in a small business, and I have been doing start-ups for quite a long time and I was quite used to the kinetic environment of things changing very quickly.

Q. Let's see if the next bit would have made you concerned: "The loan book.

"Since inception LC&F (formerly SAFE) has lent £4.2 million.

"Currently there are 80 loans.

"The average loan size is £75,000.

"The largest loan ever was £220,000.

"Terms range from three months bridging finance to two years property development finance.

"Crucially all 80 loans are to Spencer related businesses, ie they are funding their own operations." You must have thought that was very concerning and troubling information?

A. I already -- I had already worked that out, pretty much, fairly early on, that their first loans that they were doing were to IOG, which was their little -- or the, sorry, company that lent money to IOG, which was a gas and oil, listed A, and I presumed that it was above board and legal and proper.

Q. As a matter of fact, LCF hadn't made any loan to London Oil & Gas by this point. Kerry says:

"Crucially all 80 loans are to Spencer related businesses; ie they are funding their own operations." You must have thought that was concerning and troubling information?

A. Sorry, I presumed the Spencer-related business was IOG. I mean, just to give it some flavour and some texture here, I'm a marketing company and it's not -- I just don't have that level of -- I do my best to ensure there's security, but it is the job of the lawyers and it is the job of the accountants and the other people who build this who do this element of it, and I think Kerry and I knew early on that the first loans he was going to make were to these companies, and -- I don't know if it's -- I can't quite see the date on this, Mr Robins, but I know that this -- when we first met those guys, they pitched a gas and oil proposition which they -- the pitch was that gas and oil, back then, was 50 bucks a barrel and it was suppressed and it would require -- you know, it was going up to 100 bucks a barrel and there was a lot of people in the North Sea who were out of jobs. This was the kind of pitch. We meant Simon Hume-Kendall who came across to us as entirely competent and very accomplished, a serious person. Like I say, Goldman Sachs and all this sort of stuff. So we were sort of -- back then, we had those kind of goals where we thought -- we could see that they were very good.

So I just -- I can't say that I was concerned by this in a big way. I think it definitely shed light -- I'm looking at the rest of it.

Q. I'm glad you mentioned the marketing materials. We looked at them early this morning. We saw you knew that LCF was being sold to the public on the basis that it was a financial institution, lending to SMEs, with a diversified loan book, an experienced lending team assessing all applications, applying strict lending criteria, conducting thorough due diligence on applicants for loans. You knew, in reality, none of that was happening. They were making loans exclusively to Spencer-related businesses, funding their own operations. You knew there was a serious misdescription of the business model going on, didn't you?

A. So, two points with what you have just said there. The first one is, whenever we found things -- first of all, they're starting up an SME lending business. It makes sense that, three months after they started, they haven't lent to a plethora of SMEs.

Q. They started in 2013, Mr Careless, didn't they? You knew that?

A. That is true.

Q. By this point, you had been selling bonds for them for, what, six months?

A. Yes, sir.

Q. You knew that the business was being seriously misdescribed to members of the public in material that your salespeople were putting out?

A. I did not believe that. I believed that -- I mean, if you remember the graph you showed me yesterday, where it showed the inflows of the AUM, and I could spot quite quickly the inflection points of PwC, EY, the ISA and so on. You could see I did know that previously they were lending money. But I also knew that they weren't lending very much. And of course we would have had conversations with Andy and I do recall this specific thing with Kerry, because it was a big deal, and I remember a couple of points with it that might be useful for you to understand.

Q. If we could just stick to the questions, you knew how LCF was being marketed. You knew it was being said that it was a financial institution lending to SMEs with an experienced lending team assessing all applications, applying strict lending criteria, conducting thorough due diligence. If all 80 loans were to Spencer-related businesses, ie, they were funding their own operations, then the things that were being said to members of the public about LCF's business were false, weren't they?

A. So, we would have changed the loans. We would not have said "SMEs". In fact, there is evidence here -- if we go back to them, we say "We can't say SMEs". There is evidence to support that.

Q. We looked at oral communications this morning where "SMEs" were said. You would have known that was false; yes?

A. When we discovered this, we went to Andy -- I'm giving you my evidence based on the question you just asked, Mr Robins -- and we said, "We cannot -- we have to say how many SMEs it was". I think the audit said there was 11 companies, and that is what we said. We were also aware, within the communications, it said something along the lines of, you know, "The first IM which you will have an example of on the website, it says on the website, and on the IM, something along the lines of, "The initial loans will come from the network of the director", which was Andy, "which reflected his network of early loans". We weren't concerned with this. When we asked Andy, "Why 80 loans?" and he said because he had done it as a facility, and it was his job to -- when the money came out, because it's on a bond for five years and the clock is ticking, he would get it out the door quickly, which is why it was 80 loans as opposed to one loan --

Q. Can we go back to <C2/3>, page 6, please. We looked at this earlier. Middle of paragraph 30:

"... I have never read any of the information memoranda ..."

Why are you telling us about what was in the information memoranda? Are you trying to argue your case instead of answering my questions?

A. Sorry.

Q. You knew that LCF was being sold to the public on a false basis in January 2016, didn't you?

A. No, I did not.

Q. So, what, you thought that Spencer -- the king pin of LCF -- was applying strict lending criteria to himself, did you?

A. No, I thought that the lawyers, I thought that the professions that were behind all this and were dealing with these loans and the lawyers would have had an input and seen it. And I have seen in the discovery that that is the case. You assume, Mr Robins, that I have access to way more than I do. I have not had any access to their -- this information here, six months after we start with them, that Kerry and I get and we digest, we would have presented that to Andy after we discussed it and we would have got further answers that would have clearly satisfied us because we continued working with them.

Q. To get back to your evidence, you say that, when you got the email from Kerry saying she'd discussed some quite sensitive information with Andy which she didn't want to be communicated by email and that shouldn't be shared outside the wider group and that, crucially, all 80 loans were to Spencer-related businesses and they were funding their own operations, you weren't concerned because you knew that already; is that right?

A. I am not -- it is very difficult now, in retrospect, to tell you that that wasn't concerning. But we had -- you know, whenever we had questions like these, which came from questions we'd presented to them, it would have produced further questions that we would have posed to Andy and either Kerry or I or probably Mark or somebody would have followed up until such a point that we were satisfied that this was good.

Q. You should have said at this point, "That's it. We cannot continue to sell this bond to the public on the basis that LCF is a lending bank to SMEs". That's what you should have said, isn't it?

A. No, what we should have done is what we did, which is go to Andy and ask him to change and ensure -- as a marketing company, we went back and said, "Can you reflect what you say?", and that was things we did, and we did that often. Whenever we discovered things, we would go to them, or someone in the company would, and there was evidence to support that.

Q. You agree that, if there isn't evidence to support what you have just said, then the explanation you have given isn't true?

A. Yes, sir, I do.

Q. The reality is, you didn't want to bring an end to the 25 per cent commissions, did you?

A. Well, of course I didn't. They were my client. I believed in them. I believed in their vision. I thought they had a good model. I thought the market was bubbling for this type of product. Interest rates

were very low. SMEs were -- you know, there were lots of other companies. I believed in them and I believed in the company back then, Mr Robins.

Q. This is your reconstruction rather than your memory, isn't it?

A. It's not, Mr Robins, no.

Q. You didn't want to lose your chance to get rich and you felt that all your eggs were in the LCF basket, so you wanted to go on with selling the bond despite everything you knew. That's the reality, isn't it?

A. No, that's not the reality. The reality was, London Capital & Finance looked, at the time, to be the best -- now it doesn't, when we dissect it with the breadcrumbs, but back then, with what I knew then, and indeed what my other colleagues knew, I was satisfied -- things aren't perfect in the start of a business, and people do say things and then we have to go back and correct them. But I don't suddenly accuse them of being fraudsters on that basis at that time.

Q. But the point is, your eggs were in the LCF basket, weren't they?

A. Yes, they were.

Q. And you didn't want to do anything to jeopardise the cash that was now flooding in?

A. The cash wasn't flooding in until we really got the audit, but I didn't want to upset my client, but that's not to say I overlooked fraud, Mr Robins. Those two things are distinctly different.

Q. We looked at the figures yesterday, do you remember?

A. Yes, sir.

Q. The cash was flooding in by this point, wasn't it?

A. Yes, but you've got to -- we were doing well, but we hadn't invested properly for scale at that point. We had just broken the product market fit, meaning we had connected the leads, the sales and the product in a way in which people could invest, and then, of course, afterwards, we needed to scale that, which meant head count and systems processes, you know, all the things we brought in.

Q. You had asked to conduct due diligence on LCF, albeit with a light touch. Then Andy tells Kerry that Spencer is effectively the only borrower. That would have massively simplified any due diligence, wouldn't it?

A. I have to be able to have some reliance in this court and indeed with you, Mr Robins, on the professions that I was told and allegedly were involved in this. I mean, it's difficult for me to explain the comfort I took from it without sounding repetitive. But, you know, I literally sat in a room with a barrister as smart as you, who worked for the regulator for ten years, who is telling me what we can and cannot put on the website.

Q. In January 2016, are you saying that happened?

A. No, not in January 2016. At some point.

Q. You were meeting Spencer on a regular basis at the point we are discussing, weren't you?

A. I met Spencer Golding ten times in four years, Mr Robins.

Q. In the period we are talking about, you were seeing him on a fairly regular basis, weren't you?

A. Okay. I saw him on a few occasions, yes, he set the entirety of this up. He'd introduced us to LCF and Andy and he was obviously connecting all the products, he was coming to our office to show us other products. Yes, is the answer.

