



Q-What is the maximum percentage of the overall loan book that can be placed with a single firm?

We prefer to cap our exposure to one firm at a maximum of 20%

Q-The 20% cap to one lender is said to be a preference – does this mean it is not a hard cap and how do they manage that? Do they think 20% is a suitable number? What is the current % breakdown across law firms lent to?

No it is not a hard cap but a preferred concentration excess risk profile. One of our firms has more than 20% but they have the infrastructure, systems and staff capabilities to deal with a very large volume of cases.

We think 20-30% is a suitable number as we do not want too few law firms much like too many. If we spread the funding too low it is actually a higher risk for us since the firm could not grow, they would remain stagnant, as soon as they repaid their funding they would simply start again, If we spread the funding too high across too many firms they would not create internal cash reserves/profits which strengthens the firm.

The % of each law firm all remain within our concentration risk profile as referenced above.

Q-What is the difference between a lien and a first legal charge, and why did Woodville opt for the former? What benefits does it confer on them?

A first legal charge would normally be seen to be the best form of security however due to preferential creditors such as HMRC and staff wages etc there could be an attack even on that position. Further, many law firms use more than one funder so it is less and less common that a law firm will grant a first legal charge, this is to accommodate all funders who then sit with a deed of priority carving out their individual interests.

A lien is a specific charge over the actual loan which is our asset, a charge is over the firm in general, in an insolvency the other funders/creditors could make an argument (however spurious that may be) that they can take some form of entitlement to our cases/assets. Since the lien carves the case out from the other assets of the firm it would be segregated in such an insolvency.

Q-What are the KPIs they assess on the borrowing law firms? What are the processes in place, and how have they worked in order to safeguard the fund?

Our rigid ongoing monthly auditing of the cases ensures that we are aware of the progression of all cases, we check case progression in a granular detail and can then react to any failure to meet our KPI's. Where a KPI is not met no further lending is made available until such time that the lag is dealt with and also that we can satisfy ourselves that steps have been implemented to mitigate against any reoccurrence of the issue that caused the failure in the first instance.

Do you think any further safeguards should / could be implemented in the future?

We are always looking for way to improve our processes and procedures, we understand the monthly audit and we also compare our law firms to ensure that any improvements in process or procedures are implemented across all firms. All of our firms must agree to a collaborative approach to intel sharing. This is not client specific but market specific. For example which judges or courts are taking positive views on cases, which courts have the shortest timetables etc

This will substantially alter with the introduction of the FOS scheme where all cases will now be dealt with by the defendant under order of the FCA, where failure to settle will be dealt with by the Ombudsman. This will substantially de-risk the cases and increase settlement times.

Q-What is Woodville's due diligence process when lending to law firms?

We undertake a multi pronged DD process.

The first DD is a desk top study of the firm such as financials and regulatory filings, disciplinary records of the firm and its solicitors etc.

The second round is a financial DD exercise testing the historic performance of the firm and its cash flow and financial planning

The third round is testing their business plan

The next round is a site visit to take a review of their offices, staffing, company policies and most importantly their CRM systems.

The most important perspective is not the superficial aspects such as large offices etc, the key factor is the experience of the people behind the firm. We expect to see a firm's ability to run large volume cases, not dissimilar to a data company, the systems / CRM / automations etc are key for us to see, which provides the re-assurance a law firm can scale up for additional cases on the back of any potential funding / scalability.

The owner(s) MUST have extensive experience in large volume litigation departments that is key to the success of the model under which we lend. The time to obtain a new SRA licence is currently approximately 2 years, therefore experts wishing to take advantage of the FOS redress scheme will commonly buy a small or dormant firm to circumvent this delay, since much of the best of the PCP market will be over after around 3 years, they cannot afford to wait 2 years for a licence.

Q-Risk Assessment: What are the specific risks associated with this investment, and how are they mitigated beyond the ATE insurance?

We have created a video which details all risk management here - <https://vimeo.com/609648967/55d2de4265>

Q-Investment Specifics Insurance Coverage: What are the terms and conditions of the ATE insurance policy, and are there any scenarios where it might not pay out?

The policy does not cover fraud, which is common for such policies.

Funding is only provided to SRA Regulated Law Firms.

Compensation fund - A discretionary fund is managed by the SRA that can help return money to people who have lost it due to a dishonest solicitor.

The SRA regulate all solicitors and most law firms in England and Wales. They protect and help the public by making sure when things go wrong, the SRA can help in the following ways.

- Taking action in cases of serious misconduct - The SRA can prosecute solicitors and firms at the independent Solicitors Disciplinary Tribunal (SDT). It can issue fines and suspend or even strike off solicitors.

- Interventions - The SRA can close down firms where there is a serious risk to their clients and the public. SRA fines-They can fine solicitors and firms and set limits on what work they can do.

Q-Default Rate: The anticipated default rate is less than 1%. What has been the actual default rate over the last 3 years, Can we get a report?

There have been 0.

We have had instances whereby cases have been funded with law firm A, however we have moved them to a new law firm to ensure swift settlement. But this is less than 2,000 cases in a total of 125,000.

Q-Financial and Legal Aspects, Loan Terms: What are the detailed terms of the 12-month and 24-month investment options, including interest payment schedules and any penalties for early withdrawal?

The terms are fixed, and the bonds are illiquid and non transferable, and investors are expected to hold the notes until maturity.

Coupon payments are made quarterly, so if investment is made today, then coupon is payable at month 3 anniversary, month 6, month 9, month 12 and so on until maturity.

Q-Legal Framework: Given that this investment is not regulated by the FCA, what legal recourse do investors have in case of disputes or issues?

Assignment rights over each case is held by Woodville to protect in the event of Solicitor going into liquidation.

Woodville obtains a security interest in the litigation claims that it finances, meaning if a Law Firm ceases to trade part way through a claim, a new Law Firm can be elected to represent the claimant, and Woodville's Loan is paid by the overtaking law firm directly from the claim proceeds.

The ATE policy is also assigned to Woodville, so we can make a claim against the policy directly with the insurer.

Woodville have ATE in place on every case funded, to help reduce risk to our investors. Our insurer is A rated, and a syndicate of one of the largest insurance companies in the World.

Targeting smaller value carries much less risk, and few other litigation funders can process these cases on the required scale.

The average Loan Size is £1,000 - £5,000 depending on the claim type. This provides extra diversification across the Investor Capital.

In the event of an unsuccessful claim, this would not cause a delay repayments of investor capital, as it would only cause a delay for the one claim that is affected.

Woodville can absorb the cost as it would only amount to either £1,000 or £5,000.

We would then get repaid by the ATE insurer and account for that back to ourselves since we would already have repaid the investor.

Funds invested by an investor are allocated to individual loans to the value of their investment, therefore in the event of a default (that remains uncured) the investor could crystallise their loan note and take the actual asset (being the case) and the solicitor would be required to pay the investor direct.