



SEVEN STARS

Legal Funding

SEVEN STARS INVESTOR NEWSLETTER

02 2025



ABOUT SEVEN STARS LEGAL FUNDING

Seven Stars Legal Funding was established in 2022 as an investment company targeting market leading investor returns working within the well-regarded and regulated UK legal services sector, and specifically litigation cost financing and litigation case generation.

The company was founded and is led by a successful litigation finance team, with an incredible track record and a history of managing approximately £400mn in litigation funding investments, who identified a substantial funding opportunity that far exceeded their existing requirements.

Since launch, Seven Stars has built up a potential loan book of over £40mn and funded over 56,000 claims across various case types.

As of 2025, the company is only investing in the UK and lending to firms working in the UK legal sector, which is globally recognised as one of the preeminent jurisdictions for legal services.

Our activities to date affirm the view we took when launching the company, namely, that the key to successful litigation financing lies in the selection of cases or case types to fund.

ABOUT OUR QUARTERLY NEWSLETTER

These quarterly updates are designed to provide you, as an investor, with clarity on our activities and how these relate to your investment.

As an investor in the Seven Stars Litigation Finance Bond series, a unique and promising opportunity combining the worlds of finance and law, you can receive an excellent income and have a positive and socially responsible impact on the consumers we help. In a dynamic economic landscape where innovative investment avenues are sought after, this groundbreaking financial instrument is a compelling option for those seeking attractive returns and diversification.

This investor newsletter aims to shed light on the intricacies and potential of our investments and where Seven Stars operates, helping to cover our role in fostering access to justice while delivering impressive financial gains for you, our investors.



ABOUT LITIGATION FUNDING AND OUR LITIGATION FINANCE BONDS

Litigation finance, a relatively nascent yet rapidly growing sector, has been reshaping the legal landscape by providing crucial financial support to consumer victims and the law firms representing them.

While the consumer claims sector can trace its “origins” to the PPI scandal, the true scope and potential of the market are only really starting to become apparent with what feels like a continuous flow of new outrages. And as further abuses of consumers and breaches of professional trust and responsibility come to light, the demand for external funding solutions has soared, opening a compelling avenue for investors seeking to tap into this expanding market.

While the big funders seek to hit high multiple returns in the ‘high stakes’ cases, Seven Stars operates at an established but lower octane level, lending funds to lawyers on well-established, precedent-backed, or governmental directive-orientated litigation and claims that provide an element of predictability of outcome to our loans and lending activities.

At its core, our Litigation Finance Bond seeks to capitalise on a diversified portfolio of vetted legal cases, where the potential for favourable outcomes presents an exciting prospect for investors seeking what is a primarily uncorrelated asset. We achieve this in part by steering away from the more spectacular returns that can often be achieved through collective claims and new legal challenges, preferring to focus on more process-orientated claims with proven track records or clear mandates from the Superior Courts or Governmental schemes.

In addition to the profitability that can be achieved through this form of lending, by participating in this innovative investment opportunity, you contribute substantially to levelling the legal playing field and promoting access to justice for litigants who may not otherwise have the financial means to pursue their rightful claims.



HOW WE CHOOSE WHICH CASE TYPES TO FUND

At Seven Stars, we take time to select the cases that we believe offer the most secure route to a successful and, therefore, profitable judgment.

- We specifically target precedent-based legal claims or claims under Government compensation schemes or Acts for investment, which reduces the risks involved. This is because a precedent-based case has already won a court victory and all cases involving the same facts fall under the same judgment.
- We normally lend to regulated law firms, or to FCA-regulated marketing companies helping such law firms to acquire cases, ensuring that there is a strict mechanism of controls in place for borrowers.
- We insist on ATE insurance cover on funded cases where the case may be settled in the Courts of England or Wales or where a risk of adverse costs may exist.
- We will only fund cases against liquid entities, such as Banks and Housing Authorities, or Government compensation schemes such as the FSCS.
- We establish minimum claim values for each sector to ensure sufficient capital cover.

In addition to precedent-based legal claims, we also fund Housing Disrepair claims against local housing authorities, mis-sold pension claims made via the FOS/FSCS, Bank Fraud, Car Finance Mis-selling (PCP), Irresponsible Lending, and Contentious Probate claims.

We are at the advanced stage of considering funding for Annual Management Charge claims.

The kind of cases we fund are also known as “no-win, no-fee agreements” and all are carried out with no initial charge to the claimant.

Why Do We Establish Minimum Claims Values?

We examine the expected damages in a case to see that there is scope for a healthy return on investment (ROI). Seven Stars lends money to law firms in return for an annualised interest rate, which when coupled with our percentage of the ‘No Win No Fee’ income, is projected to be sufficient to ensure all parties are paid out in full. This assessment is a key part of our investment underwriting process and is used from the outset to evaluate affordability of funding.

How We Select Borrowing Law Firms

A full and detailed explanation of how we conduct comprehensive due diligence to select borrowing law firms and case types is available in our Corporate Governance document.

