

PCP CAR FINANCE BOND OUTLINE PROPOSAL



Seven Stars Legal Limited in association with KNG International Advisers Limited is proposing to establish a bespoke bond to raise funds which will be lent to a Law Firm to fund a specific book of PCP Car Finance Claims. This document provides an outline proposal for information only and should not be relied on for the purpose of making an investment. Any prospective investors should review all of the final documentation including the Bond Information Memorandum and associated documentation prior to making any decision to invest. This document is for qualified investors only

PCP Car Finance Executive Summary

Following several years of talk of a major scandal in the car finance sector and concerns that motorists had been overcharged billions of pounds in interest, the Financial Conduct Authority (FCA) initiated an investigation into the market in January 2024, initially estimating that affected customers could be due £1,100, on average, in compensation.

At the heart of the FCA's investigation are discretionary commission arrangements (DCAs). DCAs allowed brokers – who would often be car dealers themselves acting in the capacity of an intermediary – to artificially increase customers' interest rates before they were banned in January 2021.

The regulator estimates that before this date:

- Up to 95% of car finance deals included commission; and,
- Interest rate inflation occurred in 40% of cases.

Given that up to 90% of new car purchases involve some form of financing, the FCA's investigation, the next steps to which the regulator is due to announce within six weeks of the handing down of a critical Supreme Court judgment, would lead to significant volumes of claims and mis-sold car finance agreements being eligible for compensation. The regulator is expected to announce a formal redress scheme, with car finance agreements dating as far back as 2007 potentially being eligible for redress.

A May 2024 survey by MoneySavingExpert highlighted that many of the UK's leading car finance brands were implicated in widespread DCA usage and that vast percentages of their customers are likely owed compensation.

A landmark Court of Appeal ruling in October 2024 further established precedent around such claims and also opened up the possibility that non-disclosure of any commission – not just commission earned via artificially inflated interest rates – could constitute mis-selling and thus amplify potential claims and compensation volumes to an even greater extent.

An appeal against this ruling was heard at the Supreme Court from 1st – 3rd April 2025, with a ruling expected before the end of July 2025. The FCA will outline the next steps, likely to include a consultation around a formal redress scheme, within six weeks of the Supreme Court delivering its verdict.

As of May 2025, we have approved facilities of £4,000,000.00 with two law firms to run over 19,200 car finance mis-selling cases, with one of those firms having already secured a further 28,800 claims to its work-in-progress book. Two more firms currently in our due diligence pipeline are seeking funding of over £14,500,000.00 to run these types of claims.

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Seven Stars Legal Limited

As of the end of Q1 2025, Seven Stars has funding agreements in place to distribute over £37mn to regulated law firms, with over £10mn already drawn down by borrowing law firms to fund in excess of fifty thousand individual legal claims across six comprehensively analysed case types.

Our ongoing growth in funds available and committed, continues to be supported by the involvement of new Family Offices, institutional wealth managers, and other qualified investors.

Litigation Finance

While legal precedent means that regulated law firms can run “no-win, no-fee” claims with close to complete confidence in the outcome, the firm must still finance legal due process until a settlement is reached.

The scale of the “no-win, no-fee” market and established nature of litigation financing in the UK allows firms to both concentrate their cash flow on ongoing business operations and objectives while accessing funding to increase the scalability of their services.

Our litigation funding solution allows firms to take on a greater volume of claims than they may otherwise be able to, thus facilitating access to justice, which 93% of consumers wouldn't be able to afford without the provision of these “no-win, no-fee” services.

Litigation Finance Market

Estimates put the size of the litigation finance market at between £1.5 and £4.5bn, with significant growth since 2022.

PWC projects the litigation finance market will grow at a compound annual growth rate of 8.7% by 2028, fuelled by various factors including the increasing cost and complexity of litigation, growing awareness of litigation finance, increased availability of funding from investors, and innovation in funding models and structures.

Protecting Investor Capital by Taking on Small, Precedent-Based Cases

We provide funding to regulated law firms or regulated marketing companies helping such law firms to acquire cases for case acquisition, reports and expert witness statements, court fees, and other disbursements as required to run a case through to settlement or judgment.

Unlike many litigation funders, who often exclusively focus on high-value, but high-risk, collective actions, which often also come with significant and spiralling costs, we focus our efforts at the other end of the market, investing in smaller, precedent-based cases against liquid defendants that we can fund at a fixed cost that allows us to generate steady yet still lucrative returns for our investors.

Precedent-based cases and UK Statutory law require the courts to apply the law in the same manner to all cases involving the same material facts, making the outcome of such cases predictable and encouraging efficient settlement.

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BOND ISSUER:	Seven Stars Legal Limited
COMPANY NUMBER:	14229552
COUNTRY OF REGISTRATION:	England & Wales
ADDRESS:	1 Charterhouse Mews, London, England, EC1M 6BB
CURRENCY:	£GBP
AMOUNT:	£3,500,000
BOND DENOMINATIONS:	From £100,000, then in integral multiples of £1 GBP
MATURITY DATE:	The bond will mature 24 months from the date of investment
TERM:	24 Months
TARGET RETURN:	Fixed 20% annualized average return per annum*
INTEREST PAYMENTS:	As claims are settled monthly distributions of capital and interest will be made
SECURITY:	Charge over the assets of the Law Firm (Book of PCP Car Finance Claims)

* Seven Stars Legal is targeting a minimum annualised return of 20% per annum for investors. The return is derived solely from a fixed interest rate with time variables. Investors in the Bond will receive 40% of Seven Stars interest income derived from this funding agreement. The law firm is receiving funding on a full recourse basis, to include capital and interest.

Seven Stars legal will continually monitor the claims being processed. As claims complete and the Law firm repays Seven Stars Legal the loan and interest due, Seven Stars legal will in turn make monthly repayments of capital and the agreed share of interest income to the Bond holders. Interest is set at 20% annual rate and is calculated on a day rate basis.

We anticipate all claims being settled within the 24-month term of the Bond. The FCA redress scheme will have set time parameters for the processing of redress claims. The Law Firm are also incentivised to process claims promptly as the loan interest charged by Seven Stars Legal will increase at the end of 12 months and again after 18 months. Should any delays in processing claims arise the bond term will be extended until such time as all funded claims have been processed and the agreed share of proceeds returned to investors.

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