Q. Do you remember we saw yesterday, at the end of November 2015, "I'm glad we are meeting Spencer tomorrow and can correct/clarify this madness. Let's put it down to Andy being Andy and see if it actually gets raised with Spencer tomorrow"? Do you remember that?

A. Yes, sir.

Q. Do you remember your emails to Spencer in early January about the logo, "It is your company and you can have any logo you want"?

A. Yes.

Q. Do you remember we saw, middle of January, "We know Andy is hard work. Let's bring this up privately with Spencer tomorrow"?

A. Yes, sir.

Q. You were actually, maybe infrequently, seeing Spencer occasionally in a social context at this time, weren't you?

A. I saw him in a social context, I believe, once or twice in four years, yes.

Q. And --

A. If it has any bearing, I met the lawyers more than I met Spencer.

Q. <D7D9-0005827>, at the top of the page, you're emailing Jo and John. There is going to be a party at Hotel du Vin:

You say:

"Spencer's coming so I predict a riot." You saw him socially at this period, didn't you?

A. This is six months into the relationship. I saw him, on this occasion, socially, yes, sir.

Q. My point about due diligence is, on one of the occasions when you were meeting Spencer, you could have asked him all the key questions, you could have asked him for documents to satisfy you about the asset and how it performs, couldn't you?

A. Yes, sir.

Q. You could have arranged a meeting with Mr Golding for the specific purpose of asking these questions, couldn't you?

A. Yes, sir.

Q. You could have asked him "How are you funding the interest payments to LCF? What companies are borrowers? What assets have they got? What businesses, what profits are they generating? Can you show me valuations?" You could have asked him all those questions, couldn't you?

A. Well, yes, of course I could have done on this social occasion --

Q. On any occasion. You could organise a meeting especially, couldn't you?

A. Yes.

Q. If he refused to answer or gave you unsatisfactory answers or refused to give you documents or got angry, you could have said, "Right, that's it. We are not selling the LCF bond anymore", couldn't you?

A. Yes.

Q. But you didn't want to cause trouble by asking questions because you didn't want to risk your chance to become rich, did you?

A. Mr Robins, we were a marketing agency, they were a client. There were lots of clients. They were the best one that was stacking up for us that we were meeting at that time. I'm afraid I just do not accept your characterisation of this "Me and Spencer are friends and we are ... therefore, I should ask him ..." there are other people involved in this who are far more learned than I am, whether they are accountants or solicitors, and I'm afraid there were solicitors involved. It might not have been Lewis Silkin on the 2015 or whenever they did the IM and so on, it might have been a different one, but I was aware of them. I just don't -- it is just not within my kind of remit to drill individuals on (a) their shareholding, (b) the way they are doing things. We were the marketing agency. It is the job of other companies to do such work.

Q. You accept you could have done these things, but you didn't do them?

A. Yes, I accept that.

Q. Can we look at <C2/3>, I'm afraid I don't have a page number. It is paragraph 72, please. Internal page 16. You refer to this email in your witness statement and you say in line three:

"Kerry relayed the conversation to me and various others in Surge by email. Andy gave a number of explanations which included that there were 80 loans, not 80 borrowers and that these loans were to Spencer-related businesses. Andy explained that this was because he did not yet have a consistent flow of funds and so was lending to people he knew until funds in were more consistent. At that time, we had been working with LCF for about six months and Andy's explanation made sense to me. It was more important that LCF had quality borrowers rather than lots of borrowers."

Now, the reference to "about six months" doesn't work, does it, because you knew the fundraising business was started under SAFE in 2013 and had been going for two and a half years?

A. That's a fair point, Mr Robins.

Q. If we go back to the email, please, <SUR00131168-0001>. We can look at the whole email, please. Do you agree that there is nothing there about needing to have quality borrowers rather than lots of borrowers?

A. Yes.

Q. So do you think what you said in paragraph 72 in your witness statement is a bit of a muddle, misremembering?

A. I have obviously seen this email subsequently in my preparation for trial. I mean, it obviously was a moment of -- you know, we got more clarity on sort of what was going on. But, obviously, you know, we are taking sort of one-shots here, there and everywhere. There were lots of conversations going on sort of over that six-month period, or whatever, where perhaps we would have challenged in different ways. Essentially, we became satisfied with the answers to the questions we were asking.

I know you say that's because we were making 25 per cent and I know you say we were making profit, but this scales when security is added. This is what people invest in. And so that's why we care so much about ensuring that's the case. Sorry, I did that thing again. Could you ask me the question again, sir?

Q. Do you think what you said in paragraph 72 about Andy explaining to Kerry that he wanted quality borrowers rather than lots of borrowers is something you have misremembered?

A. In light of this email?

Q. Yes.

A. In which part of this email, Mr Robins?

Q. Kerry doesn't say, "He told me that he wanted quality borrowers rather than lots of borrowers"?

A. Okay, well, yes, then. I mean, I just -- that was the explanation that I recall as being the reason why there were -- you know, he said he was going to lend out to SMEs. I just had a recollection based on this, which might be helpful. Andy said quite often, actually, to Kerry and I, when he would come to our boardroom, and indeed in front of lawyers, Lewis Silkin lawyers, at various times, he used to say -- we would often talk about inflows, you know, what are predicted inflows, and that was down to the marketing spend and so on, and he would say, "If you got me £20 million" -- he's talking a month -- "of inflows, of AUM, I can get rid of that straight away because the demand is so big and, at some point, it's -- you know, it is going to grow". This is the excitement that Kerry and I had, that he had a network of -- and, also, please take this into the context that Andy had told us that he was a banking person who used to lend out money for the Bank of Scotland, and we were aware of that, and so it just all kind of stacked up back then, and I -- you know, if I have muddled something I have said in my statement, you know, it's just my recollection of it now.

Q. Is that a long way of saying "Yes"?

A. I'm so sorry, I've forgotten the question again. The question is, is my evidence muddled?

Q. In paragraph 72, when you explain what you thought upon receiving this email.

A. I know, because I think I wrote that because I sat carefully and thought about putting my evidence together when I did my witness statement with Kingsley Napley.

Q. Let's move on. I don't want to ask you about anything privileged. On the right-hand side, under the heading, "Big issue" she says:

"The FCA contacted Andy 10 days ago to say they have received numerous complaints re TIE promoting LC&F. They have also been forwarded email communications from TIE staff. They have mystery shopped us. In the FCA's opinion we are misselling. It is not okay to state that bondholders' capital is 100 per cent safe, there are risks and we are no longer allowed to be so categorical in our statements."

You were concerned when you saw that, weren't you?

A. Yes, I certainly was.

Q. So the fact that there would be no 30 million security you say wasn't a concern. The fact all 80 loans were to Spencer-related businesses wasn't a concern, that was something you knew already. But this news about the FCA looking at TIE's promotion of LCF was a major issue for you, wasn't it?

A. Well, yeah, we were four months in, we were learning our trade, we were trying to get on the right side of things. Yes, of course it was, yes.

Q. Can we look at your response, <MDR00028517>. You say: "Team, something is coming our way. Leander asking specifically to be removed. Andy Thomson saying the FCA were concerned re TIE. The dots are forming a line and we have too much to lose to not take action. "Therefore:

"1. Pause all TIE advertising.

"2. Pull TIE down, no pages live, have a page saying 'This site is currently offline' ...

"3. Jonny moves back to pensions ...

"4 ..."

A point about Joe Beal. Then you say it could be a competition. Then you say:

"Lastly. All connections, IP, Limited Companies or people connected with TIE need considering or removing from all our other sites. Consider it toxic." This was a fairly extreme reaction to what Kerry had said, isn't it?

A. Yes. I think it's fair. You can see, very early on, you know, four months, five months, into this, we are learning our trade. We are doing things wrong. We have to stop doing them wrong and I urgently take action to do so.

I mean, there is a point on this which might be important to that question, Mr Robins, which is Surge hired Thistle, the pre-eminent company that does outsourced compliance --

Q. Hired Thistle in January 2016?

A. No, sir, because we are early on. We hired them later as we were growing. But you don't hire the best compliance people to review what you are doing if you are not trying your best to do your best.

Q. If we have time, we will come on to Thistle.

A. Yes, sir.

Q. Can we look at <D7D9-0004170>. You emailed the team the next day:

"Morning everyone.

"As you know I have brought TIE down. It is a pre-emptive move as I am expecting repercussions from the FCA regarding some of our dealings with clients. Where we go from here is not decided but to head off a potential issue of breaching the grey area of advice with at least one of our analysts is paramount." You knew that this was nothing to do with breaching a grey area of advice with at least one of your analysts, didn't you?

A. That I knew it wasn't or it was?

Q. It was nothing to do with that. What Kerry had said to you was that the FCA had received numerous complaints re TIE promoting LC&F?

A. Right.

Q. "In the FCA's opinion, we are misselling. It is not okay to state that bondholders' capital is 100 per cent safe", et cetera?

A. Yes.

Q. It wasn't about advice, was it; it was about the FCA's view that you were misselling?

A. Right. Mr Robins, I wrote that not knowing that nine years later it would be writing out in court, because I probably believed it. I'm not sure what the analyst thing is, but I can give you some colour to this: "JRM [John Russell-Murphy] -- let's talk this morning about Joe Beal and Brad ..."

