



Our ref: OGH/BLA/MXD/JET/D00112AL//7/cv11403  
Your ref:

To the creditors and members

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**UK Recovery**  
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2 November 2020

Dear Sir / Madam

**Defined Returns Limited - In Liquidation (the Company)**

**1 Introduction**

- 1.1 I was appointed Joint Liquidator of the Company on 24 February 2018. As previously advised David Dunckley was originally appointed Liquidator on 28 September 2010 and was removed from the case via a Block Transfer Order obtained on 26 February 2019. Helen Dale was subsequently appointed Joint Liquidator on 30 May 2019.
- 1.2 In accordance with section 104A of the Insolvency Act 1986 we now report on the progress of the liquidation for the year ended 27 September 2020 and attach:
- Appendix A, an account of our receipts and payments for the year ended 27 September 2020 and also for the whole liquidation to date
  - Appendix B, Statement of Insolvency Practice 9 disclosure.
- 1.3 Please note that we are both authorised by the Insolvency Practitioners Association to act as insolvency practitioners. We are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

**2 Statutory information**

- 2.1 The Company's registered number is 04991156.

**3 Progress report**

**Assets**

- 3.1 No statement of affairs has been prepared for the liquidation. The only asset transferred to the Company from the administration estate was a cash balance of £71,445.
- 3.2 As explained in my previous progress reports, the sum of £13,416 has also been received from funds held by third parties prior to our appointment. These funds relate to interest held in the Company's bank accounts.

### **Liabilities**

- 3.3 As previously reported, the Company's insolvency arose as a result of claims made by investors that the Company's literature, in respect of structured products in which Lehman Brothers (Lehman) entities acted as counter-party, did not adequately warn investors as to the risks of counter-party failure and, as such, the plans were mis-sold.

### **Creditors**

- 3.4 You will also be aware that, in dealing with investors' claims for compensation, the Financial Services Compensation Scheme (FSCS) has drawn a distinction between 'capital secure' and 'capital at risk' products. As previously reported, the legal advice I have received from Counsel had drawn no such distinction. Therefore, I consider that investors in both plans are unsecured creditors. This results in significant unsecured creditors arising as a result of the failure of Lehman entities, amounting to a theoretical maximum of c.£23m.
- 3.5 Over and above investor claims, I have received unsecured trade claims totalling £39,929. Whilst the ultimate outcome for unsecured creditors remains uncertain, the protracted nature of the winding up of the various Lehman Brothers estates to which the Company is intrinsically linked are likely to continue for the foreseeable future, and continue to incur costs, makes a dividend to unsecured creditors unlikely.
- 3.6 This does not affect the future recovery and distribution of dividends received from the Lehman Brothers estates, which are ring-fenced client monies and will continue to be distributed to affected investors in due course.
- 3.7 There are no preferential creditors in this matter.

### **Lehman backed financial products**

- 3.8 As explained previously, investors in Lehman backed financial products are also unsecured creditors in the following Lehman entities:
- The Lehman entities providing the underlying securities on which the value of the investments were based. This will vary depending on the ultimate plan invested into and even within each plan depending on the value of ISA and non-ISA investments. However, it could be one or a combination of three entities in respect of each plan: Lehman Brothers Securities N.V. (LBS), Lehman Brothers Treasury Co B.V. (LBT) and Lehman Brothers Bankhaus AG (LBBAG); and
  - Lehman Brothers Holdings Inc. (LBHI) on the grounds that LBHI guaranteed all securities issued by LBS, LBT and LBBAG.
- 3.9 Please note that depending on how the claims are dealt with by the respective Trustees (or similar) dealing with the various Lehman estates the direct creditor may be the legal holder of the issued security. However, investors should be aware that this does not affect their position as the ultimate beneficial creditor of any subsequent distribution from Lehman entities.

