SEVEN STARS
Legal Funding

INVESTOR NEWSLETTER



Q3 2026

IMPORTANT INFORMATION

SEVEN STARS
Legal Funding

ABOUT OUR QUARTERLY INVESTOR NEWSLETTER

This newsletter is our quarterly update to holders of Seven Stars bonds. It reports on our lending, our security position and the legal and regulatory developments that affect the law firms we lend to.

Seven Stars Legal Limited is not authorised or regulated by the Financial Conduct Authority (FCA). These bonds are not covered by the Financial Services Compensation Scheme (FSCS), and you will not have access to the Financial Ombudsman Service (FOS). This is a high-risk, illiquid investment and your capital is at risk.

Figures about our lending and security are shown with the date at which they apply. Unless we state otherwise, they come from Seven Stars' own records, and we identify those covered by an independent limited assurance engagement.

This newsletter is for information only. It is not an offer of bonds or any other investment, and it is not investment advice. Past performance is not a reliable indicator of future results. Statements about future events reflect our current expectations and may not prove correct.



Seven Stars does not hold this product out as a labelled ESG or sustainable investment product, and nothing in this document should be read as a sustainability claim within the meaning of the FCA's Sustainability Disclosure Requirements.

ABOUT SEVEN STARS LEGAL FUNDING

Seven Stars Legal Limited (the "Company" or "Seven Stars") is incorporated in England and Wales under company number 14229552 and has its registered office at 1 Charterhouse Mews, London, England, EC1M 6BB.

The Company was established in 2022 as a specialist private credit investment company working within the well-regarded and regulated UK legal services sector, specifically by providing secured lending to UK-regulated law firms for litigation cost financing across high-volume consumer claims.

The Company was founded and is led by a team whose founders have a combined career track record of deploying over GBP 380 million in litigation funding investments through prior ventures, a track record separate from Seven Stars Legal's own lending activity, before identifying a much wider need for funding facilities within the industry and building this business to meet it.

Since launch, Seven Stars has funded 73,439 claims across various case types and, as at 31 July 2026, holds security of GBP 51,811,270 against lending and GBP 67,781,491 against all claims held across a granular lending portfolio. These figures are supported by an independent limited assurance engagement performed by Anstey Bond LLP under ISAE 3000 (Revised).

As of 2026, the Company is only investing in the UK and lending to firms working in the UK legal sector, which is the world's second-largest legal services market and Europe's leading market[1], under whose law around 40% of global business and financial transactions are governed[2].

By financing claims that would otherwise go unfunded and therefore potentially not pursued, Seven Stars enables individuals to access representation they could not afford on their own.

SEVEN STARS
Legal Funding

TRADITIONAL LITIGATION FUNDING VERSUS SEVEN STARS LENDING

While Seven Stars provides funding for litigation, our model is materially different from traditional third-party litigation funding, a difference that is central to our risk profile.

A traditional litigation funder invests directly in a claim, or portfolio of claims, in return for a share of the damages upon success and bears the full risk of the outcome. Seven Stars does not. We are a specialist private lender. We lend to regulated law firms on a full-recourse basis, earning interest and fees rather than a share of any claimant's award.



HOW WE CHOOSE WHICH CASE TYPES TO FUND

At Seven Stars, we take time to select the cases 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 reduces the risks involved. Existing precedent can reduce legal uncertainty by establishing principles that courts may be required to apply to later cases presenting materially similar legal and factual issues. Individual case outcomes nevertheless remain dependent on their particular facts and circumstances.
- We normally lend to regulated law firms, only lending against cases that the firm has already retained.
- We only lend on a full recourse basis where our funds are not tied to case outcomes.
- We insist on After the Event (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 such as



car finance and business energy mis-selling, we also fund housing disrepair claims against local housing authorities, mis-sold pension claims made via the FOS/FSCS, bank fraud, irresponsible lending, professional negligence, and contentious probate claims.

The cases we fund are also known 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

Seven Stars provides funding to qualified law firms for reports and expert witness statements, court fees, and the other disbursements required to run a case through to settlement or judgment. Funds are typically lent at a set annual interest rate that is competitive for the sector and may also include a preset share of the firm's income as an additional profit element.

