

Amigo Loans shares drop on new £300 million rescue plan

Troubled personal lender [Amigo](#) saw [shares](#) sink further into penny territory today as the company announced plans to raise as much as £300 million.

Amigo has been battling to save itself from collapsing under the [weight](#) of [compensation](#) claims linked to historic mis-selling. A plan to offer partial compensation was rejected by the High Court in May, leaving Amigo on the brink of collapse.

The company today said it had presented two new plans to a [committee](#) representing its estimated 82,000 mis-sold [customers](#): one to wind up the business and another to raise fresh cash and restart lending.

The committee has backed the plan to restart lending, which should deliver a higher payout for mis-sold customers. Amigo has pledged an initial £113 million in redress payments, compared with just £35 million under the plan rejected in May.

Payouts will be partly funded by the better-than-expected performance of Amigo's loan book during the pandemic but will require fresh funds. Amigo plans to raise up to £300 million of debt and equity from new and existing investors. It is seeking at least £70 million in equity funding.

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Amigo last week warned that investors faced being heavily diluted by rescue plans, sending shares crashing. The stock – which is held by around 8000 retail investors – sunk another 1p, or 13%, to 6.7p today.

Amigo cautioned that “a number of hurdles remain”. Mis-sold customers still need to vote on the proposals and the plan requires approval from the Financial Conduct Authority and the High Court, a process expected to take four months.

CEO Gary Jennison said: “This is a complex process which, given our financial position, provides no perfect path for either creditors or existing shareholders but we are an important step closer today to addressing the historic lending issues we face.”

Amigo’s woes stem from claims it did not carry out adequate affordability checks on its guarantor loans, which allow people to borrow money with a guarantee provided by a friend or family member.