### **Plans invested in LBS and LBT Securities**

- 3.10 Some investors will have now received eight distributions, representing the onward distribution of monies received from the respective trustees of LBS, LBT and LBHI. For those investors who did not receive a distribution, I advise that I have yet to receive your completed questionnaire sent to the investors of the Company on 19 June 2013 and again on 12 August 2016, which enabled me to determine your eligibility for a distribution, you have previously been compensated by the FSCS (or another third party such as an independent financial advisor), or your plan was invested in LBBAG issued securities (see below).

### **Lehman Entities and distribution summary**

- 3.11 Please find detailed below a summary of distributions received by the Company as at the date of this report:
- LBHI: £6,740,335 (representing all LBHI distributions 1-15)
  - LBT: £2,547,585 (representing all LBT distributions 1-13)
  - LBS: £7,056,315 (representing all LBS distributions 1-5).
- Please note that the LBS Trustee has previously confirmed that his 5th distribution was also his final distribution and, as such, no further recoveries are anticipated.
- 3.12 To date, I have returned £14,031,018 to the respective investors.
- 3.13 The balance, which amounts to £2,313,219 consists of:
- £356,981 for fees and expenses incurred in respect of administering the distributions
  - £1,865,967 for monies on hold in respect of non-responders and investor queries
  - £90,271 for monies held but not yet distributed. These are held in anticipation of further amounts being received in the near future. Costs incurred by the Liquidation for each distribution tend to remain static, meaning the more funds paid out per distribution, the greater the return to investors. Therefore, the decision has been taken to hold on to these funds as more are expected, and delaying distribution until that point, would therefore maximise the return for investors.

### **Claims in LBBAG**

- 3.14 LBBAG was not prepared to correspond with the Joint Administrators (or, subsequently, the Joint Liquidators) and is only willing to speak directly with the individual investors who hold the beneficial interest in the securities. It was the Joint Administrators' understanding at the time that this affects c.80 investors and the Directors of the Company have previously advised that all of these individuals have been contacted by the Company prior to the Joint Administrators' appointment and have lodged claims in the LBBAG insolvency.

### **Lehman Brothers International (Europe) (LBIE)**

- 3.15 A claim against LBIE with respect to LBIE's liability for the production of misleading plan literature, used to market DRL financial products, was made on behalf of the underlying investors. The claim was subsequently rejected and the investors were advised that it was not possible for the Company to pursue this matter.

### **Action to be undertaken**

- 3.16 I will continue to liaise with LBHI and LBT to monitor the timeframe and quantum of likely future distributions and to communicate to investors.
- 3.17 As regards likely future distributions, please be advised that although the Trustee of LBS has advised that no further distributions are anticipated from LBS directly. LBHI continues to remit distributions, in respect of these securities, under its guarantee.

### **Investigations into the affairs of the Company**

- 3.18 Based on the outcome of our investigations into the affairs of the Company to date there are no matters identified that need to be reported to the creditors.

#### **4 Remuneration and expenses**

- 4.1 On 23 December 2009 the creditors resolved that remuneration be fixed by time costs in relation to work completed by the Joint Administrators and their staff. Pursuant to rule 18.20 (4) of the Insolvency (England and Wales) Rules 2016, this basis applies also in the liquidation.
- 4.2 We have incurred time costs and expenses in the year amounting to £4,613 and £0, bringing the cumulative totals at year end to £142,059 and £5,825 of which £40,713 and £4 has been paid.
- 4.3 We are unable to determine the likely future time costs and expenses to be incurred in order to deal with the remaining matters due to the uncertainty around the quantum of future distributions from the Trustees of the remaining Lehman entities.
- 4.4 Further details about remuneration and expenses are provided in Appendix B to this report.

#### **5 Contact from third parties**

- 5.1 Please be aware fraudsters have been known to masquerade as the Joint Liquidators. Fraudsters may contact creditors asking for an upfront fee or tax to release an investment or to enable payment of a dividend / the release of money payable to the creditor. A liquidator would never ask for such a payment nor instruct a third party to make such a request.