These were two chaps who John had hired. When Surge grew, there was an Eastbourne office, and John had hired other salespeople who he had known. All bar about one of them were culled by me for unprofessionalism, frankly. They were either misselling or they just weren't toeing the line in a way in which we required. That's referring to that. We were trying to professionalise our business, Mr Robins, which is why I was trying to advance our position as a company to become better. I appreciate today has been all about that first six-month period, but it is a small proportion and indeed represents a small amount of money which was brought in from LCF.

Q. Can we look at <M1/9>, page 54, please. This is when Mr Shaw is asking you questions. You had sworn an oath before giving your answers, hadn't you?

A. Yes, sir.

Q. In line 12, talking about The Investment Experts, you say:

"We were aware that some of the advisors that were buying our leads were involved with products that we did not feel comfortable with, so we brought it down." Having been through everything we have just been through, you would accept that what you told Mr Shaw isn't true, wouldn't you?

A. No, I wouldn't, because The Investment Experts -- I think here I'm referring to prior to LCF, because it was started before LCF, we were running -- I think so.

Q. You're talking about when it was brought down. Mr Shaw has just taken you to an email from January 2016 --

A. Oh, I see.

Q. -- about taking it down and you said to him that you were aware that "some of the advisors that were buying our leads were involved with products that we did not feel comfortable, so we brought it down". That wasn't true, was it?

A. I beg your pardon, Mr Shaw. If I said it incorrectly or inaccurately, it was not meant to mislead you.

Q. Can we look at <SUR00158422-0001>, please. At the end of January 2016, Kerry emails you, not copying anyone else, and number 3:

"Missing piece of the 'is it a Ponzi' jigsaw: we need access to the lending book, inclusive of details re the security in place, what percentage is property and at what gearing, if not property what is it and how was it valued? Is Mark following up, I put him back in contact with Andy on Andy's new email address." You agree this isn't Kerry joking around, having fun, don't you?

A. No, it's serious.

Q. It's serious because, at this time, you and her thought there was a real chance that LCF could be a Ponzi scheme?

A. I think you've got to be careful that -- we were cynical. We were cynical. We had seen too many products not to be cynical. So, yes, I mean, I really hate it when we -- you know, we use casual language.

Q. But listen to how the question is phrased. You thought there was a real chance. It could well be. I'm not saying you were certain, but you thought there was a realistic possibility, didn't you?

A. It seems to me that we were constantly attempting to just kind of -- certainly early on -- flesh out what was going on with regards to everything, and you can see that there.

Q. Your specific concern was that it might be a Ponzi scheme?

A. Kerry's specific concern, as she said there, is the missing piece is -- I mean, that's what she says, but I don't -- it's kind of -- you know, we -- we would have constantly been concerned just to make sure that, you know, things stack up, and Mark's influence is clear there. You know, I've said it. It is just colloquial. We are in the raising money game for clients. We have to be slightly aware of these things.

Q. We have seen this four times now: we have seen "Spencer is Madoff"; we have seen, "holy-shit-this-better-not-be-a-Ponzi"; the Ponzi board game; Kerry's Ponzi jigsaw. That's just in the documents that have survived and been disclosed. You must have been discussing this with Kerry and Mark all the time, surely?

A. Yes, sir.

Q. Specific concern that LCF might be a Ponzi scheme. That's what you were discussing?

A. We would have had those conversations, yes.

Q. Do you accept it would be highly unusual to say this even once about a company that you have been representing for six months?

A. No, not if you were doing marketing for NatWest, it wouldn't, of course. But if you are doing marketing for a brand new company lending money, of course it wouldn't be. Like I said to you before, we are in a very unregulated sort of area where there is a lot of cynicism awash, and our cynicism didn't -- you know, our cynicism was still there right up until that first audit, and of course I do regret the fact that we sort of used this language, especially now, in light of what's happened. But, you know, it was just colloquial and it wasn't meant with any --

Q. When you say "the first audit", do you mean the one we just looked at where the year end had been shortened? We looked at it earlier today.

A. Yes, I don't -- I mean, honestly, Mr Robins, I wouldn't have read those accounts, I'm afraid.

Q. Can we look at --

A. Mark would have just told me about it.

Q. -- <SUR00130231-0001>. Mark is emailing you: "Paul has just invented a Ponzi salary scheme!!!" The impression we get from the documents is you and Mark and Kerry were talking about the possibility of LCF being a Ponzi scheme quite a lot. Is that fair?

A. Mark's obsession with that word and everything else -- I mean, to be fair to Mark -- sorry, "to be fair to Mark", to be fair to me, he would say that about everything, it wasn't just LCF. But, of course, yes. And it is his job to do that and so I don't hold it against him. I want him to make accusations, I

want him to challenge me and to challenge clients. It is a big part of his job. And so I don't -- you know, I don't take it as a, you know, serious thing. It takes time to -- things at first flush, you need to give things time. People need to have the opportunity to answer questions, much like I'm doing for you today. If you just take the narrative as it is without the facts, you are left with a story.

Q. We saw in your defence you say "At all times, the Surge defendants believed that LCF was a respectable company operating a bona fide, lawful and legitimate business". Can you accept that in December 2015, January 2016, you thought there was a realistic possibility that LCF was a Ponzi scheme?

A. I mean, with what I know now, yes. But what I knew then, I had more faith -- I'm an entrepreneur, I'm optimistic, I try to see good in people. I don't look at people and have meetings with them and essentially decide on them being fraudsters, despite having cynical advisors whose job it is to point that out. I like to, and indeed think it is important to, allow people the opportunity to provide answers to the questions. And so I can't agree that I thought it was a Ponzi scheme. I did have concerns and, when I had those concerns, I asked questions. When they weren't satisfied, other people asked questions, until such a time as I was satisfied.

Q. The difference between my question and your answer --

A. Yes.

Q. -- you thought there was a realistic possibility that it was a Ponzi scheme. I'm not asking if you thought it was, but you thought there was a realistic possibility it was?

A. No, I'm sorry, I don't agree with that.

Q. All the things we see, you say you didn't think it was a realistic possibility --

A. Was this before the PwC audit? Of course it was. It's 2015. Is that correct?

Q. We are looking at late 2015/early 2016.

A. Yes.

Q. At that time, you thought there was a realistic possibility. It was not something impossible, it was a real risk?

A. There was security, there were lawyers, there were accountants, they were talking about upgrading their accountants, at that point, to PwC. I just -- you know, I had to give them time to provide the answers. I just -- if you enter any business, you know, with that element, you would never construct anything, you would never build anything. You would be too concerned to do anything. I just -- I can't honestly say at that -- I -- like I've said to you before, this is Mark Partridge, he would -- you know, he calls Bitcoin a Ponzi, he says it's the biggest Ponzi in the world. You know, lots of people buy Bitcoin and it's evidently not a Ponzi. I mean, I don't know.

Q. Can we look at <SUR00131253-0001>, please. Mark emails you, this is 1 February, he is talking about a meeting with Blackmore, I think. He says:

"I'm happy to come along but I know sometimes you prefer not to have my 'inquisitive' influence there ..." Then, in the final paragraph:

"What is the latest then with regard to Spencer (not the Phil version!)?"

You had been talking about a possible bond with someone called Phil Spencer, hadn't you?

A. Yes.

Q. So when he says "Spencer (not the Phil version!)" he means Spencer Golding?

A. Yes.

Q. He says:

"Am I continuing to request DD information? I guess that I am."

He hadn't managed to get any DD information at this point, had he?

A. I don't know, I'm afraid. I don't remember seeing this email, actually, or many of the emails today. I don't remember seeing it in my preparation. I'm afraid I can't recall this one in particular.

Q. When he says, at the top, "I know sometimes you prefer not to have my 'inquisitive' influence there", he's referring to the fact that sometimes your desire to succeed as an entrepreneur would clash with the advice that Mark was giving you?

A. I think the reality is, Mark would clash with everybody. I have known Mark since I sold Money Expert in 2007 and we were very close to losing that deal because of things he said in an Eversheds meeting. I like Mark, I appreciate him, I also appreciate his cynicism, but he is not a commercial chap and he would -- you know, he could point out the downsides, you know, in a NatWest boardroom. He's just -- the guy -- you know, I have always had a line between that. It's not that I wouldn't want him to check things out. I just wouldn't want him in a commercial meeting, frankly -- well, I would, actually, I suppose. Of course I would.

Q. In your mind, does being commercial mean, "Put aside what we know, put aside what we don't know, put aside our concerns and push on"?

A. No. No, no, no, sorry, being commercial means you don't go in with -- and accuse people of being fraudsters until such time as you have given them the opportunity to provide the information you've asked. That's kind of what it does. I mean, I'm very sorry that Mark would write in this manner, but our friendship, of course, was very strong and, you know, we had a sense of humour, and, you know, it was just a long-running thing, it was the industry. I think it's -- we are reading way too much -- far too much into this Ponzi thing and the board game and so on. But yes.

