



INVESTOR NEWSLETTER



Q2 2026

GBP 27.9 million
loans agreed

GBP 50 million
security against
lending

GBP 66.8 million
security against
claims held

2.64:1
security ratio

75,000+
claims funded

6 partner
law firms

8 case
types



ABOUT SEVEN STARS LEGAL FUNDING

Seven Stars Legal Funding was established in 2022 as an investment company targeting market leading investor returns working within the well-regarded and regulated UK legal services sector, and specifically litigation cost financing and litigation case generation.

The company was founded and is led by a successful litigation finance team, with an incredible track record and a history of managing approximately GBP 400 million in litigation funding investments, who identified a substantial funding opportunity that far exceeded their existing requirements.

Since launch, Seven Stars has funded over 75,000 claims across various case types and holds security of almost GBP 67 million against all claims held.



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Q2 2026 PERFORMANCE

EXECUTIVE SUMMARY

Q2 2026 was a quarter in which our strategy was tested by events and held. Legal challenges to the FCA's motor finance redress scheme have shifted timelines across the market, but our deliberately cautious entry into that space means the impact on our activities is limited to timing rather than exposure. Meanwhile, our loan book continued to mature, our security position has further strengthened, and our international footprint once again expanded.

BUSINESS ENERGY CLAIMS NEGOTIATIONS PROGRESSING & MILESTONE PASSED

The diversification activities we reported during Q1 have continued to progress. Negotiations regarding the assignment of our business energy claims book, acquired in 2025 and unlocked by the Supreme Court's ruling in *Expert Tooling v Engie*, as reported in the last quarter, have continued.

Total claims funded passed 75,000 during the quarter.

FCA REDRESS SCHEME: CHALLENGES, PARTIAL SUSPENSION, AND A REVISED TIMELINE

The defining regulatory event of the quarter was the confirmation of four legal challenges to the FCA's motor finance redress scheme, followed on 2 July by an Upper Tribunal order suspending parts of the scheme on terms agreed between the FCA and the challengers. The challenges will be heard in December 2026 or February 2027, with a ruling likely in the following months, and redress payments, should the

scheme be upheld and not appealed, expected from mid-2027.

Our position is unchanged. The Supreme Court precedent in *Johnson* is settled, the complaints and litigation tracks remain live, and the Court of Appeal's ruling in *Angel* has strengthened the group litigation route. Our cautious deployment to date limits our exposure to the challenges while leaving us strongly placed under every potential and realistic outcome, with further deployment into motor finance claims now anticipated in Q1 and Q2 2027.

The challenges to the scheme are ultimately a matter of timing rather than validity. Delays to settlements and court procedures affect when redress arrives, not whether the underlying claims are sound. Such delays only become a structural risk where a funder is overexposed to a single outcome or timetable, and our diversification across case types and partner firms exists precisely to prevent that.

EXPANDING OUR FOOTPRINT AND TEAM

We were delighted to welcome Joe Wheeler during Q2 as our Head of Growth for Asia and the Middle East, who completed his first tour of the region within weeks of joining.

Our efforts to expand our international footprint continued at pace. Director Duncan Webster returned to Latin America for events in Panama and the Dominican Republic; Chief Strategy Officer Leon Clarence completed two trips to the United States; we welcomed our Latin American network to our London offices; Chief Commercial Officer Kevin Prior and Joe Wheeler attended the Private Debt Investor APAC Forum 2026 in Singapore before heading to Hong Kong, where we sponsored the grand opening of the Atlas Capital Alliance. Following the Hong Kong event, Kevin travelled on to the UAE for high-level Family Office presentations as well as key meetings in the DIFC ahead of the launch of our Shariah-compliant bond and another exciting product later in 2026.

SECURITY RATIOS

At the close of Q2 2026, our financial and security positions remain highly secure:

Loans Agreed GBP 27,900,000.00	Capital Deployed GBP 18,930,491.00	Total Indebtedness of Law Firms to Seven Stars GBP 29,064,296.00
Security to Date (Against Lending) GBP 50,064,119.00*	Security to Date (Against Claims Held) GBP 66,777,573.00*	Security Ratios 2.64:1 against capital deployed and 1.72:1 against total indebtedness from law firms to Seven Stars.

*Verified on 24 June 2026 by our auditor, Anstey Bond LLP, in accordance with ISAE 3000 (Revised).



FUNDING PERFORMANCE UPDATE

The second quarter of 2026 was predominantly a period of consolidation and maturation for our loan book, as our diversification activities described in Q1 continued to progress.

Negotiations regarding the assignment of our business energy claims book, acquired in 2025, have continued through the quarter. Upon successful conclusion of those negotiations, our capital deployment network will extend to seven partner law firms.

At the end of Q2 2026, we had maintained agreed lending facilities worth GBP 27,900,000 with our network of approved borrowing law firms, with GBP 18,930,491 deployed.

Total indebtedness to Seven Stars Legal from partner law firms now stands at GBP 29,064,296, collateralised by GBP 50,064,119* in security against lending, and GBP 66,777,573* in security against all claims held. This provides robust security ratios of 2.64:1 against capital deployed and 1.72:1 against total indebtedness to Seven Stars, underscoring the secure nature of our portfolio.

**Verified on 24 June 2026 by our auditor, Anstey Bond LLP, in accordance with ISAE 3000 (Revised). Anstey Bond has verified the underlying data sources, including case data, FCA motor finance redress scheme assumptions, historic settlement datasets, and borrower-provided models, as well as confirming that retainer percentages are consistent with the executed facility documentation. The security values provided in the Assurance Letter Security Calculations are therefore grounded in audited case data and contractual*

terms, not merely internal estimates. The case volumes reconcile to Insyte IQ, an independent case management and auditing platform, and Intuitive Legal, another leading case auditor.

Demand from law firms remains significant, particularly around motor finance claims. Following the partial suspension of the FCA's redress scheme, we have paused our capital deployment into motor finance claims and now anticipate further deployment of capital into this space will occur in Q1 and Q2 2027, in line with the revised timeline set out in our regulatory commentary, while claims proceeding via the complaints and litigation tracks can be funded in the interim.

The continued maturation of our loan book and the strengthening of our security position ensure we maintain a robust foundation for growth through the second half of 2026.