Please email hello@7stars.legal to request a copy of this document.



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EXECUTIVE SUMMARY

In addition to our business-as-usual activities of advancing loans to our approved borrowing law firms and conducting due diligence on further regulated law firms and prospective claim types to further develop our loan book, we have now completed our portfolio restructuring project as well as the reassignment of all work-in-progress acquired from Sandstone Legal to a range of firms.

We are pleased to report that due to the swift action of the firms in receipt of the cases that many Plevin, housing disrepair, and pensions mis-selling claims have already been settled and are generating returns.

At the end of Q2, our approved lending stands at £33,150,000.00, with a further £7,750,000.00 in our pipeline, giving a total potential loan book of £40,900,000.00 assuming we approve all currently ongoing due diligence on prospective borrowing law firms and case types.

While the acquisition of a significant caseload of Plevin claims as part of the Sandstone Legal acquisition has skewed our exposure to both a single law firm and case type, the volume of cases, and all of them being of relatively small value, spreads and mitigates the potential risk associated with such a concentration.

Elsewhere, we further expanded our visibility and presence in the Middle East through attendance at a Family Office Summit event.

The Supreme Court's verdict on April's car finance mis-selling appeals is imminent, with a comprehensive analysis of what it could mean featured following the law firm, case type, and drawdown data in this document.

Q2 also saw further significant developments both across the litigation funding niche and the sectors we fund:

- The CJC published its Final Report following its review of third-party litigation funding, calling for the immediate reversal of PACCAR and a move towards light-touch regulation.
- The Housing Ombudsman reported a 474% increase in complaints.
- AI adoption continued to accelerate across the legal services sector.

These points of note, and others, are explored in greater details across the latter pages of this newsletter.



FUNDING PERFORMANCE UPDATE

Our business-as-usual lending and due diligence activities continued during the second quarter, with our lending spread now stabilised after finalising our portfolio restructuring and the redistribution of cases previously assigned to Sandstone Legal Limited, whose non-legal assets we acquired during the first quarter of 2025.

At the end of Q2, we had signed £33,150,000.00 in funding agreements with regulated law firms and funded 58% of this borrowing.

Borrowing law firms draw down funds as and when they need them, and each funding request is subject to further due diligence review, resulting in the differential between loans agreed and loans drawn down to date.

In addition to our current lending activities, we have a further £7,750,000.00 of loans currently undergoing due diligence review for presentation to our Advisory Panel, giving us potential deployment of up to £40,900,000.00.

SEVEN STARS LEGAL LITIGATION FUNDING TO DATE (Q2 2025)

Loans Agreed to Date	£33,150,000.00
Loans Drawn Down to Date	£19,147,904.00
Total Indebtedness to Date	£21,392,490.00
Security to Date (Estimated)	£42,500,000.00
Pipeline Under DD Review	£7,750,000.00
Total Potential Loan Book	£40,900,000.00

Our growth in funds available and committed for funding activities continues to be supported by the involvement of new Family Offices and institutional wealth managers conducting their own due diligence processes on our business and corporate governance structure, on top of the continuous sourcing of new funding leads by the Seven Stars Legal management team.

OUR FUNDING PARTNERS

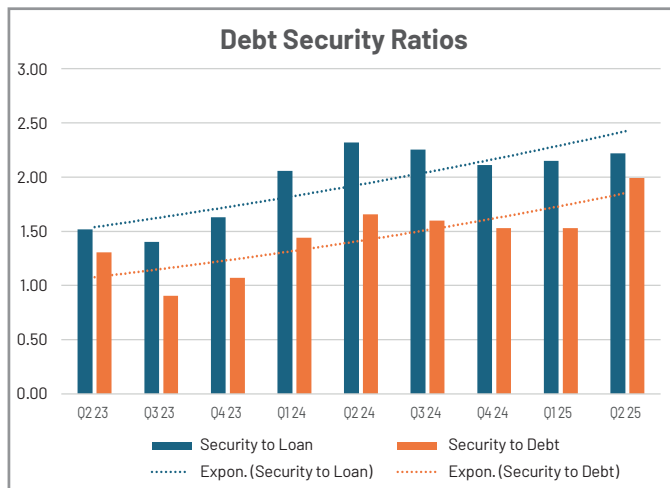




DEBT SECURITY

As expected, following our portfolio restructuring and the reassignment of the previously funded Sandstone Legal cases, our debt security ratios increased in Q2.

At the end of Q2, we sit at a security ratio of 2.22:1 against capital lent, and at 1.99:1 against our overall contact debt.



HOW WE MITIGATE DEBT SECURITY RISK

Where possible, Seven Stars Legal takes a charge over all assets of the borrowing law firms and the cases we are funding. Seven Stars charges the borrowing law firms an interest rate and arrangement fee, and we may also take a contractual share of their success fees for winning the cases. The potential gains from winning a case can be several times the amount spent pursuing the case. Losing a case results in usually losing only the sums invested in pursuing the case, some of which can be covered by After The Event (ATE) insurance. This difference between the potential gains and the potential losses (covered by ATE insurance) provides an element of security and capital protection.