Q. You wanted to push LCF as hard as possible because you'd get 25 per cent of each investment?

A. So, you know, this is a basic misconception. It doesn't matter how hard I push a product that doesn't deserve to have the funds; it doesn't matter. I could throw up a bond today, offer 20 per cent, stick it on the internet, it has no bearing on it becoming full. A product needs to deserve the inflows, and the best way for it to do that is to have the security in which to pay people back when there are not. Which is why it is my focus, and has always been my focus, above and beyond what people say or indeed look at, and it is right to say, early on, Mr Robins, that the security wasn't as good as we hoped and it did seem to diminish at various parts, but it was still there and there were still lawyers and there were still accountants, albeit not the sort of brilliant ones that we saw later on, but sufficient to start them off, and, as you saw in your graph, there wasn't an enormous amount of inflows representing that.

His "'inquisitive' influence", I mean, it doesn't -- I'm sorry, I'm lost to -- I think we might be reading more into that than is actually there.

Q. Can we look at <D7D9-0004583>, please. Do you remember John Russell-Murphy telling you about Alan Darrah, whose daughter was in a coma and he'd got a power of attorney to deal with her affairs?

A. I am sorry to say, I do not recall this email. I do not recall it at all, until I read the harrowing start to your submissions, and so that's what's made me aware of that. I didn't recall it until that point.

Q. You don't remember thinking it was promising?

A. I don't remember this email, sir.

Q. Can we look at <SUR00007377-0001>. Page 2. The eleventh message down, just below halfway point, you say to Steve:

"Oh by the way if JRM pulls off that 1m Friday then I'll be buying a 70k car from the comms the week after." And you follow that up immediately by saying: "Operation fuck you everyone who didn't believe." The truth is, you had had your head turned by the money, hadn't you?

A. You know, Mr Robins, when I read your opening -- no, that's not the truth. This is an example, really, of fraud optics, isn't it? I'm an entrepreneur. I bought my first Aston Martin in 2005. I have been building businesses with over 100 staff for 20 years. I have sold businesses. I'm afraid I fight against a lot of people who are cynics and naysayers, but I have always done so legally and properly. If I had known what I knew now then, then of course I wouldn't. But it is -- you know, you are conflating the harrowing situation of the loss of money to that poor girl with this. Of course if I knew that, I would not be celebrating that. I'm an entrepreneur. Have you never -- sorry, I'm not allowed to ask questions. But find me somebody who hasn't celebrated a financial win and I will find you a liar, because we all do. It is unfair to conflate my excitement at my growing business with the fact that this might be a fraud subsequently.

Q. You wanted to get rich?

A. Don't you?

Q. Is the answer to my question "Yes" or "No"?

A. Yes.

Q. You wanted to make enough money over a three- to five-year period to exit with millions in the bank, didn't you?

A. Yes, I did.

Q. You had had your head turned by the money you were making on LCF, hadn't you?

A. In no more way than I would have been with any of the other businesses I have built over the years, sir.

Q. Can we look at <SUR00007413-0001>. Mark says to you: "With regard to Andy coming over if he insists. Get him to come on Friday afternoon and he can go through his security with both of us or just me." At this point, 3 February, do you accept Mark hadn't been able to do any DD yet but Andy was talking about coming over to try and explain things?

A. Yes.

Q. Do you remember -- well, we have seen already that when you first started probing for DD with a light touch, you were told that the security would be put on the balance sheet and that didn't happen. Do you remember there came a point in early February where Spencer offered you some sort of exclusivity deal?

A. I do recall it. I can't recall the document.

Q. Can we look at <SUR00007294-0001>. This is between you and Spencer. Yours is the number ending 289, is it? Yes.

A. Oh, yes, it is, yes.

Q. The penultimate message, Spencer says: "Hi mate, Simon's top and tailing tomorrow so we can hopefully get an MOU agreed by Friday!" You had been talking to Spencer about some sort of MOU between you and him, had you?

A. Yes, I think so.

Q. <D7D9-0004835>, please. Mr Hume-Kendall is sending a draft Surge introduction agreement to John Russell-Murphy, who I think later forwarded it to you. Do you remember seeing the email and the draft agreement?

A. I'm afraid I can't remember right now.

Q. Can we look at <D7D9-0004836>. It is a draft participation agreement between London Group Plc and John Russell-Murphy and you. If we look at the next page, we see there is a contents page. Then, after that, it defines "London Group Plc" as London, it defines John Russell-Murphy and you as Surge, so not the company, it's the two individuals. Then Mr Hume-Kendall and Mr Barker are defined as shareholders. Then it says:

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

Something has gone a bit wrong but we can see what's intended:

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

"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 ..." If we look down at the definitions of financial products, it is an investment opportunity bond or other financial instrument issued by LCF and others to a prospective client, and an introduction is the provision to LCF of the contact details of a prospective client.

From your perspective, given everything that we have been over, there would have been nothing unusual about negotiating this sort of exclusivity deal involving LCF with Simon and Spencer in discussions that didn't involve Mr Thomson? There would be nothing unusual about that, given the background you have explained?

A. I mean, this was -- I know -- the reason I barely recall it is because it was such a -- it was often the case -- in fact, we saw it earlier today or yesterday, indeed, when Blackmore attempted to offer me, or Surge and I, equity in their sort of business moving forward, and I think that's a knee-jerk reaction to products trying to secure exclusivity, is trying to rope you in if you're building things, and it wasn't the first time. And I did encourage it and I think that's just my nature, just to keep things -- you know,

"Yeah, that sounds great. Perhaps we can do that", and so on. But, ultimately, I would have made a decision later, and I probably wouldn't have read this contract, if I'm being honest with you, either. I may have read the MOU, wherever that is.

Q. But in terms of my question, it wouldn't have been unusual to be discussing this sort of thing involving LCF's business with Simon and Spencer, would it?

A. Oh, I see your point. So, again, it's 2016. Whenabouts in 2016 was this?

Q. This was February?

A. February. So this was during the period of time where we were told -- so it was after the email that Kerry had sent, was it?

Q. Yes. She's told you that Andy says all loans are to Spencer, they are funding their own operations.

A. Yes.

Q. And now you are being offered exclusivity by Spencer and Simon, Andy is not involved. That wouldn't have been unusual, that Andy wasn't involved, would it?

A. Do you know, I genuinely -- I genuinely can't remember the contract. It is unlikely I would have read it. I can probably give you some colour over what discussions --

Q. You said earlier, before I had even told you about it, that it involved offering equity in the business moving forward. You remember that's what it involved. Equity in London Group in return for exclusivity for LCF?

A. That's right. I don't remember the actual terms, but I remember them offering me something. I think I do recall it being London Group, yes, sir.

Q. You don't mention this in your witness statement. Is that because you were hoping we wouldn't find out about it?

A. No, sir.

Q. Do you remember you sent it to Kerry and Steve?

A. I do not recall.

Q. If we look at <SUR00164278-0001>, you forward it to them saying:

"To discuss tomorrow."

And then in bold and underlined, "No emails". Were you worried that they might say something in writing that could come back to haunt you?

A. You're seriously suggesting that I wrote that on the basis I thought there was going to be discovery in nine years?

Q. You wrote it on the basis you didn't want them to say anything in writing?

A. The reason I wrote that, Mr Robins, was because Kerry and Steve -- and you can speak to her in evidence -- had a way where they would have basically torn everything apart, all business apart, because it was their nature. We sat in an office together, the three of us -- well, several of us, and we would have been better off speaking in person without allowing those two to fight. And I'm afraid, as

a CEO of a business, I mentioned before, you are dealing with numerous people, fighting egos, personalities and everything else, and that is what was going on there.

Q. The reality is, you didn't want any written record of your discussion?

A. That's a nonsense, Mr Robins.

Q. There are other occasions when we see you say, "Nothing further in emails, nothing in writing". You didn't want there to be a written record, did you?

A. That's not true, Mr Robins. It is simply not true. If I was trying to stop two people discussing a business, they would have talked everyone out of it and it's just not true. I mean, you can see our emails. They are very candid over what we think about people saying various words.

What would have happened here is Steve would have gone through London Group and torn it apart and Kerry would have destroyed -- you know, would have gone through it too and ripped it apart, and then, between them, they would have argued over it.

You may see this in my WhatsApps too.

Q. We will come back to another example later. I was going to take you to it now but we can come back to it later. Can we look at <SUR00131395-0001>, please. Mark says, second email down:

"You never got back to me about DD on LCF. And London Group as well?"

You say:

"Yes, I'll bell you in the morning."

At this point, he hasn't actually managed to do any DD yet, has he?

A. No. I mean, you'll have to excuse me a minute because obviously you're flashing between December, January, February. I know it is all around the same period, 2015 to sort of early 2016. I mean, no is the answer. He hasn't, at this stage, by the looks of it, got hold of him on DD.

Q. Can we go to <SUR00008006-0001>, please. Page 2. There's an email you sent to Pat and Phil. This is 9 February. On the next page, you say, at the top of the page:

"We will hit £3m in cash into LCF bond in Feb. "We will hit £5m in cash into LCF bond in March." You hadn't managed to do any DD, but you didn't have any qualms or problems about trying to raise £8 million for LCF in two months, did you?

A. We did have security. Can you zoom out on that for a moment, please?

Q. Could I re-read my question. You hadn't managed to do any DD -- we just saw the emails -- you didn't have any qualms or problems about trying to raise £8 million for LCF in two months, did you?

A. We didn't manage to do the level of DD that you or other lawyers might do, but we did DD that we felt satisfied us, and we were comfortable that --

Q. If you had done the DD that satisfied you, why was Mark emailing you, what was it, the day before this email, saying, "You never got back to me about DD on LCF and London Group as well", and you said yes. You hadn't done the DD that satisfied you, had you?