SEVEN STARS LEGAL – FUNDING SUMMARY (END OF Q2 2026)	
Loans Agreed	GBP 27,900,000.00
Capital Deployed	GBP 18,930,491.00
Total Indebtedness (Law Firms to Seven Stars)	GBP 29,064,296.00
Security to Date (Against Lending)	GBP 50,064,119.00*
Security to Date (Against Claims Held)	GBP 66,777,573.00*

**Verified on 24 June 2026 by our auditor, Anstey Bond LLP, in accordance with ISAE 3000 (Revised).*



PARTNER LAW FIRMS

Law**Plus**⁺
Solicitors

56 FIFTY SIX
LAW

Justizia

ELITE
CHAMBERS

HUGHJAMES

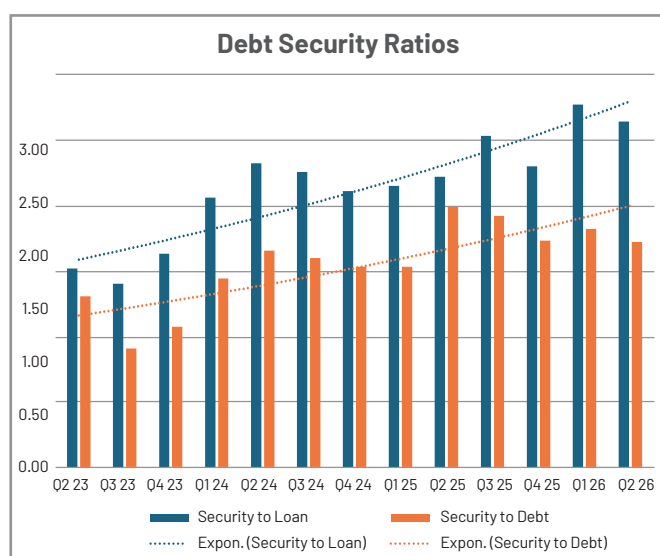
FDM
SOLICITORS

SEVEN STARS
Legal Funding



DEBT SECURITY

A At the end of Q2, we sit at a security ratio of 2.64:1 against capital deployed, and at 1.72:1 against total indebtedness. The movement from the 2.77:1 reported in Q1 reflects increased capital deployed during the quarter against a security position now verified by our auditor, rather than any material reduction in the security held.



HOW WE MITIGATE DEBT SECURITY RISK

Where possible, Seven Stars Legal takes a charge over all assets of our borrowing law firms and the cases we are funding. Seven Stars charges borrowing law firms an

interest rate and arrangement fee, and we may also take a contractual share of their success fees for winning the cases. The potential gains from winning a case can be several times the amount spent pursuing the case. Losing a case results in usually losing only the sums invested in pursuing the case, most if not all of which can be covered by After The Event (ATE) insurance. This difference between the potential gains and the potential losses (covered by ATE insurance) provides an element of security and capital protection.

Borrowing law firms enter into a General Debenture with Seven Stars or, where this isn't possible, a Deed of Assignment of Funded Assets, covering all no-win, no-fee (i.e. not profit costs) income due to the solicitor, both disbursements and the contingency fee, so it will generally be of greater value than borrowings as well as other assets held by the firm.

Seven Stars targets a maximum loan-to-value (LTV) ratio of 65% across its lending, meaning the security held must be worth at least approximately 1.5 times the amount borrowed. In practice, our position is typically far more conservative. LTV sits closer to 50% on most cases funded and can be as low as 25% on Financial Ombudsman Service (FOS) or Financial Services Compensation Scheme (FSCS) claims.

In the event of solicitor default, Seven Stars holds the right to appoint a new firm to run the cases.

PORTFOLIO SUMMARY

We are currently working with six regulated law firms across eight case types. This is projected to extend to seven regulated law firms upon conclusion of our negotiations regarding the assignment of our business energy claims book.

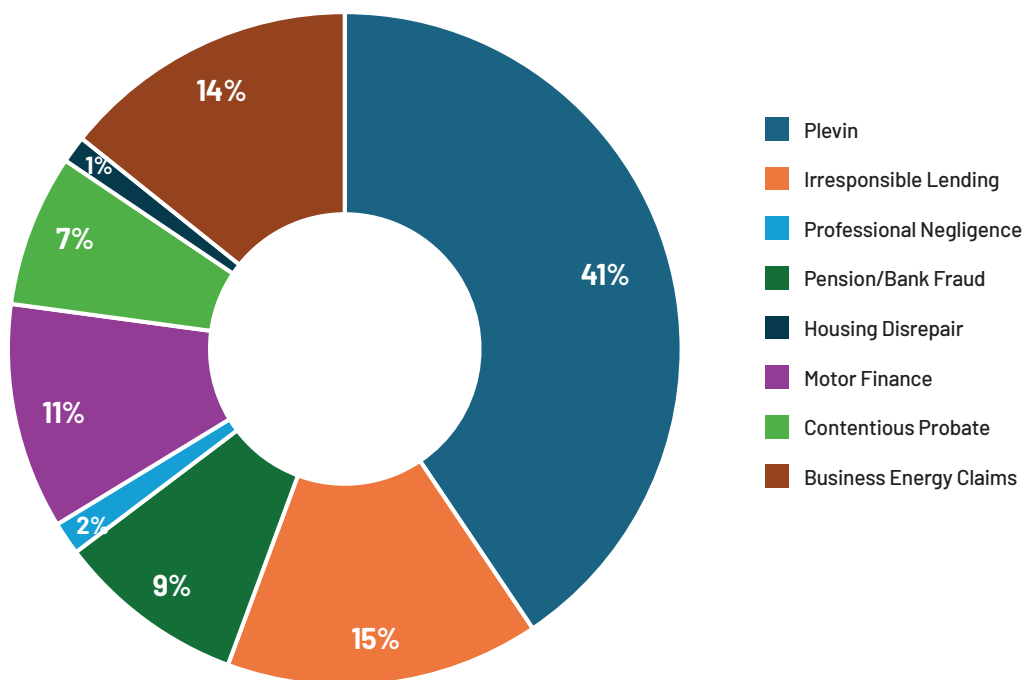
While our portfolio spread remains skewed towards Plevin claims outside of our 30/30 diversification rule, this portion of the loan book is spread over almost 30,000 individual claims with an average claim value of c. GBP 3,350.

Motor finance claims grew within the portfolio during the quarter, following deployment upon publication of the FCA's

final redress rules, and now represent 11% of our lending spread. Further deployment into this space is paused pending the Upper Tribunal's ruling and is anticipated to resume in Q1 and Q2 2027, in line with the revised timeline set out in our regulatory commentary.

As the chart below demonstrates, funding across all other claim types sits within the 30/30 rule and is either at, under, or close to our longer-term 11% maximum exposure target.

Portfolio allocations reflect capital deployed through both direct lending facilities and acquired or reassigned case books.





INSIDE SEVEN STARS

SEVEN STARS WELCOMES JOE WHEELER TO THE TEAM

We are delighted to welcome Joe Wheeler to the Seven Stars team.

Joining us in early May 2026, Joe has taken up a role as our Head of Growth for Asia and the Middle East, bringing a wealth of experience from previous roles at Apex Group and Nanjia Capital, among others, in Hong Kong, having also enjoyed broad exposure to African and other Asian markets throughout his career.