#### **6 Data protection**

- 6.1 Any personal information held by the Company will continue to be processed in accordance with completing the liquidation of the Company and in accordance with meeting our requirements under applicable Data Protection Legislation/law in the United Kingdom. Our privacy notice on our website ([www.granthornton.co.uk/en/privacy](http://www.granthornton.co.uk/en/privacy)) contains further details as to how we may use, process and store personal data.

#### **7 Covid-19**

- 7.1 This report has been produced during the Covid-19 restrictions. We have taken every reasonable step to ensure that the information is accurate, but if anything is incorrect or incomplete, we will provide an explanation and corrected information in the next progress report.

#### **8 Contact**

- 8.1 Should you have queries please contact Alia Khan on 0161 214 3698 or using the telephone number above.

Yours faithfully  
for and on behalf of Defined Returns Limited



Oliver Haunch  
Joint Liquidator

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Defined Returns Limited - in liquidation  
 Summary of receipts and payments  
 from 28 September 2010 to 27 September 2020

| Statement<br>of Affairs<br>£   | From<br>28/09/2010<br>to<br>27/09/2019<br>£ | From<br>28/09/2019<br>to<br>27/09/2020<br>£ | Total<br>£       |
|--------------------------------|---|---|------------------|
| <b>Receipts</b>                |   |   |                  |
| Administration Surplus         | 71,445.22                                   | 0.00  | 71,445.22        |
| Cash at Bank                   | 55.39                                       | 0.00  | 55.39            |
| Bank/ISA InterestGross         | 657.92                                      | 0.00  | 657.92           |
| Cash at 3rd party accounts     | 13,415.76                                   | 0.00  | 13,415.76        |
| VAT Control Account            | 10,506.43                                   | 0.00  | 10,506.43        |
|                                | <b>96,080.72</b>                            | <b>0.00</b>                                 | <b>96,080.72</b> |
| <b>Payments</b>                |   |   |                  |
| Advertising                    | 69.75                                       | 0.00  | 69.75            |
| Postages                       | 5,238.36                                    | 0.00  | 5,238.36         |
| Liquidators Fees               | 40,713.15                                   | 0.00  | 40,713.15        |
| Liquidators Expenses           | 3.50  | 0.00  | 3.50             |
| DTI Cheque Fees                | 8.00  | 0.15  | 8.15             |
| ISA Account Fees               | 861.00                                      | 0.00  | 861.00           |
| VAT irrecoverable              | 12,830.43                                   | 0.00  | 12,830.43        |
| Legal Fees                     | 19,608.72                                   | 0.00  | 19,608.72        |
| Corporation Tax                | 3,378.29                                    | 0.00  | 3,378.29         |
| Storage Costs                  | 35.52                                       | 0.00  | 35.52            |
| Statutory Advertising          | 88.58                                       | 0.00  | 88.58            |
| Tax on Interest                | 159.64                                      | 0.00  | 159.64           |
| VAT Receivable                 | 10,513.53                                   | 0.00  | 10,513.53        |
|                                | <b>93,508.47</b>                            | <b>0.15</b>                                 | <b>93,508.62</b> |
| <b>Net Receipts/(Payments)</b> | <b>2,572.25</b>                             | <b>(0.15)</b>                               | <b>2,572.10</b>  |
| <b>Made up as follows</b>      |   |   |                  |
| Floating Current Account       | 2,572.10                                    | 0.00  | 2,572.10         |
| ISA NIB 21/10/13               | 0.15  | (0.15)                                      | 0.00             |
|                                | <b>2,572.25</b>                             | <b>(0.15)</b>                               | <b>2,572.10</b>  |

## B - Payments, remuneration and expenses to the joint liquidators or their associates

### Statement of Insolvency Practice 9 disclosure

This appendix has been prepared in accordance with the requirements of the Insolvency Act 1986, the Insolvency (England and Wales) Rules 2016 (the Rules) and Statement of Insolvency Practice 9 (SIP9). In summary, it covers:

- fee basis
- work done by the joint liquidators and their team during the period
- disbursements and expenses
- sub-contracted out work
- payments to associates
- relationships requiring disclosure
- information for creditors (rights, fees, committees)

## Post-appointment costs

### Fee basis of the joint liquidators

On 23 December 2009 the creditors resolved that remuneration be fixed by reference to the time properly given by the joint administrators and their staff in carrying out their functions in accordance with the proposals. Pursuant to rule 18.20(4) of the Insolvency (England and Wales) rules 2016, this basis applies also in the liquidation.