A. Just to be clear on the definition of due diligence, due diligence for us was kind of -- it wasn't a one-off event that just took place at a certain date or a certain time; it rolled. It was a continuous

thing that we would have done at the beginning and all the way through. You know, obviously early on, when we are trying to start something, there is less to do, and, you know, as you grow -- you have got to remember, back here they were talking -- I can't remember the name of the accountants that they were using, but I remember they were good, or certainly provincial but good, they weren't PwC, but they were still good, and I remember discussing them. Just because it is not in writing, most of our stuff would have been talking about these things.

This is an example of me writing sort of vision-style prospects, I suppose you would call them, for my vision on a business that I potentially was looking to build out. You know. And, you know, sadly, many of them wouldn't have, you know, gone anywhere, just like the MOU with London Group or indeed the Phil Spencer/Blackmore Group thing you see here.

Q. At 4:04:12, I said:

"Question: ... At this point, [Mark] hasn't actually managed to do DD, has he, yet?" A second later you said:

"Answer: No ..."

I showed you this and said you didn't have any qualms or concerns about raising LCF £8 million in two months, and I'm not sure if you have answered that "yes" or "no" yet?

A. So we've raised £8 million in two months; are you --

Q. You're setting the targets. This is February. You're saying:

"We will hit £3 million in cash into LCF Bond in Feb.

"We will hit 5 million" --

A. If they are my targets, it is very likely we didn't hit those, but, yes, I would have set very lofty targets for the company to achieve and the troops within it. I mean, look --

Q. Even though Mark hadn't done the DD, you had no problems or concerns about doing that?

A. It is an unfair characterisation to say I was not concerned about the security of --

Q. No, I'm asking, were you concerned about setting these targets in circumstances where Mark hadn't done the DD? The answer is, "Yes, I was concerned", or, "No, I wasn't concerned". I'm just trying to establish which answer you're giving.

A. I'm always concerned, Mr Robins, with the security. It's the number one factor in raising money, from many aspects. So yes.

Q. You were happy to try and hit 3 million in Feb and 5 million in March, because Surge were going to get 25 per cent of that?

A. I don't think we would have hit that, and I think, if you go back to your graph, you will see we didn't.

Q. That's why you were setting these targets and pushing ahead, even though Mark hadn't done any DD yet, isn't it?

A. As I mentioned, DD is not a -- you know, we were trying, and I was under the impression, the belief, from the things that I'd heard from Kerry and JRM and Andy, that this was fine, the security was -- you know, there was lawyers and there was, sort of, people involved who had sight of all this

stuff, and I think -- it's -- this is -- you know, I'm still carrying the can as the marketing company, but there is no bearing on any of the people whose job it is to actually do this. I did my best with the information I could have and, you know, I did genuinely believe this was a legitimate business. I didn't think it was a fraud when I was writing this email.

Q. Well, you ploughed on, despite the obvious concerns, because you wanted to get rich?

A. I was building a business, Mr Robins. I'm afraid, you know, the salacious term of "getting rich" is unhelpful. I'm building a business. It is our endeavour to make profit.

Q. Can we look at page 1, please. Middle of the page. You emailed George, your final line:

"Help me get rich and I'll help you too. There is no ceiling for you buddy."

George replies:

"Thank you and thank you for your continued belief in me. That email gave me goosebumps."

You were all excited about making a lot of money, weren't you?

A. In every business I've done, I'm guilty of this, and I wasn't -- you know, Mr Robins, it's -- it obviously paints a picture as a capitalist, but I -- you know, creating jobs, paying taxes, it is doing a service to your country to take a risk building a business. I can't sit here and apologise for being excited about making money. We are all here earning a living. Is there a limit to how much I'm allowed to make and, if there is, what is it? What number is that? I don't see this as -- I see this as tittle-tattle and I'm sorry that you think this is an important fact because, yes, my job was to try and make profit.

Q. We have seen the draft exclusivity agreement. Do you remember arranging for you and John to go and discuss that with Simon and Spencer?

A. I'm sorry, could you say that again, sir?

Q. We have seen the draft exclusivity agreement. Do you remember arranging for you and John to go and discuss that with Simon and Spencer?

A. I don't recall.

Q. Can we look at <D2D10-00014833>, please. Second email. You say:

"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?"

Do you remember going to that meeting?

A. I don't. Quite likely. I mean, all the meetings with those guys were fairly early on, so it could well have been.

Q. Can we look at <SUR00009048-0001>. Do you recognise this document?

A. Is it -- I don't. Did I write that?

Q. Could we try the next one, <SUR00009049-0001>. This is an email from you to John and Kerry and Steve, subject "Draft, FYI", attaching the document we have just looked at. Do you remember preparing it ahead of the meeting with Simon and Spencer and sharing it with John, Kerry and Steve?

A. Can I have another look at it?

Q. Sure. <SUR00009048-0001>.

A. It's got a legal look to it, which is something I wouldn't be able to do. But, yeah, I think that could be me, the way the bullet points and so on -- that is me, I think, "Draft only, not binding".

Q. It does look a bit like your emails, the numbered points?

A. I agree.

Q. This is what you were hoping to agree with Simon and Spencer, wasn't it? In particular, point 7 looks like one that you would have wanted to insist on.

A. Yes, I think I wrote that.

Q. Can we look at <SUR00009378-0001>, please. You're sending a further version of the same document to John and Jo, saying "We will need a few copies of these tomorrow". Do you remember taking the copies to a meeting with Simon and Spencer to discuss?

A. I'm afraid I don't.

Q. We have seen LCF exclusivity is something that remains on your to-do list for quite a few months after this, but it is not something that was ever finally agreed, was it?

A. If you are talking about my notes, I wouldn't take my to-do lists updated as a fact. I'm sad to say I have probably been picking up dry cleaning for about six months. I don't know. We would have embarked on lots of commercial --

Q. My question was, was it finally agreed? Did you ever sign a version of an agreement with these terms?

A. No, I don't believe -- or even an MOU, no.

Q. Can we look at <MDR00034201>, please. On the next page, we see Mark emailing Andy:

"Hope you are well.

"Before the Easter holidays you were going to provide me with the security documents held by LCF against the loans provided to date. I believe these are the documents that you provide Sentient who you said would verify the validity of the security ... Do correct me if I am wrong.

"Could you provide these to me as a matter of urgency as it is now 3 weeks since we met? "Also we would like to see a schedule of the loans made to date if that is all right."

This is something that Mark would have kept you updated about it, isn't it?

A. Yes, sir.

Q. Then we can see Mr Thomson's reply, on the bottom left. He says:

"Apologies I haven't sent the docs over we've been waiting for a specific document from the court in the Dominican Republic that confirms the charges have been taken and will complete the DD pack ..." Mark would have kept you up to date about Andy's response, wouldn't he?

A. I believe so, yes.

Q. So, Mark would have told you he's saying something about security over assets in the Dominican Republic?

A. Yes.

Q. So you became aware that Mr Thomson was saying LCF had security over property in the Dominican Republic?

A. Yes.

Q. If we look at <MDR00034970>. It is an email from Andy Thomson to you. This is now April. He copies it to John and Kerry. The final paragraph, he says: "I'm working on the security and have instructed my solicitor to send Mark all the docs but we are still waiting for confirmation of the DR security. This is only secondary security as the UK security gives us recourse to all the company assets (UK and abroad). I'm discussing with Sentient today going ahead without confirmation from the DR as we hold the UK security." You would have understood, in light of what you have said, that "DR" was Dominican Republic?

A. Yes.

Q. Do you remember we looked at Kerry's interview yesterday, and you said you agreed with what she'd said?

A. Sorry, I can't remember. There's been a lot of information --

Q. She said that land in Cape Verde is not what the retail public really want to invest in, too high risk, and you said you agreed, didn't you?

A. Yes.

Q. The same must surely apply to land in the Dominican Republic?

A. Okay.

Q. Do you agree?

A. Yeah, I mean --

Q. Not what the retail public really want to invest in, too high risk?

A. I mean, you know, I'm sort of -- security -- as long as there's security, I'm not -- I don't -- it needs to be sufficient to cover the -- I'm not going to be prejudiced as to where it is, I'm going to be more interested in what it is and that someone has certified it as value to cover the thing, the amount. I mean, Kerry's view on it may have differed, and I don't know --

Q. You said yesterday you agreed with Kerry. You said you couldn't really sell the tourism bond, didn't really want to, it's too high risk. I mean, that was the view you and Kerry agreed on in February 2015, wasn't it?

A. Oh, I see.

Q. You wanted SAFE instead?

A. Absolutely, you are right to point out that there aren't -- you know, property bonds were just not -- there were just too many, in Germany and all around the world. There was just too much

competition. It is much better -- money lending -- what they had with SAFE as a basis was a much better proposition for us to market than that, yes.

Q. You were presented with three separate and distinct things: the oil thing; the tourism and development thing; and the SME lending thing?

A. Yes, that's fair.

Q. You thought the first two were too high risk, you were interested in the third?

A. Yes, sir.

Q. By this point, April, at the very latest, you are finding out that this SME lending business has lent everything to the tourism and development company, aren't you?