The solicitor enters into either a Deed of Assignment of funded Assets or a general Debenture with Seven Stars. The assignment covers all no-win, no-fee (i.e. not profit costs) income due to the solicitor, both disbursements and the contingency fee, so it will generally be of greater value than borrowings.

Seven Stars aims to provide a minimum level of debt cover of 1.2 times the borrowed amount. In practice, it is closer to twice the borrowed amount on most cases funded but can go as high as four times on Financial Ombudsman Service (FOS) or Financial Services Compensation Scheme (FSCS) claims.

In the event of solicitor default, Seven Stars holds the right to appoint a new firm to run the cases.

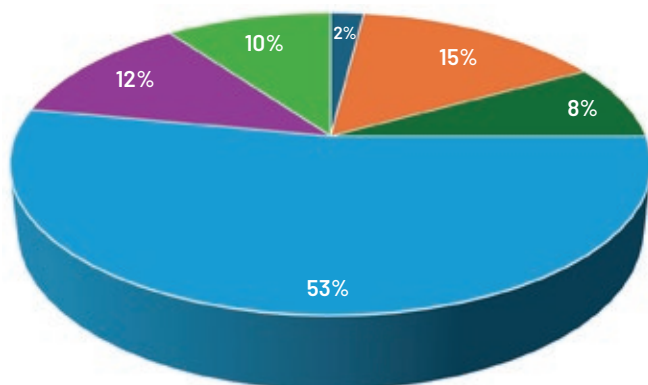


CURRENT & PROJECTED APPROVED LENDING SPREAD BY FIRM

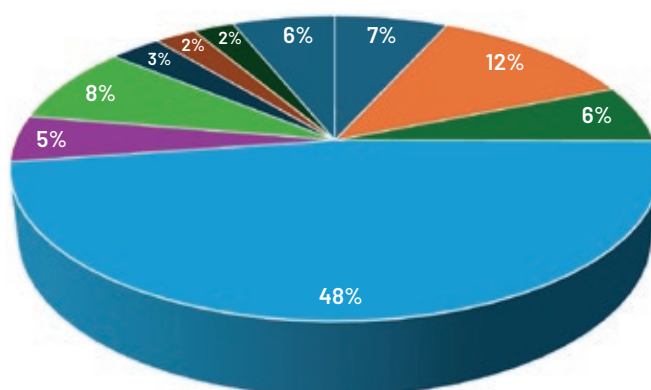
We are currently working with six regulated law firms with approved and active lending agreements, with a further five firms currently undergoing due diligence review, including one existing borrower seeking funds for an additional case type, giving us a projected lending portfolio diversified across 10 law firms, assuming approval and full deployment of our current work-in-progress book.

Note our current firm and case type spreads are significantly skewed by our recent portfolio restructuring activities and the reallocation of the Sandstone Legal cases. We remain committed to our "30/30 Rule," whereby we have no more than 30% of our total exposure committed to a single firm or case type, and long-term will aim for this figure to be between 9% - 11%.

CURRENT FIRM SPREAD
(APPROVED LENDING - SIX LAW FIRMS)



PROJECTED FIRM SPREAD
(APPROVED LENDING + DUE DILIGENCE PIPELINE - 10 LAW FIRMS)





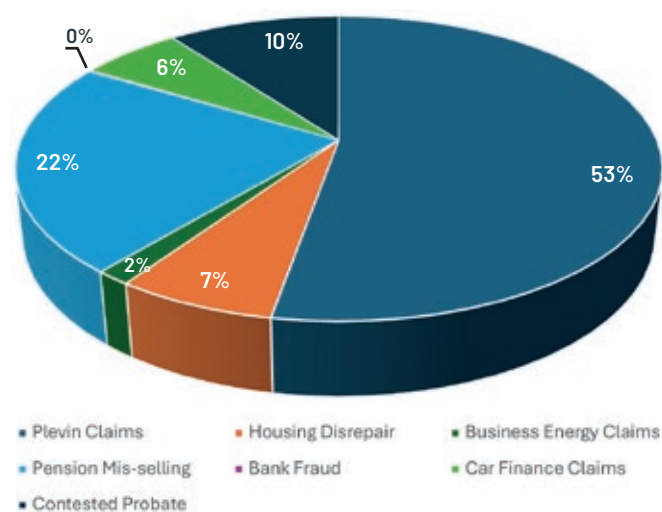
CURRENT & PROJECTED APPROVED LENDING SPREAD BY CASE TYPE

After concluding our restructuring activities and the reallocation of the Sandstone Legal cases, our approved lending by case type is as follows.