Joe undertook his first tour of the Asia region during late May, taking in visits and meetings with Family Offices, institutional investors, and other strategic partners in Hong Kong, Singapore, Kuala Lumpur, and Bangkok. Joe later returned to Hong Kong in late June alongside our Chief Commercial Officer, Kevin Prior, for an event covered later in this update.

If you're one of our existing Asia-based investors and are looking to explore further opportunities to invest with Seven Stars, you can reach Joe at joe@7stars.legal.



MARATHON MEN GO THE DISTANCE IN LONDON

Seven Stars team member Mark Stokes, freshly inspired by a pre-race selfie from British athletics royalty Paula Radcliffe, completed April's London Marathon in an admirable four hours and 11 minutes, raising over GBP 4,500 for Prostate Cancer UK after months of training and dedication, whatever the weather.

Seven Stars' commercial assistant Steve Matthewman also had a London Marathon to shout about, his son Liam completing the event and raising nearly GBP 4,000 for Young Lives vs Cancer along the way.

We were honoured to play a small part in supporting both Mark and Liam's incredible fundraising efforts for exceptionally worthy causes.





EXPANDING THE SEVEN STARS FOOTPRINT

Seven Stars has continued to grow its global footprint in Q2, taking in events in and visits to the Dominican Republic, Panama, the United States, Singapore, Hong Kong, the UAE, and back home in London.

SEVEN STARS RETURNS TO LATIN AMERICA

Director Duncan Webster undertook a short trip to Panama and the Dominican Republic in May, reconnecting with our existing network and those that our Chief Commercial Officer, Kevin Prior, and Head of Institutional Fund Raising, Bernie Walsh, had met during their February roadshow throughout the region.

Duncan was a featured speaker at an exclusive face-to-face session arranged in conjunction once again with our regional on-the-ground partners Neil Emberson from KNG International Advisors and Juan Esteban Sanin Gómez from Mazars.

During his time in the region, Duncan was also able to attend two Black Bull Investors Club events to connect

with Family Offices, ultra-high-net-worth private investors, investment funds, and a broad range of other investor profiles to discuss the evolving landscape of private credit, our litigation finance bonds, and our current investment opportunities.

We will be returning to Latin America during Q3 and look forward to reconnecting with our network. If you wish to be registered as an attendee for our events or to arrange an in-person meeting, please email kevin@7stars.legal.



SEVEN STARS IN THE UNITED STATES

Our Chief Strategy Officer, Leon Clarence, took two trips to the United States during Q2.

In April, Leon attended Apex Invest Americas 2026, hosted at The Joseph, a stunning hotel in the heart of downtown Nashville, Tennessee. Across a productive three days in the Seven Stars booth and networking across the event, Leon was delighted to spend time discussing our range of investment opportunities, including those upcoming in the second half of 2026. Apex Group, one of the world's largest fund administration and financial services providers, is also a key counterparty of ours on an exciting upcoming project, about which we hope to share more in the coming months.



Leon returned to the United States in June, for three events in conjunction with our partners at Dunhill Ventures in Miami, Dallas, and New York.

Thank you to all who attended and took the time to speak with Leon both at Apex Invest Americas and our three Dunhill events.

If you were in attendance at any of our June 2026 Dunhill events or met Leon at Apex Invest Americas and are yet to arrange a follow-up, you can reach Leon at leon@7stars.legal.





SEVEN STARS AT HOME IN LONDON

In late April, we had the pleasure of welcoming a fantastic group of investors and contacts from Latin America to our London offices at Charterhouse Mews.

We shared a comprehensive overview of our recent performance and outlined the exciting investment opportunities currently available. It was a highly engaging session involving our management team, representation from our Advisory Panel, our Security Trustee, and even one of our partner law firms showcasing its AI-driven processes and systems, and we were delighted with the enthusiasm and insightful, in-depth conversations that took place. Many of the attendees we had first met in Latin America earlier this year had clearly been continuing



their learning around the UK private credit and litigation finance landscape, and came armed with brilliant questions and insights.

Following our afternoon session, we took the opportunity to continue our discussions and enjoy further networking with supper at the iconic Smiths of Smithfield, a stone's throw from our base.

Building strong, personal relationships with our international partners and investors is at the core of our business, and we can't wait to meet with our Latin American friends again in the very near future.

A huge thank you to everyone who travelled to join us for an excellent event and a productive few days together.





SEVEN STARS SPONSORS ATLAS CAPITAL ALLIANCE HONG KONG GRAND OPENING

We concluded our activities in Q2 in Asia, with a visit to the Private Debt Investor APAC Forum 2026 in Singapore followed by a return to Hong Kong, where we were honoured to sponsor the grand opening of the Atlas Capital Alliance, held at the Island Shangri-La Hotel.

Our Chief Commercial Officer, Kevin Prior, and Joe Wheeler, our Head of Growth for Asia and the Middle East, were both in attendance for a series of events across two incredible days. Kevin also participated in a panel discussion covering the intersection of global capital, technology, and cross-border collaboration, bringing his insights on private credit alongside representatives from Link-X Capital, Germany Trade & Invest, and the German Chamber of Commerce in Hong Kong.

The events themselves were attended by a blue-chip list of investors and investor representatives from around the world, and we were delighted with the connections made and the conversations that have already continued in the weeks since. Notably, discussions with a number of the Family Offices in attendance with existing experience in litigation finance are moving ahead at lightning pace. Where familiarity with the asset class already exists, the conversation turns quickly from introduction to execution.

Following the Hong Kong events, Kevin travelled on to the UAE for a series of high-level Family Office presentations, alongside key meetings in the DIFC ahead of the launches of our Shariah-compliant bond and another new investment product later this year.





MARKET AND REGULATORY COMMENTARY



FCA REDRESS SCHEME CHALLENGES AND TIMELINE UPDATE

On 1 May 2026, the Financial Conduct Authority (FCA) confirmed that its motor finance redress scheme was facing four legal challenges. The regulator stated that it will defend its scheme “robustly” and, in a later statement published on 8 May 2026, advised lenders, consumers, and professional representatives that it was unlikely that the Upper Tribunal would hear the legal challenges before October 2026, and instructed lenders to plan on a precautionary basis for a decision and potentially a return to complaint handling as usual around mid-November 2026, guidance which has since been superseded. The scheme’s original commencement dates of 30 June 2026 and 31 August 2026 are no longer operative.

Following these updates, the regulator then confirmed on 2 July 2026 that the Upper Tribunal had made an order suspending parts of the scheme on terms agreed between the FCA and the four challengers.

WHO IS CHALLENGING THE SCHEME?

The four challengers to the regulator’s scheme are:

- **Consumer Voice**, arguing that the scheme undercompensates claimants.
- **Mercedes-Benz Financial Services**.
- **Volkswagen Financial Services**.
- **Crédit Agricole Auto Finance**.