A. I mean, I -- back then -- I mean, obviously now, things are now -- it didn't strike me as -- I was more interested in it being security than -- it just didn't strike me in the way in which you're presenting it today, Mr Robins, as a problem.

Q. You would have known it was a problem because it was the stuff that you thought was too high risk for the retail public, but it had been disguised as SME lending. You thought that was a problem?

A. It wasn't disguised as anything. It was SME lending.

Q. It was the stuff that you thought was too high risk. You wanted the SME lending instead. But the SME lending business had lent everything to the tourism and development company, the land bank with property in the Dominican Republic. The public were being seriously misled by what you knew your salespeople were saying, weren't they?

A. I'm sorry, but I just can't agree with that. I mean, it was security, not something they were investing in -- it was the security which was a ratified security instrument. I'm no accountant, which is obviously apparent, but a security instrument that is ratified to be security is as good for me if it is the Eiffel Tower or the Tower of London. I don't discern from it as long as it is ratified as being able to pay the bondholders. I presume what you are asking -- sorry, could you ask it again, Mr Robins?

Q. I will try and ask it in a different way and see if it assists.

You knew that all this talk about LCF being an SME lending business that we saw this morning was just a front for the high-risk, unattractive business which you and Kerry had thought the public would be unlikely to buy?

A. No, and for this reason: as I said previously, what SMEs are lent money has little bearing to me because all SMEs have risk, whether they go up or down. I don't care what their business plans are. I don't care if they're building property in the Dominican Republic or elsewhere. I care that the security covers the potential loss of the bondholders because, essentially, businesses go wrong all the time, people have best-laid plans and so on, and so I care more about the security. You know, I'm a marketer. I'm asked, you know, "Which one of our three products do you -- would you -- are you interested in?" We said, "Well, tell us more about your SME lending business".

Of course, that was -- everyone was -- it was a rise of an industry back then. I mean, it's not so much now. Lots of people were doing it and it was rising up. Property was -- you know, property bonds, loan notes, property, it was just unattractive, no matter where it was, because, you know --

Q. So, you say that members of the public wanted to ensure their money was secure?

A. Yes, sir.

Q. You say that the security must be in place to make the investor have the intent to want to invest?

A. Yes, sir.

Q. You said yesterday the first question, the most common question, was, "Are you covered by the FSCS?". The answer to that was, "No, but we have our own asset-backed scheme", wasn't it?

A. Yes.

Q. Can we look at <SUR00004929-0001>. It is a chat transcript copied to you and Jo Baldock is asked: "Is it a totally safe investment?"

She says:

"Yes, the 3-year growth bond is as stated at a guaranteed rate of 8 per cent for the three years. Your full investment is protected up to 100 per cent with an asset backed scheme. The assets are managed by an independent security trustee who ensures that there is 100 per cent coverage for your funds at all times." It is true, isn't it, that you wanted your staff to emphasise the security, to tell members of the public that there was security, to get them to invest, but, in reality, you had no idea what security, if any, actually existed at this point we are looking at?

A. You're basically talking about here the first -- I don't know when we went live, but the very end of 2015, the first three months, we -- you know, the first £5 million over six months, maybe we did with LCF, not the 240 million. You want to talk about when we were trying to find our feet, get professional, build a business, any business, Mr Robins --

Q. I said we are looking at it chronology. We are looking at this period now --

MR JUSTICE MILES: Which period are you talking about? Just to be clear, Mr Robins --

MR ROBINS: Sorry, just to be clear --

MR JUSTICE MILES: -- are you talking about up to January or April?

MR ROBINS: -- we are talking about January, February, March, April 2016.

MR JUSTICE MILES: I mean, you had got as far as April when there were those emails about -- so, Mr Careless, just to be clear about this, the chronology, Mr Robins had taken you to some emails, which I think ended on 8 April, which had mentioned security in the Dominican Republic. Mr Thomson was saying that he would provide some details of the security. Is that right, Mr Robins?

MR ROBINS: My Lord, yes.

MR JUSTICE MILES: Is that a fair summary?

MR ROBINS: Yes.

MR JUSTICE MILES: I think, when counsel is asking you about "at this stage", I think now the question is directed to after 8 April. Is that right, Mr Robins?

MR ROBINS: Yes. I'm sorry, Mr Careless, if that wasn't sufficiently clear. But, yes, as at the April 2016 date that we were just looking at, you had no idea what security, if any, actually existed?

A. Sorry, is that a statement or a question?

Q. A question.

A. I can't, with much clarity, recall what specific security was in place in the first three or four months of this bond.

Q. Sorry, just to be clear about dates, when you say "first three or four months", are you talking about 2013, when SAFE was launched? Are you talking about August/September/October, the first three months of your involvement? Or something else?

A. I'm talking about when I was involved with LCF in 2015, not in 2013. I wasn't aware of the detail prior to that. I did become aware, but I wasn't at the time because, again, there wasn't that kind of depth. In late 2015, when we launched London Capital & Finance, I think the point to note here is this: if you are raising money for a bond, you're not going to start that bond practically with an enormous bunch of cash because you would go off and get senior debt, you wouldn't require more expensive debt. You wouldn't need to do that because you always start with a small bit of security, all bonds do. All bonds I've ever seen do that. Then it grows. As your investment comes in and you take more security, you get more headroom. And so I'm not entirely willing to accept that there was no security here because I was -- although we were doing DD, I do believe Kerry and I had comfort that there was -- I mean, I struggle to tell you precisely how much and everything else out of those 15 and 30 millions emails, but they were growing. If you look at how much money we were putting in at 6 January 2016, I would be surprised if it broke 2 million quid. I know I wrote it would be our target to be 3 million and 8 million, but I think you may have established by now I do set some fairly lofty targets. I just didn't think -- you know, I wasn't concerned -- I thought they had the cover. I mean, people would have looked at it, there would have been accounts, there would have been lawyers, all of which we don't see, we're just seeing these sort of emails with Jo writing these things.

Q. <SUR00012011-0001>.

MR JUSTICE MILES: Just before you go on, Mr Robins, can I just check with the transcriber, do you need a break or are you happy to go on?

We will take five minutes.

(4.32 pm)

(A short break)

(4.37 pm)

MR ROBINS: Can we go back to <SUR00010923-0001>, please. Sorry, wrong one. <SUR00012011-0001>, please. It is a chat from A Wallis, that's Ami Wallis, isn't it?

A. That's Aaron Phillips.

Q. Sorry, is this one Aaron Phillips? Sorry, I misremembered. At the top, you say:

"Capital I's please buddy."

That's the reason I was thinking it was Ami Phillips. She also put in lower case Is and you corrected her. Was that a particular bugbear for you?

A. I don't know if I was particularly -- I'm not renowned for my grammar and typos, so I was probably just trying to professionalise things.

Q. If you're making that comment, you would agree you have read it?

A. Yes, sir.

Q. So here is someone who is asking at 4.47.16: "I'd like to open a savings account but am nervous about knowing my money will be secure." Aaron asks:

"Are you asking why is there a difference between us and competitors?"

The visitor says:

"Yes, your competitors seem to offer much less." Aaron says:

"I understand that you need your money needs to be secure. We have a very secure asset scheme which has a 100 per cent track record.

"We offer better rates for many reasons, one being that we are a commercial lender and offer loans to UK businesses at a high rate of return. We secure these loans against property or land at a healthy loan to value rate, so if they default, we can liquidate their asset and recoup the money for investors. "For investors to lose money, a large portion of our loan book needs to default all at the same time and the property/land needs to depreciate by 25 per cent or more also at the same time."

By April 2016, you knew that that sort of thing was misleading, didn't you?

A. I'm afraid you'll have to excuse my lack of working out the dates, but at some point --

Q. This one is March, but I'm saying, by April, you would have known this sort of thing was misleading?

A. At some point, we would have. This could have been going through right now, but there is -- we would have corrected the record. We would have recommended to Andy to give us the facts that we could correct the record. I presume you won't be showing those things. But we wouldn't have said things that were untrue, knowing they were untrue, if we had information. I mean, we -- as we grew, we did. We got it wrong. You know, we were doing thousands upon thousands. Webchats wasn't something we did many of, but obviously you are focusing on it. When we got it wrong, we tried to professionalise it and get it right. So I don't have an excuse for you if they have said something which is inaccurate at this point.

Q. Can we look at <MDR00035001>. Can we look at the next page as well, please. At the bottom left, Mark Partridge emails Andy, copies you and says: "I have not heard from your solicitor yet! "Could you ask him to get in contact as a matter of urgency, please?"

You understood that Mark was asking to inspect all the loan and security documents held by LCF?

A. I wasn't sure what he was asking for. But his brief from me would have been: ensure there is enough security in place, please, for the company. Or to give me a view. I would have said, "Give me a view on -- and do it". So you're going to see lots of emails where people are writing to Andy, many times from me, asking them to do it, whether it was Mark or Steve or Kerry or indeed Jo. Because it was better for me to sort of -- I would -- you know, I was running around doing lots of things. I would have said, "Can you just chase up the security?" or "Can you just chase up so and so?". Sorry, I have lost my train of thought.

Q. Top left, you wouldn't have seen this because you're not copied, but Mr Thomson forwards that to Alex Lee at Buss Murton:

"Please see the below email, can you contact Mark Partridge as we discussed, he's Surge's accountant and wants to review the security/loan docs we are holding."