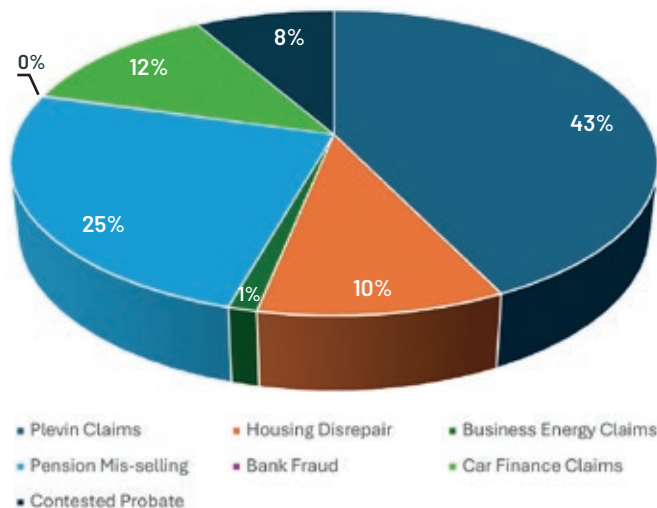
In addition to our previous note regarding the skewing of our portfolio, note that the Plevin Claims percentage represented in this chart itself is diversified over 35,000 smaller claims, reducing risk concentration within the higher exposure to this case type.

Note that Bank Fraud is showing as “0%” due to rounding and the lending in this case type being minimal.

APPROVED LENDING BY CASE TYPE



APPROVED & PROJECTED LENDING BY CASE TYPE (EXISTING + DUE DILIGENCE PIPELINE)





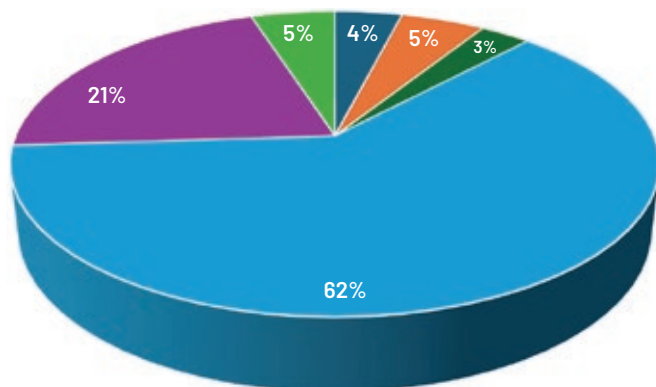
ACTUAL FUNDING DRAWN DOWN BY FIRM AND CASE TYPE

Our corporate governance and due diligence processes ensure that, after signing a funding agreement, we conduct further checks before borrowing law firms can draw down any funds. Further details about our processes are available in our Corporate Governance document.

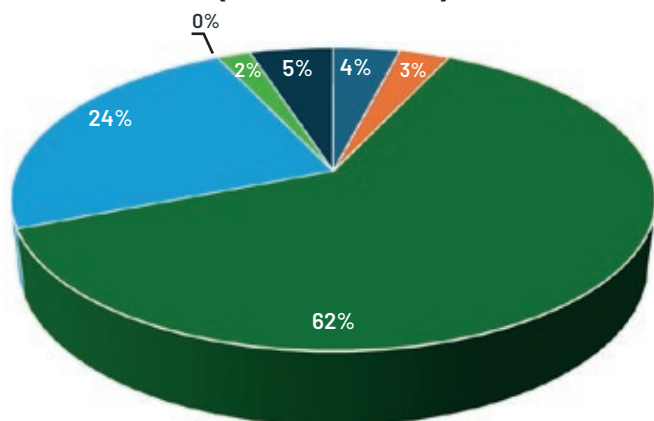
The below charts highlight our position in terms of borrowing law firm and case type drawdowns at the end of Q2 following the conclusion of our portfolio restructuring activities and our reassigning of the Sandstone Legal cases, with six regulated law firms having drawn down funds to date.

In the drawdown spread below, we approved a minimal level of funding for a small number of bank fraud claims, hence that figure showing as "0%." Drawdowns are skewed towards Plevin Claims following the acquisition of the Plevin Claims book, and pension mis-selling after we accelerated some lending for these cases prior to the introduction of the SRA fees cap in July 2024. One of our borrowing law firms is also not subject to the SRA fees cap, enabling us to fund pension mis-selling claims at the same levels as pre-July 2024.

ACTUAL FUNDING DRAWDOWN SPREAD (SIX LAW FIRMS)



ACTUAL FUNDING DRAWDOWN SPREAD (SEVEN CASE TYPE)



- Housing Disrepair
- Business Energy Claims
- Plevin Claims
- Pension Mis-selling
- Bank Fraud
- Car Finance Claims
- Contested Probate



THE £44BN QUESTION? ALL TO PLAY FOR IN SUPREME COURT CAR FINANCE MIS-SELLING VERDICT

We expect the Supreme Court to deliver its judgment on car finance mis-selling before the end of July 2025, following hearings that took place from 1 – 3 April 2025.

This case, involving appeals brought by Close Brothers and FirstRand Bank (MotoNovo) against October 2024's landmark Court of Appeal ruling, will determine the circumstances, if any, under which brokers can legally receive commission payments from lenders, and the extent of the disclosures required that would constitute fully informed consent.

