Amigo Loans to be liquidated after failing to raise enough funds

A
migo Loans is set to be liquidated after the lender was unable to raise enough capital to continue trading.

The firm said it would stop lending with immediate effect before being placed into an orderly wind-down, with surplus assets being transferred to the creditors of its compensation scheme, in a move that is set to lead to over 250 job losses.

Danny Malone, Chief Executive Officer, said: “This is a very sad day for all our employees who have worked extremely hard to address historic lending issues and rebuild a new Amigo, and for our shareholders and wider stakeholders who have supported us.

“It’s also a sad day for creditors due redress who will now receive a lower level of cash compensation than they would.”

“We have fought hard to deliver the best outcome for creditors, colleagues and shareholders and have left no stone unturned.”

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At its peak, Amigo had a £1.4 billion market cap and was making more than a quarter of a billion pounds a year. But its fortunes quickly turned in 2019 after the financial regulator began investigating what it called "high cost lending products," warning that affordability checks were inadequate and it had found "the proportion of loan repayments that guarantors make has risen considerably, which could indicate that affordability on the part of the borrowers is falling."

The watchdog conducted a months-long investigation into the guarantor lender, which found it had poorly-designed IT systems with flaws in its assessment of affordability and creditworthiness.

Amigo shares crashed and it was flooded with tens of thousands of customer complaints, leading to a decision to pause all lending in November 2020, shortly after its founder, James Benamor, who had achieved billionaire status thanks to the firm, abruptly quit the board.

Last month, the Financial Conduct Authority said it would have imposed a £73 million fine on Amigo, were it not for the poor financial state the subprime lender was in.

Mark Steward, executive director of Enforcement and Market Oversight at the FCA, said: "Amigo failed to assess properly the affordability of its lending, especially to vulnerable consumers, as our rules required.

"This led to lending that was unaffordable for some and meant guarantors had to step in. It also had the effect of prioritising the firm's commercial interests over the obligation to comply with the rules and safeguard customers from unaffordable loans."

Malone, said: "I would like to apologise again to any customers impacted for the past failings in lending practises."

The Financial Conduct Authority allowed Amigo to begin lending again in October last year on a pilot basis, but despite numerous attempts the beleaguered Bournemouth-based business said expressions of interest had not hit the required £45 million target needed to meet capital requirements.

The subprime lender had sought to raise more capital to begin trading in order to stave off collapse, but the Bournemouth-based business said expressions of interest had not hit the required £45 million target needed to meet capital requirements.

The liquidation of the firm is likely to mean those who were owed compensation by Amigo will now receive less or no money, while existing shareholders will not get any cash back for their shares.

Amigo said: “There will be an impact to the total compensation Scheme creditors will receive in terms of pence in the pound as they will not receive a share of the minimum £15m Scheme contribution that was to be raised from investors.”