Looking at that now, you would agree it is certainly Mr Thomson's understanding that Mr Partridge wanted him to send over all the security and loan docs?

A. Yes.

Q. Can we look at <MDR00035261>. This is the email from Alex Lee to Mark and he says:

"Mark, further to our conversation last night, on instructions from Andy Thomson, please find attached the following documents."

This is the entirety of what he sent over. The first is:

"Facility agreement between London Capital & Finance Plc and Leisure & Tourism Development Plc. "2. Corporate guarantee from London Group Plc. "3. Debenture supporting above facility agreement." Let me just show you those before I ask you questions about them. The facility agreement is <MDR00035264>. You can see it is a facility agreement between Leisure & Tourism Development and London Capital & Finance. On page 23, at the bottom, you see it is not signed but there is a space for Simon Hume-Kendall to sign.

A. Right.

Q. Then <MDR00035262>. This is the guarantee from London Group. Page 17, Mr Hume-Kendall's signed it. Let's start with the first of those documents, the facility agreement. You knew about Leisure & Tourism Development, didn't you? You knew what it was? What sort of company it was?

A. Yes. This is the lodges that they had in Cornwall.

Q. And the land in Cape Verde. That's right?

A. I thought the Waterside tourist thing was a Cornwall thing and then the Cape Verde was a separate thing. But, yes, okay, it could well have been the same thing, I presume.

Q. If we go back to look at Kerry's notes, we can see what you were told at the meeting, <SUR00000914-0001>. At the bottom:

"Leisure & Tourism.

"2 divisions.

"IRG International Resorts Group ... basically a land bank.

"LTD -- built-out holiday resort in Cornwall and Cape Verde."

You were introduced to Leisure & Tourism Developments back at the meeting in February, weren't you?

A. I don't recall, but, yes, if this suggests we did, then, yes, of course we did.

Q. So that was the Cape Verde thing that you and Kerry thought would be too unattractive and risky to sell to the public, isn't it?

A. I can take the former. A bond doesn't become risky because of where it is. There is plenty of bonds that have raised up to a billion and have been abroad. A bond becomes risky because it doesn't have

sufficient capital -- security to repay the bond and that's why it wouldn't attract any money and therefore it would be useless anyway.

Q. We looked at what Kerry said yesterday, and you agreed with it. Then they moved on to:

"We have got this Leisure & Tourism business, it was also a bond. Again, we didn't want to say the wrong thing to put them off, but land in Cape Verde is not what the retail public really want to invest in. Too high risk."

You knew that LTD was the high-risk Cape Verde land company, didn't you?

A. I can't -- honestly, I wouldn't have remembered that.

Q. Let's move on to the guarantee, London Group Plc.

A. Yes.

Q. You knew about that because it featured in the exclusivity negotiations and you'd been offered shares in it?

A. Yes, so the thing I can kind of remember about London Group was that Simon Hume-Kendall was this guy who did gas and oil and they had some licences to do gas and oil and a story around how the oil price was low and, therefore, everyone was being -- the cost for bringing oil out of the gas meant it wasn't economical and, therefore, they laid lots of people off and there were a lot of distressed oil businesses and, when the oil price came back up, they'd make a killing. I remember that being the sort of theme of it, even if I can't remember the specific words or anything else, I do remember that as being the theme.

So -- sorry?

Q. You knew what London Group was. You were aware of the company --

A. Yes, I had a broad view of what it was, yes.

Q. If Mark asks for everything and Alex Lee sends him a single facility agreement in favour of L&TD guaranteed by London Group, it is pretty obvious from that, isn't it, they're still funding their own operations?

A. Well, maybe it was. I mean, I didn't see, at that point, any of this as an issue because we were fleshing out that they had enough security. I just didn't drill down into -- you know, Mark would have been cynical and said that, "They need this, they need that". I let it develop because you do let these things develop, commercially speaking.

Q. You let it develop because you were getting rich?

A. I let it develop because I was comfortable, and, indeed, we were comfortable that they had enough security, and we knew that we were -- we were pushing them for more than the accounts, we wanted the audit, because obviously that would be -- certify the position, and they were always promising -- "they", sorry, LCF were always promising that they were going to provide us with this, with an audit, which was going to be -- you know, value all these things and so on. But, early on, we just didn't have that level of -- it was very kinetic, I've got other bonds, I'm dealing with Blackmore as well. So, yeah, I mean, I wouldn't have been into the detail quite as much as perhaps you think I was.

Q. Let's just assume, for the sake of argument, that you knew at this point this was the high-risk tourist thing that you and Kerry thought the public wouldn't want, and you knew it was being dressed up as an SME lending business. Would that have been concerning for you or not concerning?

A. You just said two things there which are not correct: "dressed up as an SME lending business". It was an SME lending business, not dressed up as one. We may have done the marketing and made the website better, but it was essentially what it was --

Q. There is a single loan agreement that's been provided by Mr Thomson, only one.

A. Right.

Q. It is not lending to large numbers of SMEs. There is a single loan agreement. You knew that, didn't you?

A. I don't -- I mean, sorry, rhetorical question, if you are going to start a lending business, wouldn't you start with one of the people you would lend to? I mean, if they -- the question --

Q. Three years into it, eight months into you selling --

A. I remember it being --

Q. -- all the stuff being said about SMEs?

A. When we go to the 80 loans, I remember when we asked about that and we were told that it was -- it was a facility and that the loans had to go out and the reason it was 80 is because they went out immediately to ensure that they were repaid, and so I thought it was a facility, and I wouldn't have seen that document, I'm afraid, I don't think.

Q. We saw the video, the references to diversification. It was there twice. You knew that wasn't correct, didn't you?

A. So it said on the website -- and you have seen this in discovery. It said, you know, the initial lending would be through the directors' connections. I mean, it said that. I find it difficult to be able to say --

Q. How can one loan, one loan, to the Cornwall and Cape Verde company, amount to a diversified loan book?

A. I know they started in 2013, but, when we started with them, I sort of saw that as the start line. I didn't really appreciate, you know, that they'd -- what they had done before. I had not really looked at it. What I presumed was that -- it was much more basic for me. It was, we generate your leads, we put a proper professional -- we end up trying to build a sort of dashboard to put people on. The security needs to be there not because it makes me comfortable, because people will not invest in anything without it. So that's why I'm pushing them for the security. And I'm afraid I didn't think it was a concern that -- you know, I didn't even know -- I just -- I didn't know what precisely it was. I would have relied on, you know, other people --

Q. You and Mark would have discussed the single facility agreement that Alex Lee sent across and the implications of it, wouldn't you?

A. Yes, I think we would have.

Q. So, you tell them, in February 2015, you can't raise money for the tourism business, it is too high risk, the public won't like it, we will do the SME lending business --

A. I don't think I said it was too high risk, but, yes, okay, I accept that.

Q. You agreed with it yesterday. You said, "We'll do the SME lending business, it's more attractive. You sell that on the basis of diversified risk", et cetera. You then discover LCF is lending to a single connected company, the tourism business. You must have thought at that point, well, the things the salespeople are saying to the public aren't true?

A. No, I'm afraid it is just not true. I believed what I was being told. I thought this was a really good bond. I thought it was the start of a good bond. They had all this different security. We were pushing them to get their -- you know, their audit sorted out so we could see it. I just don't recognise this, you know, "You should have seen day one, week one, that this was some fraud". I just don't recognise that. It just doesn't --

Q. If we look at <SUR00015738-0001>, this is a chat transcript from 17 April 2016. George Carlo is asked if the products are covered by FSA insurance. George says: "Hi, you're through to George. We are not part of the FSCS. We have a comprehensive asset-backed security which safeguards investor capital and we have a 100 per cent track record."

He's asked if it's similar to peer-to-peer lending. George sends him the link to the video with the two references about diversification. George then says: "It is different to peer to peer in that your investment is spread across our loan book rather than attached to one borrower."

You knew that was untrue, didn't you? You did, didn't you?

A. I presume, Mr Robins, that when someone makes a statement online saying they're lending to SMEs, it means they are going to do that. If they don't do it immediately and they just lend to one and then subsequent ones come on, I would expect that to be the case. You would be constantly changing everything if you didn't say certain things. We did not purposely try to mislead anyone. We tried to provide and be the best -- I believe we were, I believe Surge was genuinely the best, most professional company for onboarding people into bonds, and I -- you know, where there are issues like this, and you will see down the line we set up very big processes to ensure that these issues were picked up, and if, very early on, we weren't quite getting it right, then I can only apologise, but it certainly wasn't done in a way to mislead the investor or to, you know -- I had belief in -- genuine belief that it was correct.

Q. You'd discussed with Mark Partridge only three days earlier that the loan book was attached to only one borrower, hadn't you?

A. I mean, there is a chance it didn't feed down to these people, but, yes, I mean, if he has said that -
-

Q. This is copied to you, isn't it?

A. Yes, I would not have read that. If I did, it would have been very casual and I wouldn't have picked it up in that way. I wasn't really --

Q. Can we look at <SUR00016622-0001>. In this one, at the top, you say:

"Great work Chris. Every time. On. The. Money." You accept that you read this one?

A. Yes, I mean, I did say earlier there are times -- yeah, I probably did read it, but there are times I may have just casually responded to encourage people --

MR JUSTICE MILES: Can you go back to the previous one, Mr Robins?

MR ROBINS: Absolutely.

MR JUSTICE MILES: I just wanted to have a look at the top.

