

## **PRESS RELEASE**

### **Issued on behalf of the Administrator of the Presbyterian Mutual Society (In Administration)**

**FRIDAY 8<sup>TH</sup> APRIL 2011**

#### **PROPOSED SCHEME OF ARRANGEMENT FOR THE PRESBYTERIAN MUTUAL SOCIETY (IN ADMINISTRATION)**

The Administrator of the Presbyterian Mutual Society has proposed a Scheme of Arrangement to the Society's 10,000 creditors and members which, if accepted, would result in them receiving a total of more than £232m by early July.

The PMS was placed in Administration in November 2008 to protect its assets and enable the Administrator to seek a better return than would be possible through liquidation.

Since then, those with loan capital in the Society – who are classed as creditors – have received 12% of their money back. However, because of the way insolvency law operates, nothing was payable to shareholders (known as members).

The Administrator – Mr Arthur Boyd of Arthur Boyd & Co – has developed the scheme in order to pay out the £225m in financial assistance provided by the government, as well as £1m from by the Presbyterian Church in Ireland.

A further sum of over £6m has been made available from the income accrued by the Society during Administration, making the total proposed payout in excess of £232m.

While there are insufficient sums to pay everyone what they are owed by the Society, the Administrator recommends the Scheme should be accepted because it produces a better and quicker return to creditors and members than they could otherwise get.

He has told savers that if the scheme is rejected the offer of money from the government and the Presbyterian Church will be withdrawn and the alternative will be liquidation of the Society's assets. The estimated return from liquidation would be 72% to creditors and nothing to members.

In a letter to savers, the Administrator has said: "The details of the Scheme of Arrangement follow the principle of fairness that underlies the rescue package provided by the government, in that those with greater amounts in the Society should receive proportionally less in order to ensure that the so-called small savers receive all or nearly all of what they are owed."

In broad terms, if accepted, the scheme will provide the following returns:

- Creditors (holders of loan certificates) will be paid 100% of their outstanding debt but will be required to defer 15% of this amount for up to ten years in order to fund payments to members.
- Because the majority of savers have a combination of shares and loan certificates, the scheme proposes a sliding scale of repayments to members:

Those with up to £20,000 in shares – the smaller savers – will receive at least 97% return on their shareholding while, for instance, someone with between £90,001 and £100,000 in total savings will receive 50% of their shareholding (in addition to what they will receive as a creditor).

The scheme ensures that the minimum return that anyone will receive will be 77% of their outstanding total holdings in the Society.

- Creditors are being offered an opportunity to voluntarily defer up to a further 10% of their loan capital holding for the specific purpose of bringing the 97% return to members with total holdings below £20,000 up to 100%.

Under the proposed Scheme of Arrangement, the scheme supervisors will trade out the Society's assets for a period of up to ten years to enable the government loan of £175m to be repaid with interest. Once that is done, the amounts deferred by creditors would be paid to them, after which the balance due to members would be paid. The Administrator points out that there can be no guarantee that there will be sufficient funds to pay deferred amounts when the scheme is completed.

The scheme supervisors will be Mr. Arthur Boyd of Arthur Boyd & Co. and Mr. John Hansen of KPMG. The Scheme will retain the creditors' committee which was set up during the Administration to represent the interests of creditors. It will also include the representative of the members.

Creditors and members have until 5pm on Friday 6 May to return the voting forms they have been sent.

Prior to that date the Administrator's team will hold a series of clarification sessions across Northern Ireland to address any questions members and creditors might have.

The Scheme must be approved by a majority in number and more than 75% in value of both creditors and members. If it is accepted, the Scheme will need to be sanctioned by the Court before the process of repayment can begin.

**Ends**