During the period from 28 September 2019 to 27 September 2020 (the Period) time costs were incurred totalling £4,613 represented by 18 hrs at an average of 259 £/hr (as shown in the 'Work done' section below). This brings cumulative time costs at the Period end to £142,059 of which £40,713 has been paid. A description of the work done in the Period is provided in the respective section below.

## Work done by the joint liquidators and their team during the Period

We are required to detail costs of actual work done in the Period, including any expenses incurred in connection with it. We are also required to provide narrative explanation of the work done. The following tables (narrative followed by numerical) set out this information for the joint liquidators' fees incurred. Note that the level of fees eventually paid may be less depending on the value of asset recoveries or successful claims, for example. Details of the respective expenses are provided in the 'Disbursements and expenses' section below.

| Area of work                             | Work done   | Why the work was necessary   | Financial benefit to creditors  | Fees (time costs) incurred |               |                 |
|--|---|--|---|----------------------------|---------------|-----------------|
| <b>Creditors</b>                         |   |  |   | <b>7 hrs</b>               | <b>£2,025</b> | <b>£/hr 300</b> |
| <b>Unsecured</b>                         | <ul style="list-style-type: none"> <li>Updating creditors' details</li> <li>Responding to creditors' correspondence</li> </ul>              | <ul style="list-style-type: none"> <li>To ensure creditors' information is up to date</li> </ul>                                     | <ul style="list-style-type: none"> <li>This work was necessary for administrative purposes and/or complying with statutory requirements and it had no direct financial benefit to the estate</li> </ul> |                            |               |                 |
| <b>Administration</b>                    |   |  |   | <b>11 hrs</b>              | <b>£2,588</b> | <b>£/hr 234</b> |
| <b>Case management</b>                   | <ul style="list-style-type: none"> <li>Review of case to ensure no further matters have come to light that require investigation</li> </ul> | <ul style="list-style-type: none"> <li>To comply with insolvency legislation</li> </ul>  | <ul style="list-style-type: none"> <li>This work was necessary for administrative purposes and/or complying with statutory requirements and it had no direct financial benefit to the estate</li> </ul> |                            |               |                 |
| <b>Treasury, billing &amp; funding</b>   | <ul style="list-style-type: none"> <li>Processing receipts and payments</li> <li>Reconciling bank statements to cash book</li> </ul>        | <ul style="list-style-type: none"> <li>To ensure cashbooks are kept up to date</li> <li>To carry out bank reconciliations</li> </ul> | <ul style="list-style-type: none"> <li>This work was necessary for administrative purposes and/or complying with statutory requirements and it had no direct financial benefit to the estate</li> </ul> |                            |               |                 |
| <b>Tax</b>                               | <ul style="list-style-type: none"> <li>Liaising with HMRC on tax matters</li> <li>Processing VAT returns</li> </ul>                         | <ul style="list-style-type: none"> <li>To comply with tax legislation</li> </ul>   | <ul style="list-style-type: none"> <li>This work was necessary for administrative purposes and/or complying with statutory requirements and it had no direct financial benefit to the estate</li> </ul> |                            |               |                 |
| <b>Total fees incurred in the Period</b> |   |  |   | <b>18 hrs</b>              | <b>£4,613</b> | <b>£/hr 259</b> |