The three lenders challenging the scheme argue that the scheme is unlawful and disproportionate across various grounds, including but not limited to:

- the FCA’s statutory power to make the rules in their current form;
- the application of the rules to agreements dated pre-1 April 2014;
- the redress calculation methodology; and
- the liability and causation presumptions on which the scheme is built.

CHALLENGES MORE NOTABLE FOR THOSE NOT PRESENT

Lloyds Banking Group (Black Horse), Santander UK, Close Brothers, Barclays, FirstRand Bank, and lender trade body The Finance & Leasing Association all publicly stated that they would not challenge the scheme. These institutions represent a majority of the affected lender market by expected total redress, demonstrating that the four challenges are outliers, not a coordinated industry rejection.

LENDERS STILL DEALING WITH COMPLAINTS

One notable feature of the regulator’s 2 July statement was the expectation that lenders will continue to assess complaints and must begin contacting those

who have already complained if they are **not** entitled to compensation.

Subject to limited exceptions, lenders must contact complainants who are not owed compensation, or their representatives, by:

- **18 November 2026**, where agreements began on or after 1 April 2014 and the complaint was received by **30 June 2026**.
- **18 January 2027**, where agreements began before 1 April 2014 and the complaint is received by **31 August 2026**.

For complaints after these dates, lenders must tell complainants if they are not owed compensation within five months.

We believe this further strengthens our position in terms of funding motor finance claims once the redress scheme becomes live in 2027 or complaints are taken up in the litigation track, as lenders will have effectively sifted a significant volume of zero-value cases. This will, in turn, make our vetting processes simpler and leave us to fund only those claims that are more likely to deliver a redress award, ensuring that both Seven Stars and our partner law firms can operate at a commercially sustainable level. The viability of the litigation track has itself been strengthened this quarter by the Court of Appeal's ruling in *Angel*.

WHAT HAS NOT CHANGED

THE LEGAL PRECEDENT

The Supreme Court's 1 August 2025 judgments in *Johnson, Wrench and Hopcraft* remain the framework within which motor finance claims will be determined. The challenges are to the design and methodology of the FCA redress scheme, not the now settled legal precedent. The substantive entitlement of consumers under the Consumer Credit Act 1974 and common law sits on top of *Johnson* and is unaffected.

THE COMPLAINTS AND LITIGATION TRACKS REMAIN LIVE

For claims outside the redress scheme, the complaints pause lifted on 31 May 2026 and statutory handling timeframes now apply. The FCA has further confirmed that the pause will not be reinstated should any element of the scheme be materially changed or quashed; if that happens, in-scope complaints will simply continue on the same statutory timeframes already in force for out-of-scope claims. Complaints filed with lenders and funded, vetted, and meritorious claims can therefore proceed on the relevant track immediately.

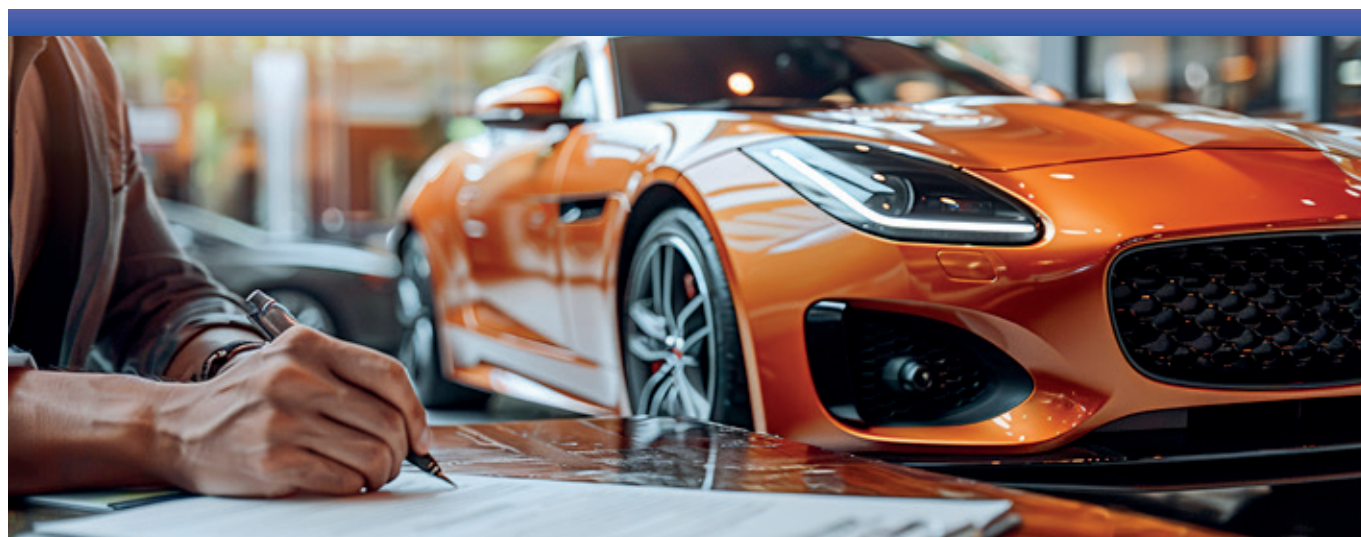
In addition, the Court of Appeal's ruling in *Black Horse v Angel & Ors* [2026] EWCA Civ 831, handed down on 30 June 2026 following a hearing in April 2026, confirmed that law firms can pursue mass claims via omnibus forms on behalf of their clients (explored further in the next article).

THE REGULATOR'S TWO-SCHEME ARCHITECTURE IS WORKING

The FCA implemented the scheme in two parts, Scheme 1 (for agreements dated pre-1 April 2014) and Scheme 2 (for agreements dated on or after 1 April 2014), as legally separable, anticipating a challenge to its pre-2014 jurisdiction and ensuring that any successful challenge would not affect agreements entered into from 1 April 2014. While the challenges cut across both, the architectural insulation remains intact should Scheme 1 be quashed.

ADDITIONAL HEADS OF CLAIM REMAIN UNAFFECTED

Potential GAP insurance, irresponsible lending, and other wider add-on motor finance transaction and ecosystem-related claims set out in our main car finance mis-selling analysis paper sit outside the FCA scheme entirely and therefore are unaffected by the current challenges.





IMPLICATIONS FOR OUR POSITION

OUR CAUTIOUS MARKET ENTRY HAS BEEN FURTHER VALIDATED

Our market entry strategy has been deliberately timed to align with regulatory and legal clarity. The suspension further underscores that funders who deployed before the law and redress projections were settled took on risk that has continued to compound.

As well as limiting our exposure should the redress scheme be quashed, our position leaves us strongly placed to capitalise should Consumer Voice's challenge be upheld and the scope of the scheme broaden, or the redress calculation methodology be revised in favour of consumers.