This verdict could lead to the most significant mass redress event in the UK since the PPI scandal, with some industry analysts estimating a collective compensation bill totalling more than £44bn for the UK's car finance lenders, with 23mn motorists estimated to be due compensation.

The FCA published key considerations around a redress scheme in early June 2025 and is likely to launch a consultation into such a scheme shortly after the Supreme Court delivers its ruling. The only question is whether the scheme will be for DCA mis-selling only or cover all non-disclosed commissions.

The Supreme Court upholding the Court of Appeal ruling could also have significant implications for the broader UK consumer finance sector as well as the relevant regulatory bodies.

WHAT IS THE SUPREME COURT DECIDING?

While two distinct but related categories of mis-selling are under review as part of the broader car finance mis-selling scandal, the Supreme Court is focused on commission disclosure.

The original, and far narrower, focus of car finance mis-selling was discretionary commission arrangements (DCAs), which the Financial Conduct Authority (FCA) banned in January 2021. The FCA commenced an investigation into the historical mis-selling of car finance with DCAs in January 2024. DCAs gave brokers – typically car dealers themselves – the discretion to set the customer's interest rate within a range provided by the lender. Brokers who were able to get customers to sign agreements with higher rates would earn more commission, creating a clear conflict of interest that was not typically disclosed to the customer.

Discretionary Commission Arrangements (DCAs)

Banned in January 2021 following an FCA review of the motor finance industry.

Estimated to have been in use in 40% of car finance agreements before January 2021.

Already subject to FCA investigation independent of the Supreme Court outcome.

Redress scheme for customers mis-sold with a DCA irrespective of Supreme Court verdict.

FCA estimates customers overpaid an average of £1,100 per agreement.

Commission Disclosure Complaints

The focus of the Supreme Court case.

Based on October 2024 Court of Appeal ruling that car finance agreements and commission payments were unlawful if commission details weren't fully disclosed.

FCA estimates that commission was paid from a lender to broker in 99% of car finance deals.

Redress scheme almost certain if Supreme Court likely upholds Court of Appeal decision.

Potential average compensation liabilities unknown due to range of commission models in use.

However, the Court of Appeal's ruling in October 2024 that it was unlawful for a broker to receive any commission from a lender without first receiving the customer's "fully informed consent" opened up the implication that brokers had a fiduciary duty to act in the best interests of customers, requiring full and explicit disclosure of a commission and, crucially, the value of such commission.

The Supreme Court is, therefore, deciding on the precise nature of a broker's duty to a consumer and what constitutes secret, hidden, or undisclosed commission in this context.

WHAT IS THE POTENTIAL SCOPE AND IMPACT OF THE VERDICT?

The financial implications for the car finance industry hinge directly on the Supreme Court's ruling.

There are varying estimates of lenders' potential liabilities, from £8 - £13bn if the Supreme Court ruling means redress will be limited to agreements with DCAs, and from £30 - £44bn if the Supreme Court agrees with the Court of Appeal that brokers had a wider duty of disclosure.

WHAT ARE THE SUPREME COURT'S OPTIONS AND THE POTENTIAL IMPLICATIONS?

Scenario 1: Supreme Court upholds the October 2024 Court of Appeal ruling

- Would lead to industry-wide redress scheme potentially covering 99% of all car finance agreements since April 2007, when the FOS took over jurisdiction of motor finance.
- Payouts in the tens of billions, possibly even eclipsing PPI compensation.
- Potential for the Government to intervene via legislation after its attempt to intervene in the Supreme Court case failed.
- Possible short-term impact on the availability and affordability of motor finance solutions.
- Significant opportunity for regulated law firms, claims management companies, and litigation funders.





Scenario 2: Supreme Court overrules the October 2024 Court of Appeal ruling

- Redress scheme limited to complaints related to DCAs.
- Potentially more complex and sophisticated casework required, depending on what an FCA redress scheme looks like, impacting law firms, claims management companies and litigation funders.
- Lower overall payouts but likely still several billions.
- More manageable impact on lenders.
- Continued certainty around agreements including non-discretionary commissions.

Scenario 3: Supreme Court overrules the October 2024 Court of Appeal ruling and the FCA's DCA investigation

- Highly unlikely this will happen, but not impossible.
- A positive outcome for lenders.
- Significant regulatory backlash would almost certainly occur.
- While a short-term loss for law firms, claims management companies and litigation funders, alternative legal avenues would likely be explored.

TIMELINE AND LIKELY NEXT STEPS

- **Immediate (expected before end of July 2025):** Supreme Court to hand down its judgment
- **Six-weeks post-judgment:** FCA will announce next steps and almost certainly propose a redress scheme.

- **4th December 2025:** Current pause on both DCA and non-DCA complaint handling expires.
- **Early 2026:** Expected launch of consumer redress scheme

WHAT WILL A REDRESS SCHEME LOOK LIKE?