Seven Stars has established a team of advisors to oversee funding requests, supported by a structured due diligence process applied before lending, at each funding request, and at regular intervals throughout the loan period. Due diligence on prospective borrowing law firms is carried out via an extensive questionnaire and supporting evidence, and includes, but is not limited to:

- Solicitors Regulation Authority (SRA) verification of the solicitor and firm;
- full anti-money laundering (AML) and credit checks on the borrowing party;
- review of accounts;
- cashflow projections and analysis;
- assessment of case acceptance procedures; and
- review of company policies and insurances.

Due diligence is also carried out on each funding tranche request, including verification of ATE cover and random update sampling on previous tranches. Random sampling of claimant files for retainers and legal documentation may also be conducted after drawdown.



SEVEN STARS
Legal Funding

CONTENTS

IMPORTANT INFORMATION 2

Q3 2026 PERFORMANCE 7

EXPANDING THE SEVEN STARS FOOTPRINT 15

LESSONS FROM THE SECTOR 17

ADDITIONAL MARKET AND REGULATORY COMMENTARY 22

- FCA redress scheme challenges, timeline and lender provision update 23
- SRA consults on third-party litigation funding in consumer claims 26
- Court of Appeal overturns costs order against PPI claimant in Orton v Barclays 27

BORROWER PROFILE 28

CONTACT US 30

REFERENCES 32

SEVEN STARS
Legal Funding

Q3 2026 PERFORMANCE

SEVEN STARS
Legal Funding

GBP
27.9 MILLION
LOANS AGREED

GBP
51.8 MILLION
SECURITY AGAINST LENDING

GBP
67.8 MILLION
SECURITY AGAINST CLAIMS HELD

2.70:1
SECURITY RATIO AGAINST CAPITAL DEPLOYED

73,439
CLAIMS LENT AGAINST

135,315
CLAIMS HELD

6
PARTNER LAW FIRMS

8
CASE TYPES

Security values and claim numbers at 31 July 2026, from our latest independent limited assurance engagement. Other figures at 30 September 2026; the security ratio uses security against lending at 31 July 2026 (see the Funding Performance Update).

SEVEN STARS
Legal Funding

EXECUTIVE SUMMARY

IN Q3 2026, we continued to lend within our existing facilities, and our security ratio, using security against lending from our latest independent limited assurance engagement, was 2.70:1 against capital deployed. The legal challenges to the FCA's motor finance redress scheme are now listed for hearing in February 2027, and new deployment into motor finance claims remains paused.

FCA REDRESS SCHEME CHALLENGES LISTED FOR FEBRUARY 2027

The FCA's motor finance redress scheme remains partially suspended pending four legal challenges to it, brought by three lenders and a consumer group. After a case management hearing on 5 and 6 October, the Tribunal listed the challenges to be heard from 16 February 2027. The FCA expects a judgment in the months after the hearing. If the scheme is upheld and the judgment is not appealed, it expects payments under the scheme to begin in 2027.

The Supreme Court's 2025 judgment in Johnson still stands, and claims outside the scheme can continue through the complaints process and the courts. We paused new deployment into motor finance claims when the scheme was suspended. Our full update, including the provisions lenders have reported since the end of Q2, a County Court ruling on time limits and our view of what it could mean for older undisclosed commission claims, is later in this newsletter.

EXPANDING OUR FOOTPRINT

In the closing weeks of the quarter, our Head of Growth for Asia and the Middle East, Joe Wheeler, held private meetings with prospective investors in Bangkok, Hong Kong and Singapore. Our Chief Commercial Officer, Kevin Prior, did the same in Lima, followed by Panama in early October.

SECURITY RATIOS

Our lending figures at 30 September 2026 and the security values from our latest independent limited assurance engagement, with the security ratios they give, are:

Loans Agreed	Capital Deployed	Total Indebtedness of Law Firms to Seven Stars
GBP 27,900,000.00	GBP 19,198,991.00	GBP 29,565,753.00

Security to Date (Against Lending)	Security to Date (Against Claims Held)	Security Ratios
GBP 51,811,270.00*	GBP 67,781,491.00*	2.70:1 against capital deployed and 1.75:1 against total indebtedness from law firms to Seven Stars.**

** Security values at 31 July 2026. These figures are supported by an independent limited assurance engagement performed by Anstey Bond LLP under ISAE 3000 (Revised). Anstey Bond's report is dated 21 September 2026.*

*** Security against lending at 31 July 2026 (GBP 51,811,270), divided by capital deployed and by total indebtedness at 30 September 2026. Our own records put security against lending at GBP 51,361,517 at 30 September 2026; that figure is not covered by the assurance engagement.*

SEVEN STARS Legal Funding



FUNDING PERFORMANCE UPDATE

The third quarter of 2026 was predominantly a period of further consolidation for our loan book, with lending continuing within our existing facilities.