OUR FUNDING CRITERIA REMAIN UNCHANGED

Claims that follow *Johnson* where claimants have chosen to proceed outside the redress scheme may still move forward now, while the Supreme Court precedent ensures that funding PCP claims will remain viable via the complaints and litigation pathways even in what we view as the unlikely event that the scheme is quashed entirely. Our cautious deployment to date means our current exposure in this space remains carefully controlled.

IMPACT ON DEPLOYMENT AND RETURNS TIMELINES

Upon publication of the final redress rules on 30 March 2026, we anticipated that funding would be deployed in Q2 and Q3 2026. Initial deployment did commence during the quarter, with motor finance claims now representing 11% of our lending spread. Following the partial suspension of the FCA's redress scheme, we have paused our capital deployment into motor finance claims and now anticipate further deployment of capital into this space will occur in Q1 and Q2 2027.

UPDATED TIMELINE

The main change for funders in this space is the timing of the primary liquidity event, with the likely timeline now:

- **14–18 December 2026 or 16–26 February 2027:** Upper Tribunal to hear the challenges. The FCA has said the dates will "depend on whether any of those involved in the case apply for further expert opinion or disclosure of information, and whether any such application is successful."
- **Likely Q2 2027:** Upper Tribunal to deliver ruling; complaint handling to resume as normal should the scheme be quashed; scheme likely to commence at short notice if lender challenges are dismissed and there is no appeal.
- **From mid-2027:** Primary liquidity event as redress payments begin, should the Upper Tribunal ruling not be appealed.

Our previously estimated weighted average portfolio duration of 12–18 months for realising returns remains relevant for claims outside the scheme.

POSITION SUMMARY

While parts of the redress scheme are suspended, the final rules remain relevant until the Upper Tribunal quashes them or the FCA amends them. The substantive law and legal precedent are settled. The regulator has acknowledged the complaints and litigation tracks will follow the existing statutory frameworks should the scheme not proceed. Lenders representing most of the market by redress liabilities have chosen not to challenge the scheme. Our market entry strategy and funding criteria remain as stated in April 2026. The material change for funders in this space is a shift in the timing of the primary liquidity event from the second half of 2026 to mid-2027.

COURT OF APPEAL RULES IN FAVOUR OF MOTOR FINANCE CLAIMANTS IN ANGEL

An earlier version of this analysis was originally published on LinkedIn on 2 July 2026.

The Court of Appeal's judgment in favour of consumers in *Black Horse v Angel & Ors* [2026] EWCA Civ 831, handed down just days before it was confirmed the Upper Tribunal had partially suspended the Financial Conduct Authority's motor finance redress scheme, led to a range of opinions on what could happen next.

Is it a decision that will see motor finance claimants take the litigation route via omnibus claim forms rather than waiting for the regulator's redress scheme, particularly in light of the scheme's partial suspension?

Or a backdoor for the FCA to cancel the scheme entirely if the Upper Tribunal upholds some of the lender-brought challenges against it and simply let the courts decide claims?

Or potentially even a pathway to a further delay in motor finance redress payments, beyond that caused by the legal challenges, while we see whether *Black Horse v Angel* heads to the Supreme Court and, if so, what it decides?

While there is no shortage of commentary and differing viewpoints on what the Court of Appeal's ruling in *Angel* means for the broader motor finance claims landscape, what stood out to us were the comments made by Lord Justice Coulson, who said: "It also suits the defendants for there to be separate claims because the stronger claims can be settled and the less strong claims can be run into the ground."

"The most practical way in which the court can achieve at least a measure of justice for the claimants in this case is by efficiently case-managing their claims to a convenient disposal. The defendants' opposition to that outcome is commercially understandable, but... ultimately unrealistic."

Regardless of opinion on what the Court of Appeal's decision means, these comments are another instance of a senior member of the judiciary publicly stating the importance of access to justice for consumers, one of the key principles on which Seven Stars was founded and which underpins every claim we fund.

Meanwhile, in the background, the FCA continues to tell consumers they don't need professional representation to obtain motor finance redress. The regulator is effectively asking them to trust their lender to calculate what they're owed correctly and in good faith, and to trust the FCA itself to provide adequate oversight of the scheme.

This, after the mis-selling went on under the regulator's nose for years. All the while the FCA continues to target the law firms and claims management companies that uncovered the misconduct in the first place.

Rather than wondering why consumers keep seeking representation, the regulator might start with Lord Justice Coulson's answer: because on their own, "less strong claims can be run into the ground".

Our view on the Court of Appeal verdict in *Angel* is that it is positive for consumers and their representatives who are planning to pursue motor finance compensation via group claims outside of the now partially suspended redress scheme.

As the basis of the *Angel* appeal was procedural rather than on liability, we feel it is almost certain the Supreme Court will not hear any further appeal.

Given the formal partial suspension of the FCA redress scheme, this may lead to law firms inviting lenders to make redress offers in line with the terms of the scheme before omnibus proceedings commence. In a letter to the Chair of the Treasury Committee on 8 June 2026, FCA chief executive Nikhil Rathi noted that some lenders "want to resolve these [redress] liabilities now" and "are exploring whether they can make settlement offers on complaints that would have been dealt with through the scheme if it were not for the legal challenges".

We are continuing to monitor the position and will assess whether funding omnibus proceedings would be prudent as matters develop.



WHOSE REGULATOR IS IT ANYWAY? FCA OPPOSES FOS AT HIGH COURT IN LEGAL FIRST

This analysis was originally published on LinkedIn on 1 July 2026.

In what a High Court judge called “a novel legal departure”, the Financial Conduct Authority has, for the first time, intervened in a case to oppose a Financial Ombudsman Service position.

In *R (Barclays, NatWest, Vanquis and Santander) v Financial Ombudsman Service* [2026] EWHC 1555 (Admin), the four banks challenged the FOS’s wider reading of its jurisdiction over unfair relationship complaints in relation to perceived unaffordable lending facilities provided via credit cards and overdrafts.

On the law, the banks won, and four FOS decisions were quashed.

We take no issue with that.

The court’s analysis of the Consumer Credit Act time limits was sound, and the FOS itself recognised that it is by no means “the master of the limits of its jurisdiction”, has “no agenda about its jurisdiction”, and “simply attempts to interpret its jurisdiction under the law as recently stated by the Supreme Court”.

What stays with us is everything that sits around the finding.

The court’s own words were that this was the “first known instance” of the FCA intervening in a case to oppose a FOS position. While the regulator’s intervention may be unprecedented, the underlying instinct is not.

The numbers involved are significant. Santander’s 2025 Annual Report highlights that the volume of complaints it received more than doubled, from 31,000 to 71,000, since the FOS adopted the approach at issue in this case, while the FOS’s own 2025 report shows that it received 305,000 new complaints. Each of these cases is a person who has potentially been wronged by their lender. Statutory limits mean many have no pathway to putting things right.