MR ROBINS: Top of the page, my Lord.

MR JUSTICE MILES: Not that bit. The bit at the top.

MR ROBINS: Sorry, I had forgotten about that. Looking at that, Mr Careless, do you accept you would have read this one?

A. Yes, sir.

Q. And the next one, <SUR00016622-0001>. You accept you read this one as well, I think?

A. Yes, it looks that way, sir, yes.

Q. In the middle, Chris Barnard says to the member of the public:

"For there to be any exposure to funds, a significant proportion of our loan book would have to default."

How can you have a significant proportion of the loan book defaulting if there is only one borrower? It is binary, isn't it: default or not? Doesn't "significant proportion" imply there are lots of borrowers?

A. Have we established here that I think there is just one loan going out, or something, and that's what this is?

Q. That was sent over, and I thought you accepted you discussed these documents with Mark? You called him up on 14 April to discuss?

A. Right.

Q. Do you want to just see that to check I'm not misleading you? <SUR00015167-0001>. This is the 14th. Mark says: "When are we talking about the docs he sent over this week?"

A. Yes.

Q. We have seen what those were and you say, "I'll call you shortly". Mark wouldn't have got these documents and then failed to discuss them with you, would he, given everything you said about how cynical he was and how he wanted to ensure you were going into this with your eyes open?

A. Yes, sir. I can -- I'm kind of -- I can see where you're going here and I've now established it. I mean, we thought there was sufficient security, and I -- if we didn't update our scripts, that's because they weren't updated by our client and LCF wouldn't have updated them, but we would have pushed them. Perhaps it was going through the channel at the time, or whatever. If there was -- if people did say things which were incorrect, I mean, you can see this very early on, I know it is still -- it is six months on, but you will see we are embryonic, we are finding our feet, we are not trying to mislead people. We are trying to, you know, become a professional business, and we are trying to perform the sort of standard operating procedures of a business that can scale.

Q. But you accept that if you know there is only one borrower, then you know comments about how "a significant proportion of the loan book would have to default" are misleading because they are imply there's more than one?

A. Sorry, I beg your pardon. One more time, Mr Robins?

Q. If you had known there was only one borrower, then you would also have known that comments about how "a significant proportion of the loan book would have to default" were misleading because they imply that there is more than one borrower?

A. I mean, yes, absolutely, but I wasn't -- it wasn't clear to me there was just one borrower at that stage. I thought there were a number of borrowers. I know I've seen this document, but, as you know, there were a lot of things going on and I was trying my best to, you know, push to make sure the security was in place to scale the business, and to scale -- you know, the scale Surge took on to accommodate it. I know we were speaking to Lewis Silkin back then, so Lewis Silkin were obviously involved in whenever this is.

Q. Lewis Silkin were involved in receiving your staff's chat transcripts from a member of the public, were they?

A. No, absolutely not. But Lewis Silkin --

Q. Can we look at <SUR --

A. How could I think it was a fraud when Lewis Silkin are in my office being introduced to me or I'm being told -- I mean, I appreciate --

Q. This is your reconstruction again, isn't it? This is your argument. This is not your evidence, is it?

A. It is the truth, Mr Robins. I'm sat in my office at some point with a Lewis Silkin lawyer and a barrister who I've met subsequently, you know, during the period, who outlines that he worked for the regulator for ten years, as smart as you, and I have great comfort from that. I don't think there is a fraud going on. You know, I notice they are not here now answering the questions and I see in discovery they saw way more than I did. They saw these documents. Yet the marketeer has to have worked it out. You know, it's remarkable. I mean, I'm sorry that my account manager said --

Q. Just to be clear, is your answer, if you knew that there was only one borrower and if you knew your staff were saying things to the public to suggest that there was more than one borrower, then it is not misleading because Lewis Silkin were involved? Is that your answer to my question?

A. No, that's not my answer to your question, I'm sorry. The answer to the question is, I don't know -- you know, if things have been misrepresented and they have not been picked up, then of course, you know, I can only apologise for that. But it was certainly not the intent -- it would have been sloppy, part of the growing pains of a fast-growing business, as opposed to the way in which you're sort of putting it to me, which is, we are purposely saying things to mislead people. In April 2016, I should think we had raised less than 5 million quid out of the 242 million quid we raised. So I think it is a misnomer to characterise the money we did as -- you know, as that's how we operated, because it is just unfair.

Q. Can we look at <SUR00030324-0001>, please. This is the one I was thinking of where you comment on Ami Wallis's lower case Is. You would have read this one?

A. Yes, sir.

Q. We can see this is July 2016 and she says, third up from the bottom:

"The only way that there would be exposure to funds (risk) would be if a large proportion of our loan book defaulted."

Again, if you had known there was only one lender, you would have known talk about "a large proportion", implying multiple lenders, was misleading -- sorry, borrowers, was misleading?

A. Well --

Q. Let me say it again. If you had known there was only one borrower, you would have known talk about "a large proportion", implying multiple borrowers, was misleading?

A. Yes, I would agree that that would be the case.

Q. Can we look at <MDR00038754>. Again, you say: "Nice work CB."

So you would have read this one?

A. Yes.

Q. Can we look at the next page, please. At 6:23, towards the bottom, he says:

"We are FCA registered, it is just a safeguard statement. It means that if a huge proportion of the companies we loan to defaulted (we have had zero defaults to date) and their assets fell significantly (in other words the UK property market crashed) it would potentially affect the capital returned to the investors."

You knew your salespeople were saying things to members of the public which weren't true, didn't you?

A. I think they genuinely believed they were true, and if there's a script --

Q. I'm not asking what they believed. What you believed. You knew your salespeople were saying things to members of the public --

A. I'm still not comfortable accepting, Mr Robins, that I thought there was just one lender despite the sort of Buss Murton thing that you showed me. I was under the impression that lots of things were happening, but, you know, I'm sort of -- I feel slightly pressured to agree it.

But, I mean, look, you know, you're talking about 10,000 enquiries over -- more than 10 -- 11,000, 100,000 enquiries, an enormous amount. There will be places where -- especially early on, especially early on. But I think it is unfair to be emblematic to say we are misleading people based on the information that I know to be untrue.

You know, I would have done my best to ensure that the people around me made sure that the information that they presented reflected the truth and was accurate. And if I'm behind the times on these things, then of course I am. But, yeah, I think it's --

Q. Can we look at <MDR00035082>, please. We can see, at the bottom of the page, maybe look over the page as well, you're commenting on an article in the Telegraph "No end in sight for global economic misery warns World Bank" and you say to John:

"I'm taking it this cheerful article is actually in our favour?"

He says:

"Yes, the doom and gloom for next several years is perfect for us. Our products will be more appealing during that period, we just need to make enough money over the next 3-5 years and then exit with millions in the bank."

That was the game plan, wasn't it?

A. I think you'll find it's the game plan for every business, all 3.5 million of them, in the UK, Mr Robins.

Q. But you didn't care if achieving that meant taking a risk, did you?

A. I'm afraid taking a risk is a big part of starting a business, Mr Robins, and of course it comes with enormous risks, yes.

Q. Your philosophy at the time was that the only risk in life was not taking a risk, wasn't it?

A. Yes, I mean, I think you shouldn't be conflating risks with fraud, but, yes, I think it is a fair comment.

Q. You thought no-one ever became successful by waiting; what you want from life is there for the taking, you have to get up and get it, and you have to make it happen. That was your philosophy at the time, wasn't it?

A. Well, reading it out -- probably comments I have written to myself which are slightly cringeworthy. I mean, I'm an entrepreneur and I try to create businesses from nothing and it takes an enormous amount of stress. I'm up at 4.00 am, I work 14-hour days. I try to create jobs, good jobs, and I try to pay taxes and it is a great way to be able to help. I know perhaps some people don't agree with that. You know, I'm not going to shy away from the fact I'm an entrepreneur and I try and build businesses. But I don't think it is a fair characterisation to say, because I am taking risks, I am pushing and I'm driving, that makes me a fraudster, because I think that would be unfair.

Q. You had had a taste of success earlier on in your career. You had then experienced business failure. You saw this as your second chance and you were not going to let anything stand in the way of it, were you?

A. You are obviously referring to a document I've written.

Q. I'm asking a question.

A. Sorry, chap, could you ask it again?

Q. Did you say "chap"?

A. Sorry, sir.

Q. No, feel free to call me "chap" if you prefer. You had had a taste of success early on in your career, you then experienced business failure. You saw this as your second chance and you were not going to let anything stand in the way of it, were you?

A. I am trying to build a business and it comes with enormous difficulties, Mr Robins. To get a start-up off the ground -- nine out of ten of them fail within three years -- it requires a lot of energy and drive to do. But I think it is patently unfair to compare that with the fact my drive and energy is going to make me commit fraud because it is untrue. There are plenty of businesses you can -- you know, you can build. I didn't embark on this or do this business to commit fraud. I think that is just unfair. But, yes, I do agree with the comment I just said.

Q. So the answer is yes?

A. Yes, sir.

MR ROBINS: My Lord, I have gone on a bit, but I'm getting back on track.

MR JUSTICE MILES: We will resume at 10.30 am. Sorry, Mr Careless, the same warning that I gave you at the beginning of your evidence continues to apply?

A. Understood.

(5.08 pm)

(The hearing was adjourned to Wednesday, 1 May 2024 at 10.30 am)

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