This is of primary concern to us, particularly how it will be administered and who will oversee it. When the lenders were able to “mark their own homework” in the PPI redress scheme, the consumer was not served justice, as the subsequent Plevin case and wave of claims shows.

For a truly genuine consumer redress scheme to exist, it will still need the involvement of 3rd parties to ‘police’ the lenders, therefore there is still huge amounts to play for in terms of claims values and subsequently lending levels.

Seven Stars’ approach to funding car finance mis-selling claims

The Supreme Court’s decision will be a watershed moment for UK consumer finance, with billions in compensation almost certain to be paid out irrespective of the outcome.

While we have funded a small number of car finance mis-selling claims to date, our final decision on exposure in this sector will come down to the specifics of the redress scheme and the scale of the opportunity. Even in the event of the Supreme Court overturning the October 2024 Court of Appeal ruling, we have seen significant work-in-progress books from several regulated law firms seeking funding so will take a decision once the full picture unfolds.



SEVEN STARS ATTENDS ABU DHABI FAMILY OFFICE SUMMIT EVENT

Our Chief Strategy Officer Leon Clarence and our Head of Institutional Fundraising Bernie Walsh were both in attendance at the Family Office Summit event in Abu Dhabi on 29th May.

In addition to participating in a day of networking, including taking pre-arranged meetings and discussions with Family Offices and institutional investors who were interested in learning more about investing in our litigation

finance solution, Leon participated in an interactive panel discussion highlighting why Family Offices should consider examining the private credit sector as an opportunity for diversifying their portfolios.

Discussions with investors interested in participating in the UK legal services sector via our litigation funding bonds remain ongoing as we continue to grow our overall funds under management.





REASSIGNED SANDSTONE LEGAL CASES SEE RESULTS

Less than a month since we announced the successful acquisition of the non-legal assets of Sandstone Legal Limited, we're equally as delighted to share that the law firms we assigned the acquired claims to are already seeing results.

Our partner law firm hasn't even finished processing the book of 35,500 Plevin claims that we passed to them, yet they have already settled one of them with a return of over £4,000 for the client and a significant recovery of costs against the case, too.

This is what achieving justice looks like and why we continue to talk so passionately about the benefits legal funding can bring at the end of the market in which we operate.

While 35,500 is a significant volume of claims, what's most important to recognise is that behind each of them is a real-life story that deserves the dedication and commitment that, in this case, has quickly turned a claim that began nearly four years ago into a tangible result for a client.

Another of our partner law firms is also delivering on claims that we passed to them, taking just a matter of weeks - and in one case only FOUR DAYS - to settle several housing benefit claims and securing over £11,000 in redress for the affected tenants in these cases.

Yet another excellent example of what achieving justice looks like in the real world, and how it can happen so efficiently, all because Seven Stars lent a law firm some money.

KEY LEGAL JUDGMENTS, NEWS, AND THOUGHT LEADERSHIP FROM Q2 2025



Across the following pages, we feature key legal judgments, news, and thought leadership from the sectors and case types we fund, as well as from the litigation funding sector in general.

Many of these features directly impact our lending and the activities of our borrowing law firms, as well as bringing to light potential opportunities for exploring new sectors and case types, risks to the sector, and much more.

You can also search and follow Seven Stars Legal Funding on LinkedIn to stay up to date with our work and insights.





REVERSE PACCAR NOW, SAYS CJC

After spending just over a year conducting its review into third-party litigation funding, the Civil Justice Council published its Final Report in June.

The CJC's Report calls for the reversal of PACCAR to happen "as soon as possible," along with new legislation to be brought in to cover off other reforms, including "light touch" regulation of the litigation funding sector.

Notably, the CJC isn't calling on the FCA to oversee the sector, but for statutory regulation to happen via regulations issued by the Lord Chancellor. The CJC recommends that the issue of regulation should then be revisited after five years of whatever regime is put in place.

The Report calls for "minimal" regulation where funding is going to a commercial party, and for regulation to be "greater, but still light touch" where funding is going to a consumer or where the funding is for a collective action.

Our reading of this point is that it includes the consideration of funding not simply being for class actions but also for

precedent-led claims like those we fund, although it will be for any legislation to clarify the regulatory regime under which funding to law firms bringing claims for consumers will fall.

We sincerely hope the Government will take these recommendations on board and deliver the recommended reversal of PACCAR as soon as it can, and that a revived version of the Litigation Funding Agreements (Enforceability) Bill containing the CJC's other recommendations and proposed reforms is brought before Parliament at the earliest opportunity.

This could just be the start of the litigation funding sector realising its true potential and of the UK's legal services sector becoming even more effective at delivering justice for those most in need.

The CJC's full 150-page Final Report, containing 58 recommendations, is available at <https://www.judiciary.uk/related-offices-and-bodies/advisory-bodies/cjc/current-work/third-party-funding/>



ATE INSURERS SEEK TO PASS ON £56M LIABILITIES OF FAILED CLAIMS

Late June brought a report around a case worth analysing for several reasons, and a reminder for litigation funders that the merits of a claim or case type are always a piece of a much more significant puzzle.