The FOS even went so far as to tell the court that the FCA had “failed to have regard to the consumer protection objective informing its general statutory duty as regulator”.

If the FOS believes that, is it any wonder that many others reach the same conclusion?

It is hard not to draw a parallel with the FCA’s motor finance redress scheme. Between consultation and the publication of the final rules, expected redress fell from GBP 8.2bn to GBP 7.5bn, and agreements within scope from 14.2m to 12.1m. Two movements in favour of lenders. No wonder Consumer Voice says the rules are skewed towards lenders and is seeking to challenge them.

The FCA’s first operational objective is consumer protection. And while the High Court is right that this is not a “protection at any cost” mandate, it is worth asking why, when the interests of borrowers and lenders collide, the regulator so often comes down on the lender’s side.

It is little wonder that the victims of financial misconduct continue to turn to law firms and claims management companies to fight their corner. Or, indeed, that various regulatory bodies seem intent on either regulating them out of business or squeezing them so much that they become unviable.

If the regulator charged with protecting consumers won’t do it, someone else will.





IF THE FCA USES A SCALPEL, NOT A SLEDGEHAMMER, ITS CLAIMS MANAGEMENT MARKET STUDY SHOULD WORRY NO ONE DOING THE RIGHT THING

This analysis was originally published on LinkedIn on 22 May 2026.

We have taken a few days to read MS26/2 and the Financial Conduct Authority's commentary on its claims management services market study. An announcement and market study of this magnitude and scope deserve more than a hot take, and the issues the regulator is exploring require serious engagement from across the sector, including funders, a stakeholder the regulator explicitly names in its Terms of Reference.

In short, our view is that this is a welcome and overdue intervention. The FCA is right to act. The question is not *whether* it should look at the claims management market, but *how* it draws the lines between the firms causing harm and those that genuinely support access to justice.

A WELCOME AND NECESSARY REVIEW

The FCA's own commentary acknowledges what we have always believed: claims management companies and law firms "can provide a valuable service and support access to justice." That is not throat-clearing. It is the central reason the regulator's approach must be precise.

We have said before, and will say again, that removing bad actors from this market is a net positive for consumers, claims management companies, law firms, and funders. Misleading advertising, unsolicited contact at an industrial scale, fraudulent signatures,

opaque fee structures, and consumers discovering they have unwittingly signed contracts with multiple representatives without meaningful consent are not features of a functioning market. They are abuses.

The five themes the FCA has set out in the Terms of Reference (consumer journey, pricing-related harms, business model incentives, financial resilience, and incentives created by the regulatory landscape) are the right places to look.

If the market study and subsequent actions result in the worst-behaving firms exiting the market, and those doing the right thing gaining a more predictable environment in which to operate, we will count it a success.

THE RISK: THE REGULATOR USES A SLEDGEHAMMER WHERE A SCALPEL IS NEEDED

The risk in any market study of this breadth is that the remedy proves blunter than the diagnosis. The FCA has done well in naming specific harms. But the firms causing those harms are a minority of those currently authorised, and the broader claims management market sits across multiple regulators (the FCA, the SRA, the BSB, CILEx Regulation, and the Law Society of Scotland) with firms operating very different business models across them.





Three things matter as the FCA moves into evidence gathering this summer.

First, any regulatory remedy must preserve the distinction between firms operating high-volume, low-validation pipelines and those running considered, claim-by-claim representation. Treating both the same way would punish the firms whose conduct is least in question.

Second, the regulator must examine price caps and fee structures in the context of what claims management companies and law firms actually provide. A meaningful proportion of consumers genuinely cannot navigate complex redress processes on their own. The regulator's own Financial Lives 2024 survey, published in May 2025, makes this clear. Of those engaging with a CMC, 76% said they did so to reduce the effort of making a claim, and 64% because they did not feel confident pursuing a claim themselves.

We must also recognise that another finding in the same survey, that only 54% of those surveyed who had used a CMC felt the service met their expectations, represents a significant expectation-experience gap. That figure should also be read in context. The same survey found that just 27% of consumers were highly satisfied with the complaints process at their day-to-day banking provider, the best-performing sector measured, and only 12% at their general insurance and protection provider. Satisfaction with how financial services firms handle complaints, and trust in the industry as a whole, is patchy at best across the board. The CMC sector is not an outlier in that respect.

That some firms do not meet expectations does not and should not undermine the value of the work of the firms that do. The Consumer Duty has already raised the floor. Further interventions need to be tested against whether they preserve access to representation for consumers who need it, not just whether they reduce headline fees.

Third, the funding question, including the "opaque offshore funding structures" the regulator has flagged, should be examined with the same precision. Responsible litigation and disbursement funding underpins access to justice in this country, and the way funders generate their returns matters. Fixed-cost lending (where a funder advances a transparent, capped sum to cover disbursements or case costs) is a fundamentally different proposition from models that profit by extracting outsized or hidden fees from the consumer's eventual redress. Neither of these is the same thing as opaque ownership chains that obscure conduct or leave consumer-facing firms structurally undercapitalised. The market study should distinguish carefully between all three (responsible fixed-cost lending, fee-extraction models, and the ownership structures flagged by the regulator) because conflating them would close off legitimate routes to redress without addressing the conduct that actually concerns the regulator.

WHAT WAS MISSING FROM THE KING'S SPEECH

It is worth noting what is not happening alongside this market study. The Government had an opportunity in the recent King's Speech to legislate on the structural issues this sector has been waiting on, most obviously a statutory fix to the position created by PACCAR for litigation funding agreements, and a more coherent framework for claims

management activity. It chose not to, despite publishing a press release in December 2025 stating that it would bring forward legislation, with quotes from the Minister for Courts and Legal Services, Sarah Sackman KC MP, outlining the social good that litigation funding can provide. This all followed the Civil Justice Council's Review of Litigation Funding Final Report, published in June 2025, which was also broadly supportive of the sector. We later outlined our view on prospective regulation of the sector in a discussion with Legal Funding Journal in August 2025.

That leaves the FCA carrying a heavier load than it should. The regulator can address conduct within its perimeter. It cannot, on its own, resolve the legislative gaps that allow some of the very practices the market study is designed to investigate. We hope the final report makes that case clearly to the Government, and we hope the Government is listening when it does.

A QUESTION ON TIMING

We also think the timing of the review deserves a question.

The FCA has launched this market study at a time when firms, including responsible claims management companies and law firms, are waiting for the motor finance redress scheme to begin paying out, pending the outcome of legal challenges brought against it. Many of those firms have funded significant work in good faith and are, at this moment, particularly exposed on cashflow.