At the end of Q3 2026, we had maintained agreed lending facilities worth GBP 27,900,000 with our network of approved borrowing law firms, with GBP 19,198,991 deployed.

Total indebtedness to Seven Stars Legal from borrowing law firms was GBP 29,565,753. Our security ratios are 2.70:1 against capital deployed and 1.75:1 against total indebtedness, calculated as security against lending at 31 July 2026, from our latest independent limited assurance engagement, divided by our lending figures at 30 September 2026.

That engagement covers our security calculations at 31 July 2026, the end of our financial year. At that date, security stood at GBP 51,811,270* against lending and GBP 67,781,491* against all claims held. At 30 September 2026, our own records put security against lending at GBP 51,361,517, which gives ratios of 2.68:1 against capital deployed and 1.74:1 against total indebtedness. That figure was not part of the engagement.

* Security values at 31 July 2026. These figures are supported by an independent limited assurance engagement performed by Anstey Bond LLP under ISAE 3000 (Revised). Anstey Bond's report is dated 21 September 2026. The engagement covers how those values are calculated. It does not assess the legal merits, enforceability or recoverability of the underlying claims.

Following the partial suspension of the FCA's redress scheme, we have paused our capital deployment into motor finance claims.

SEVEN STARS LEGAL – FUNDING SUMMARY (END OF Q3 2026)	
Loans Agreed	GBP 27,900,000.00
Capital Deployed	GBP 19,198,991.00
Total Indebtedness (Law Firms to Seven Stars)	GBP 29,565,753.00
Security to Date (Against Lending)	GBP 51,811,270.00*
Security to Date (Against Claims Held)	GBP 67,781,491.00*

** Security values at 31 July 2026. These figures are supported by an independent limited assurance engagement performed by Anstey Bond LLP under ISAE 3000 (Revised). Anstey Bond's report is dated 21 September 2026.*

SEVEN STARS
Legal Funding

PARTNER LAW FIRMS

LawPlus Solicitors

FIFTY SIX LAW

Justizia

ELITE CHAMBERS

HUGH JAMES

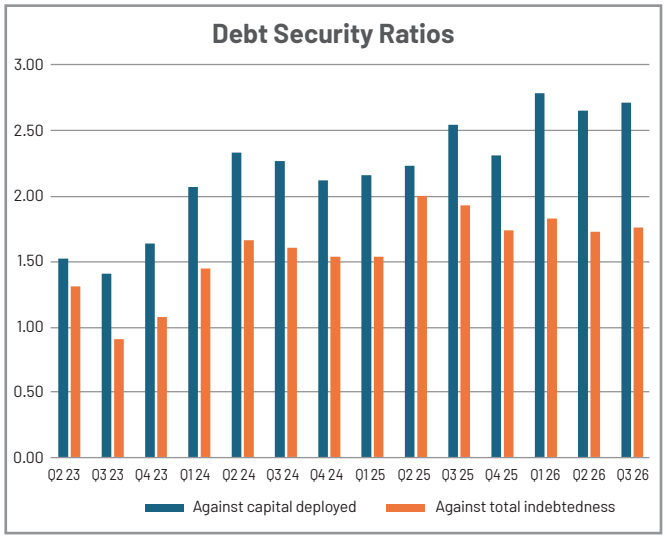
FDM SOLICITORS

SEVEN STARS
Legal Funding



DEBT SECURITY

Our Q3 2026 security ratios are 2.70:1 against capital deployed and 1.75:1 against total indebtedness, calculated as security against lending at 31 July 2026, from our latest independent limited assurance engagement, divided by our lending figures at 30 September 2026, as outlined in the Funding Performance Update.



RISK MITIGATION

THE SECURITY WE TAKE

Where possible, Seven Stars takes a charge over all assets of our borrowing law firms, including both the cases we lend against and the firm's other cases, through a General Debenture. Where this isn't possible, borrowing law firms enter into a Deed of Assignment of Funded Assets, which covers the cases we lend against. In either event, our security covers all no-win, no-fee (i.e. not profit costs) income due to the solicitor on those cases, both disbursements and the contingency fee, so it will generally be of greater value than the borrowings.