## Detailed SIP9 time cost analysis for the period

Period from 28/09/2019 to 27/09/2020

| Area of work                                | Partner     |               | Manager     |               | Executive    |                 | Administrator |                 | Period total |                 |               | Cumulative total as at period end |                   |               |
|---|-------------|---------------|-------------|---------------|--------------|-----------------|---------------|-----------------|--------------|-----------------|---------------|-----------------------------------|-------------------|---------------|
|   | Hrs         | £             | Hrs         | £             | Hrs          | £               | Hrs           | £               | Hrs          | £               | £/hr          | Hrs                               | £                 | £/hr          |
| <b>Trading:</b>                             |             |               |             |               |              |                 |               |                 | -            | -               | -             | 1.15                              | 344.00            | 299.13        |
| <b>Trading (general)</b>                    | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 1.15                              | 344.00            | 299.13        |
| <b>Realisation of Assets:</b>               |             |               |             |               |              |                 |               |                 | -            | -               | -             | 43.65                             | 12,965.50         | 297.03        |
| <b>Insurance</b>                            | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 0.10                              | 24.00             | 240.00        |
| <b>Debtors</b>                              | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 25.20                             | 6,960.00          | 276.19        |
| <b>Sale of business</b>                     | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 2.20                              | 648.50            | 294.77        |
| <b>Other assets</b>                         | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 0.40                              | 78.00             | 195.00        |
| <b>General</b>                              | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 15.75                             | 5,255.00          | 333.65        |
| <b>Investigations:</b>                      |             |               |             |               |              |                 |               |                 | -            | -               | -             | 2.65                              | 536.75            | 202.55        |
| <b>Debtor / director / senior employees</b> | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 0.65                              | 126.75            | 195.00        |
| <b>General</b>                              | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 2.00                              | 410.00            | 205.00        |
| <b>Creditors:</b>                           |             |               |             |               |              |                 |               |                 | 6.75         | 2,025.00        | 300.00        | 81.30                             | 23,871.50         | 293.23        |
| <b>Employees &amp; pensions</b>             | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 0.25                              | 85.00             | 340.00        |
| <b>Unsecured</b>                            | -           | -             | -           | -             | 6.75         | 2,025.00        | -             | -               | 6.75         | 2,025.00        | 300.00        | 79.55                             | 23,381.50         | 293.54        |
| <b>General</b>                              | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 1.50                              | 405.00            | 270.00        |
| <b>Administration:</b>                      |             |               |             |               |              |                 |               |                 | 11.05        | 2,588.00        | 234.21        | 432.89                            | 104,341.20        | 241.03        |
| <b>Case management</b>                      | -           | -             | 0.50        | 170.00        | 1.05         | 293.00          | 0.90          | 162.00          | 2.45         | 625.00          | 255.10        | 2.45                              | 625.00            | 255.10        |
| <b>Treasury, billing &amp; funding</b>      | -           | -             | -           | -             | 1.85         | 333.00          | 0.40          | 72.00           | 2.25         | 405.00          | 180.00        | 113.29                            | 20,555.45         | 181.44        |
| <b>Tax</b>                                  | -           | -             | 0.50        | 230.50        | -            | -               | -             | -               | 0.50         | 230.50          | 461.00        | 47.10                             | 12,195.25         | 258.92        |
| <b>Pensions</b>                             | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 1.10                              | 622.00            | 565.45        |
| <b>General</b>                              | 0.50        | 397.50        | -           | -             | 0.35         | 105.00          | 5.00          | 825.00          | 5.85         | 1,327.50        | 226.92        | 265.85                            | 69,706.50         | 262.20        |
| <b>Other IPs, OR, AIB</b>                   | -           | -             | -           | -             | -            | -               | -             | -               | -            | -               | -             | 3.10                              | 637.00            | 205.48        |
| <b>Total</b>                                | <b>0.50</b> | <b>397.50</b> | <b>1.00</b> | <b>400.50</b> | <b>10.00</b> | <b>2,756.00</b> | <b>6.30</b>   | <b>1,059.00</b> | <b>17.80</b> | <b>4,613.00</b> | <b>259.16</b> | <b>561.64</b>                     | <b>142,058.95</b> | <b>252.94</b> |

### Notes:

- Partner includes partners and directors
- Manager includes associate directors and managers
- Executive includes assistant manager and executives
- Adverse variances are presented in brackets
- Total time costs paid to date: £40,713