Some of the details alluded to in The Law Society Gazette report pasted below and disputes around disclosure suggest the case is going to cover several contentious points that may have broader implications for funders and the legal industry overall.

A five-week trial of preliminary issues is slated for November.

As the specifics and full facts of the case come to light, litigation funders could well find themselves with additional considerations on the table when it comes to due diligence on prospective borrowing law firms, although there's not much more we can do other than act in good faith and follow our own governance processes.

While the law firms at the centre of this case are now defunct, it does bring into stark focus the potential for ATE claims to be disputed and rejected, and the strain that could potentially bring to funder and law firm relationships where the latter is still in business.

ATE INSURERS SEEK TO PASS ON £56M LIABILITIES OF FAILED CLAIMS

As published by The Law Society Gazette at www.lawgazette.co.uk/news/ate-insurers-seek-to-pass-on-56m-liabilities-of-failed-claims/5123668. article on 23rd June 2025.

Legal expenses insurers seeking to pass on liabilities of up to £56m after two law firm clients collapsed have won an argument over disclosure at the Court of Appeal.

Amtrust, which provided ATE cover for claims run by the now-defunct Pure Legal and High Street Solicitors, wanted access to any communications between those firms and an insurance firm trading as Somp International.

Sompo, which provided professional indemnity insurance to both Pure and HSS, is subject to Part 20 proceedings brought by AmTrust to be added to an ongoing claim resulting from the failed cases.

The overarching litigation centres on the estimated 10,000 cases being run by Pure and HSS which turned out to be unsuccessful. Novitas, the litigation funder providing the money for running these claims, is seeking to recover around £56m from AmTrust. AmTrust in turn seeks to pass on any liability on to Sompo. The ATE insurer also wants to recover damages of £15m for the amount it has paid so far in disbursements and adverse costs for the claims-handling by Pure and HSS.

A five-week trial of preliminary issues is due to start in November. Among other things, this will establish where liabilities lie. In the third case management conference ahead of that hearing, AmTrust sought disclosure of communications between Sompo and the law firms for the five months before policies were entered into.

Peter MacDonald Eggars KC, sitting as a deputy High Court judge, refused to order disclosure of this material, saying he was not satisfied the documents would be relevant or important to the fair resolution of the claim. AmTrust appealed, saying the judge was wrong about the potential relevance of the documents and wrong to have made a final decision about this when that should have been left to the trial judge.

Lady Justice Asplin, ruling in AmTrust Specialty Ltd v Endurance Worldwide Insurance Ltd (t/a Sompo International), said Eggars had pre-empted the trial judge and unfairly restricted the scope of the argument available to AmTrust at the trial of the preliminary issues.

'He applied the wrong test when determining whether to order extended disclosure and erred in pre-judging the proper construction of the policies,' added Asplin. 'In doing so, he shut out AmTrust from being able to argue that the documents are relevant to the proper construction of the policies and shut out the trial judge from being able to consider that question in the light of all the relevant documentation.'

Lord Justice Underhill agreed, saying that it was not necessary for the judge to decide definitely whether the documents were likely to be relevant, and in any event he was not in a position to safely do so.



SOCIAL HOUSING COMPLAINTS SOAR AS WATCHDOG WARNS OF 'SIMMERING ANGER'

The Housing Ombudsman's latest Spotlight report, "Repairing Trust," was very much a case of "where do you start?"

Considering some of the exceptional work the Ombudsman does that never gets a mention beyond niche publications like Inside Housing or commentary from law firms and funders, perhaps the most significant indication of its seriousness is that it was featured prominently across the BBC.

"Highlights" of the Repairing Trust report included:

- Landlords closing cases because residents denied access, despite there being no evidence of this happening.
- Tenants' belongings being destroyed during repairs.
- Workers turning up in the middle of the night.
- Disabled residents left without bathing facilities for months.

And there was much more, all of which added up to a staggering 474% increase in complaints to the Ombudsman between 2019-20 and 2024-25, with 72% of the complaints stemming from poor practice and likely being entirely avoidable in the first place.

Then there's the £3.4 million compensation the Ombudsman ordered social landlords to pay in 2024-25, owing to tenants being left in poor living conditions.

These numbers are only the cases we know about because they escalated as far as the Ombudsman.

Is it any wonder that there remains a massive demand for funding for housing disrepair claims?

The true scale of housing disrepair is likely far higher, and many social tenants may even be unaware of how they can escalate their issues so that justice is done.

A significant portion of tenants potentially don't even want to receive compensation; they just want the peace of mind of a safe and liveable home for their families.

But at the same time, when issues affect their physical and mental health and overall quality of life, it's only right that they should get everything they deserve.

We continue to fund housing disrepair claims and have seen significant results from some of the cases reassigned following our acquisition of the non-legal assets of Sandstone Legal.



AI ADOPTION ACCELERATES ACROSS THE LEGAL SECTOR

In mid-May, Yahoo!Finance reported that Harvey AI, a fast-growing legal startup, is in advanced talks to raise over \$250 million in a new round of funding at a valuation of \$5 billion.