A market study is not, in itself, a punitive measure. But it carries real costs, such as information requests, supervisory engagement, and uncertainty about future fee caps and business models. We would be interested to understand how the FCA has thought about the sequencing here, and whether the interim findings

expected in late 2026 will distinguish between firms experiencing temporary working-capital pressure tied to a specific redress event and firms whose financial resilience is structurally weak. Those are not the same problem, and a remedy that treats them as if they were would risk taking responsible operators out of the market alongside the genuinely fragile ones, precisely when some consumers will need representation most.

WHAT GOOD LOOKS LIKE

From our perspective, a successful market study ends with three things.

A clear, evidence-based set of remedies that target the conduct the FCA has already identified: misleading marketing, weak acquisition controls, speculative bulk claims, and any structures that pull firms away from acting in consumers' best interests.

A regulatory regime that draws sharper distinctions between FCA-authorized CMCs, SRA-regulated firms, lead generators, and funders, so that all four can operate to a standard that consumers can trust, and so that arbitrage between regimes ceases to be a viable business model.

And a settlement that protects, rather than restricts, access to justice. Many consumers who pursue redress do so themselves. But those who genuinely need representation must still be able to get it, on terms that are fair to them and sustainable for the firms providing it.

The FCA deserves credit for doing this work. But good intentions must translate into genuine, consumer-driven action, not outcomes that push access to justice even further out of reach for those who need it most. We will be watching carefully to see whether it uses a scalpel or an altogether more inappropriate tool.





FCA AND BANK OF ENGLAND PUBLISH JOINT VISION FOR TOKENISATION IN THE UK

This analysis was originally published on LinkedIn on 19 May 2026.

In mid-May, the Financial Conduct Authority and the Bank of England told institutional capital what it has been waiting to hear.

Their joint vision for tokenisation in UK wholesale markets wasn't just another consultation paper.

It was the clearest signal yet that the UK's regulatory architecture is being reshaped to accommodate tokenised securities at scale. A Call for Input ran to 3 July 2026, with a final cross-authority roadmap due before year-end.

Three commitments stood out.

EQUIVALENCE

The Prudential Regulation Authority has confirmed that tokenised traditional assets should, in general, receive the same prudential treatment as their non-tokenised equivalents, where the legal rights are identical, and the underlying risks are comparable. This is what many institutional allocators have been waiting for. It removes the tokenisation penalty that has held back balance sheet adoption.

CENTRAL BANK MONEY SETTLEMENT

The Bank of England is targeting 2028 for a live synchronisation service allowing new digital asset ledgers to settle atomically against sterling held in RTGS accounts. RTGS/CHAPS settlement hours are being extended, with CHAPS opening from 1.30 am in September 2027 and a consultation underway on near-24/7 settlement. Combined with the existing omnibus account regime, this is the plumbing that makes tokenised wholesale markets actually work.

DIGIT

HM Treasury's pilot for a digitally native, on-chain-settled sovereign debt instrument, issued via HSBC on a platform inside the Digital Securities Sandbox, now has explicit BoE and FCA support, including consideration of DIGIT as eligible collateral in SMF operations. When a sovereign issuer commits to tokenised issuance, markets follow.

WHAT DOES THIS MEAN IN PRACTICE?

The UK is positioning itself as a jurisdiction where tokenised securities can be issued, traded, settled and used as collateral inside a coherent regulatory perimeter, without needing to leave the country to find clarity.

Sixteen firms are already live in the DSS. The PRA has given direction on prudential treatment. The FCA has confirmed fund tokenisation rules. And the principle that regulation should be technology-neutral and outcome-based, rather than dictating which ledger you use, is being made explicit.

We've written previously about DIFC's positioning as a tokenisation hub. This announcement suggests the UK is mounting a serious response. One that emphasises regulatory parity rather than exemption, which is what serious institutional participants have been arguing for all along.

The roadmap and regulatory framework that emerges will define the operating environment for the next decade of UK capital markets.

FSCS CUTS LEVY BY GBP 35M

This analysis was originally published on LinkedIn on 20 May 2026.

The Financial Services Compensation Scheme has cut its forecast levy for advisers by GBP 35m for 2026/27, with several factors driving the numbers, including:

- fewer-than-expected SIPP claims;
- fewer pension-related failures feeding into the lifeboat fund;
- surpluses carried forward;
- strong recoveries; and
- a shift toward lower-value general investment claims displacing higher-value pension cases.

Underneath all of that sits a trend we're also seeing: that we're well past the peak of pension mis-selling claims arising from the misconduct that followed the introduction of pension freedoms in 2015.

That doesn't mean pension claims have gone away, or that viable ones aren't out there.

They are.

But as volumes thin, the premium on rigorous case selection and due diligence rises sharply. The large, easily



identifiable cohort of meritorious claims that defined the last cycle is now smaller and continues to shrink.

That tightens the economics and acts as a reminder that careful selection is more crucial than volume.

GOVERNMENT CONSIDERING IMPOSING 10-YEAR FOS LIMIT

This analysis was originally published on LinkedIn on 28 May 2026.

The government is considering imposing a 10-year limit on how far back consumers can take complaints to the Financial Ombudsman Service via a proposal in the Financial Services and Markets Bill.

The argument in favour is fluent in the language of efficiency, stating it will deliver:

- less administrative burden;
- a leaner FOS; and
- GBP 125m a year saved for firms.

The argument against usually doesn't run to three lines, because the roughly 3,000 people a year this will affect often don't have anyone to make their case.

Pair it with the idea that a firm will be said to have acted "fairly and reasonably" so long as it followed Financial Conduct Authority rules, and the direction of travel is difficult to miss.

Reforms like this are typically presented as tidying up and removing bureaucracy.

A reasonable objective in principle, but the cumulative effect is a system that continually gets easier for firms and more difficult for the consumers it is supposed to serve.

It's worth remembering that PPI and now motor finance misconduct took years to surface.

Long-stops don't just close off old claims. They also discourage the digging that brings wrongdoing to light in the first place.

Access to justice isn't only about whether something went wrong. It's also about whether there's still a route to putting things right. This narrows that pathway.



BORROWER PROFILE



Your opportunity to get even closer to your investment by learning more about the firms we lend to.
This month, we're meeting Hugh James.

HUGHJAMES

ABOUT HUGH JAMES & OUR ACTIVITIES WITH THE FIRM

About: Hugh James is a leading, full-service UK law firm, with offices in Cardiff, London, Manchester, Plymouth, and Southampton. The firm prides itself on being led by the things that matter and caring about fighting for the right outcomes, regardless of whom it is representing.

Location
UK-wide, the
firm's Head Office
is in Cardiff

Established
1960

Website
www.hughjames.com



Managing Partner: Alun Jones has been Managing Partner at Hugh James since January 2011 and is also chair of the firm's board of management. Alun joined Hugh James in 1992 as a trainee solicitor and qualified in 1994 before advancing through the firm as an Associate, Salaried Partner and Equity Partner.