## Statement of expenses and disbursements incurred in the Period

This table provides details of expenses and disbursements incurred in the Period in connection with the work done by the joint liquidators, description of which is provided in the 'Work done' section above.

| Category                                | Incurred in the Period (£) | Cumulatively incurred as at Period end (£) | Of which paid by the estate as at Period end (£) |
|---|----------------------------|--|--|
| <b>Category 1 disbursements</b>         |                            |  |  |
| Insolvency bonding                      | -                          | 264  | -  |
| Travel                                  | -                          | 6  | -  |
| Postage                                 | -                          | 5,551                                      | -  |
| Liquidators expenses                    | -                          | 4  | 4  |
| <b>Expenses</b>                         |                            |  |  |
| Advertising                             | -                          | 70   | 70   |
| DTI cheque fees                         | -                          | 8  | 8  |
| ISA account fees                        | -                          | 861  | 861  |
| VAT irrecoverable                       | -                          | 12,830                                     | 12,830   |
| Legal fees:                             | -                          |  |  |
| Osborne Clarke                          | -                          | 7,989                                      | 7,989  |
| Daw Law                                 | -                          | 1,650                                      | 1,650  |
| Gowlings (UK) LLP                       | -                          | 9,970                                      | 9,970  |
| Corporation tax                         | -                          | 3,378                                      | 3,378  |
| Storage costs                           | -                          | 36   | 36   |
| Statutory advertising                   | -                          | 89   | 89   |
| Tax on interest                         | -                          | 160  | 160  |
| <b>Total expenses and disbursements</b> | <b>-</b>                   | <b>42,866</b>                              | <b>37,045</b>                                    |

Disbursements are expenses met by and reimbursed to an office holder in connection with an insolvency appointment and fall into two categories:

### **Category 1 disbursements**

These are also known as 'out of pocket expenses' and are payments to independent third parties where there is specific expenditure directly referable to the insolvent estate; they can be drawn without prior approval and consist of the following categories:

- Travel and subsistence – these costs, which exclude mileage, are incurred by staff in attending trading premises or meetings, for example
- Office costs – these are costs such as postage or courier charges which are incurred in managing the case
- Statutory costs – these are costs such as bonding and advertising relating specifically to the case, which are required by statute

They also include expenses which have been paid using a Grant Thornton Loan, the balance of which (if any) can be seen on the joint liquidators' receipts and payment account at Appendix A.

### **Category 2 disbursements**

These are expenses that are directly referable to the insolvent estate but not a payment to an independent third party. They may include shared or allocated costs that may be incurred by an office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis. Category 2 disbursements require approval in the same manner as an office holder's remuneration.

To the extent that recovery of category 2 disbursements is sought, this will be for mileage only.

Mileage is charged at 45p a mile. VAT is added as appropriate. No category 2 disbursements occurred in the period.

## Sub-contracted out work

We confirm that, in the Period, we have not sub-contracted out any work that could otherwise have been carried out by us or our team.

## Payments to associates

Where we have enlisted the services of others we have sought to obtain the best value and service. In the interest of transparency, we disclose below services we have sought from within our firm or from a party with whom (to the best of our knowledge) our firm, or an individual within our firm, has a business or personal relationship:

| Service provider      | Services enlisted   | Cost of service   |
|-----------------------|---|---|
| Grant Thornton UK LLP | <ul style="list-style-type: none"><li>Tax work/advice (narrative is included within the above narrative of work done)</li></ul> | <ul style="list-style-type: none"><li>Costs are included within the above SIP9 time cost analysis</li></ul> |

## Relationships requiring disclosure

We confirm that we are not aware of any business or personal relationships with any parties responsible for approving the joint liquidators' fee basis, or who provide services to us as joint liquidators, which may give rise to a potential conflict.

## Information for creditors and members

Information to help creditors and members to understand their rights in insolvency and regarding officeholders' (ie administrators or liquidators) fees, and the roles and functions of committees is available via Grant Thornton's website:

<https://www.grantthornton.co.uk/portal>

Alternatively, we will supply this information by post, free of charge, on request.