Yet more evidence of the accelerating adoption of AI across the legal sector, which is undoubtedly being driven by the potentially transformative power of AI tools and the immense opportunities they present for the entire legal services sector.

This view is also supported by Crunchbase, reporting that global investments in legal tech startups hit \$2.1 billion last year, while Goldman Sachs estimates around 44% of legal work could eventually be automated.

We are currently examining the possibility of implementing a collection of AI auditing tools, which will streamline our operations and core processes, significantly enhancing our ability and efficiency in conducting the comprehensive due diligence that goes into deciding whether to fund law firms and specific case types.

In turn, that will allow us to make decisions and deploy funding quicker, delivering more opportunities for law firms and better empowering them to achieve justice for clients most in need, which will also open up new avenues for investors seeking to add litigation funding to their portfolio as an alternative asset.





FUNDERS KEEPERS: GROWTH IN LITIGATION FUNDING IN ENGLAND CONTINUES DESPITE LEGAL CHALLENGES

In May, Dechert LLP published an excellent analysis of the resilience of the litigation funding market in England and the likely growth that will occur in the coming years.

The analysis is available at <https://www.mondaq.com/uk/trials-appeals-compensation/1626936/funders-keepers-growth-in-litigation-funding-in-england-continues-despite-legal-challenges>.

While we all find ourselves dealing with an evolving litigation funding landscape - albeit one that perhaps isn't evolving as quickly as many of us would like, given the challenges around PACCAR and the widely anticipated Civil Justice Council review - the underlying momentum across the sector and demand for funding remains strong.

Given how adaptable funders are proving in the current climate, it may not be too long before the debate moves on from what potential regulation of the sector could look like to how legislative and regulatory frameworks will be implemented so they're not constantly playing catch-up against the fast-paced development and increasing sophistication of the funding space.

And, as always, it will remain vital that these conversations and debates remember that litigation funding isn't just about class actions and complex large-scale litigation, and that there's a significant number of people who see a real difference in their lives from law firms being able to borrow funds to run smaller, precedent-led cases.

Looking beyond the UK, the analysis raises a compelling point about the 2024 European Union Product Liability Directive taking effect by the end of 2026, raising the prospect of significant growth in the European litigation funding market, primarily via the potential for mass tort filings to follow full implementation of the directive.

It also mentions the European Law Institute's 2024 Principles Governing the Third Party Funding of Litigation report, which we discussed here in October 2024 with an eye on the ELL's fairly robust stance against regulation of the sector.

The ELL's position was that third-party litigation funding should only be subject to regulation in the event of "an identifiable problem or market failure" as funders already work to "fairly high standards," and that greater regulation ultimately leads to increased costs of capital and subsequently higher costs of funding.

We all know what that means: a reduction in funders and funding opportunities and a narrowing legal services sector with fewer opportunities for law firms, and further barriers to justice for those often most in need, when access to justice is supposed to be the name of the game.

And that's before we get to the ELL's point that prescriptive regulation is often "one size fits all," and so will not be suitable across the sector, where there are various contexts and ways to work and a range of approaches to risk mitigation and a host of other factors that are at play.

Why does this all matter?

If the 2024 European Union Product Liability Directive does ultimately lead to mass tort filings, it feels a pretty safe bet that it won't be too long before stories emerge of speculative claims and funders and law firms lining their pockets (sound familiar?), igniting discussions around the need for regulation.

The risk then is that the funding market in the EU grinds to a halt before it gets going, and is left in a state of flux with a messy and uncertain regulatory landscape for years while decisions are made and the sector decides where it's heading.

All of which means that the market in the UK is likely to remain several years ahead of the EU in its maturity and growth.

And given the sector has already proven resilient on these shores, the UK litigation funding market should be investors' first port of call when it comes to investing in legal financing.



BORROWER PROFILE

Your opportunity to get even closer to your investment by learning more about the firms we lend to.



This month, we're meeting FDM Solicitors

ABOUT FDM SOLICITORS

Location: **Manchester**

Established: **2018**

Website: **www.fdmsolicitors.co.uk**

FDM Solicitors is a Manchester-based firm predominantly specialising in housing disrepair cases but also providing expert advice and services around a range of financial mis-selling case types.

Founded in 2018, today FDM has an extensive team of highly experienced solicitors with over 40 years' collective experience and has acted in over 60,000 claims and won over £85mn in compensation for its clients.

WHAT CASES ARE WE FUNDING WITH FDM SOLICITORS?

Seven Stars has provided litigation funding to FDM Solicitors for a significant volume of housing disrepair claims acquired and reassigned from Sandstone Legal.

CORPORATE GOVERNANCE

Further information about how we assess requests for litigation funding and work to fulfil our responsibilities to our investors, borrowing firms, and the legal and legal funding industries is outlined in our Corporate Governance Statement.

To receive a copy of this document, please email hello@7stars.legal.



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