Claims Type Funded: Professional Negligence

Claims Funded: 400

Average Value of Claims Funded:
c. GBP 4,800

Seven Stars Position Value: GBP 583,440

Our position across the book is valued at GBP 583,440, representing the income due to Seven Stars should the claims conclude successfully as projected, secured against claims with a combined value of approximately GBP 1.9 million.





ABOUT SEVEN STARS & GOVERNANCE



ABOUT SEVEN STARS LEGAL FUNDING

Seven Stars Legal Funding was established in 2022 as an investment company targeting market leading investor returns working within the well-regarded and regulated UK legal services sector, and specifically litigation cost financing and litigation case generation.

The company was founded and is led by a successful litigation finance team, with an incredible track record and a history of managing approximately GBP 400 million in litigation funding investments, who identified a substantial funding opportunity that far exceeded their existing requirements.

Since launch, Seven Stars has funded over 75,000 claims across various case types and holds security of almost GBP 67 million against all claims held.

As of 2026, the company is only investing in the UK and lending to firms working in the UK legal sector, which is globally recognised as one of the preeminent jurisdictions for legal services.

Our activities to date affirm the view we took when launching the company, namely, that the key to successful litigation financing lies in the selection of cases or case types to fund.

Further to this, it is impossible to overlook the genuine systemic objectives of the company in driving social impact. While we may speak of the claimants that we finance merely as numbers, we are also very clear that behind every claim there lies a genuine need or hardship that we play an essential role in helping to solve; from the 70-year-old forced to return to work as his pension pot was lost after receiving unsuitable transfer advice, to the families suffering health issues due to damp problems in their home, from the victims of abuse at the hands of trusted financial institutions, to those facing hardship as a consequence of the systemic failures of lenders.

At Seven Stars, we strive hard to see beyond the numbers and to focus on the genuine, positive social impact that our business brings about for those who genuinely need assistance and representation.

ABOUT OUR QUARTERLY INVESTOR NEWSLETTER

These quarterly updates are designed to provide you, as an investor, with clarity on our activities and how these relate to your investment.

As a Seven Stars litigation finance bondholder, you can receive an excellent income and have a positive and socially responsible impact on the consumers we help. In a dynamic economic landscape where innovative investment avenues are sought after, this groundbreaking financial instrument is a compelling option for those seeking attractive returns and diversification, as well as the benefits of our bonds being uncorrelated to other investment types and sectors.

This investor newsletter aims to shed light on the intricacies and potential of our investments and where Seven Stars operates, helping to cover our role in fostering access to justice while delivering consistent and impressive financial gains for you, our investors.





ABOUT LITIGATION FUNDING AND OUR LITIGATION FINANCE BONDS

Litigation finance is reshaping the legal landscape by providing crucial financial support to consumer victims and the law firms representing them.

While the UK consumer claims sector can trace its origins to the PPI scandal, the true scope and potential of the market are only really starting to become apparent with what feels like a continuous flow of new outrages. And as further abuses of consumers and breaches of professional trust and responsibility come to light, the demand for external funding solutions has soared, opening a compelling avenue for investors seeking to tap into this expanding market.

While the big funders seek to hit high multiple returns by providing limited recourse lending in high stakes cases,

Seven Stars operates at an established but lower octane level, lending funds to lawyers on well-established, precedent-backed, or governmental directive-orientated litigation and claims that provide an element of predictability of outcome to our loans and lending activities.

At its core, our litigation finance bonds seek to capitalise on a diversified portfolio of vetted legal cases, where the potential for favourable outcomes presents an exciting prospect for investors seeking returns from alternative and uncorrelated assets. We achieve this in part by steering away from the more spectacular returns that can often be achieved through collective claims and new legal challenges, preferring to focus on more process-orientated claims with proven track records or clear mandates from the courts or governmental schemes.



In addition to the profitability that can be achieved through this form of full recourse lending, by participating in this innovative investment opportunity, you contribute substantially to levelling the legal playing field and promoting access to justice for litigants who may not otherwise have the financial means to pursue their rightful claims.

HOW WE CHOOSE WHICH CASE TYPES TO FUND

At Seven Stars, we take time to select the cases that we believe offer the most secure route to a successful and, therefore, profitable judgment.

- We specifically target precedent-based legal claims or claims under Government compensation schemes or Acts for investment, which helps mitigate and manage the risks involved. This is because a precedent-based case has already won a court victory and all cases involving the same facts fall under the same judgment.
- We normally lend to SRA-regulated law firms or to FCA-regulated claims management companies, ensuring that there is a strict mechanism of controls in place for borrowers.
- We only lend on a full recourse basis where our funds are not tied to case outcomes.
- We insist on ATE insurance cover on funded cases where the case may be settled in the Courts of England or Wales or where a risk of adverse costs may exist.
- We will only fund cases against liquid entities, such as banks and housing authorities, or Government compensation schemes such as the FSCS.
- We establish minimum claim values for each sector to ensure sufficient capital cover.

In addition to precedent-based legal claims, we also fund housing disrepair claims against local housing authorities, mis-sold pension claims made via the FOS/FSCS, bank fraud, car finance mis-selling (PCP), irresponsible lending, and contentious probate claims. We are at the advanced stage of evaluating several other claim types, each with a substantial social impact.

The kind of cases we fund are popularly known and recognised as no-win, no-fee agreements, and all are carried out with no initial charge to the claimant.

WHY DO WE ESTABLISH MINIMUM CLAIMS VALUES?

We examine the expected damages in a case to ensure there is scope for a healthy return on investment. Seven Stars lends to law firms either on a straight interest-and-fees basis or on a hybrid model that also includes an agreed profit share, with the approach chosen on relevant economic and ethical grounds and structured so that, where a case is successful, all parties can be paid in full. This assessment is a key part of our investment underwriting process and is used from the outset to evaluate the affordability of funding. Our return is earned from the borrowing law firm through interest, fees, and, where applicable, a share of the firm's income from running the case, not by taking a direct share of the claimant's compensation.

HOW WE SELECT AND APPROVE BORROWING LAW FIRMS

A full and detailed explanation of how we conduct comprehensive due diligence to select and approve borrowing law firms and case types is available in our Corporate Governance document.

Please email hello@7stars.legal to request a copy of this document.

CORPORATE GOVERNANCE

Further information about how we assess requests for litigation funding and work to fulfil our responsibilities to our investors, partner law firms, and the legal and legal funding industries is outlined in our Corporate Governance Statement.

To receive a copy of this document,
please email hello@7stars.legal



Seven Stars Legal Limited
1 Charterhouse Mews
London | England | EC1M 6BB

www.7stars.legal

hello@7stars.legal