ATE INSURANCE

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. When this is required, we will request and discuss it with the borrowing law firm, and agreements are written such that this is easily applied as a condition of lending.

Claims brought via the Financial Services Compensation Scheme or Financial Ombudsman Service do not carry adverse costs risk, as neither body awards costs against claimants, so ATE insurance is not required when funding such cases.

ATE insurance is not insurance of an investor's capital or returns and Seven Stars is not the beneficiary of those policies.

SECURITY COVER

We model lending based on a target security value of 3x lending and track outcomes with the aim of keeping them above 2x lending. The value of cases held by borrowing firms at 31 July 2026 was 2.29x their total indebtedness to Seven Stars at 30 September 2026. Security values are reviewed monthly and reported quarterly.

SOLICITOR DEFAULT

In the event of solicitor default, the case or cases can be moved to another firm and in the case of discontinuation of a claim, the law firm is obliged to either replace the case with another, qualifying one or repay the capital and all accrued interest.

SEVEN STARS
Legal Funding



PORTFOLIO SUMMARY

We are currently working with six regulated law firms across eight case types. Portfolio allocations reflect capital deployed through both direct lending facilities and acquired or reassigned case books.

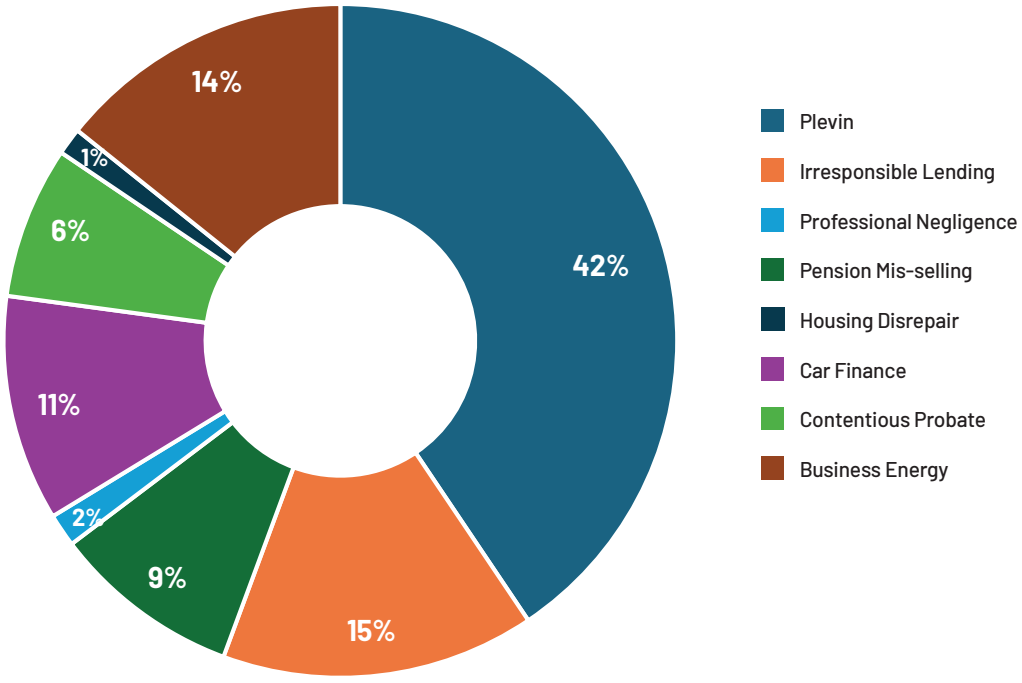
Our 30/30 rule limits the share of deployed capital with any single law firm, or in any single claim type, to 30%. Two parts of the book are currently outside it:

- Plevin claims, which are spread over 25,395 individual claims with an average claim value of GBP 3,289; and
- our lending to one law firm.

We are working to bring both back within the rule.

Both exceptions relate in part to a borrowing law firm that entered administration in early 2025. Seven Stars acquired the firm's non-legal assets and arranged for other law firms to take on its claims and run them to completion.

As the chart below demonstrates, funding across all other claim types sits within the 30/30 rule.



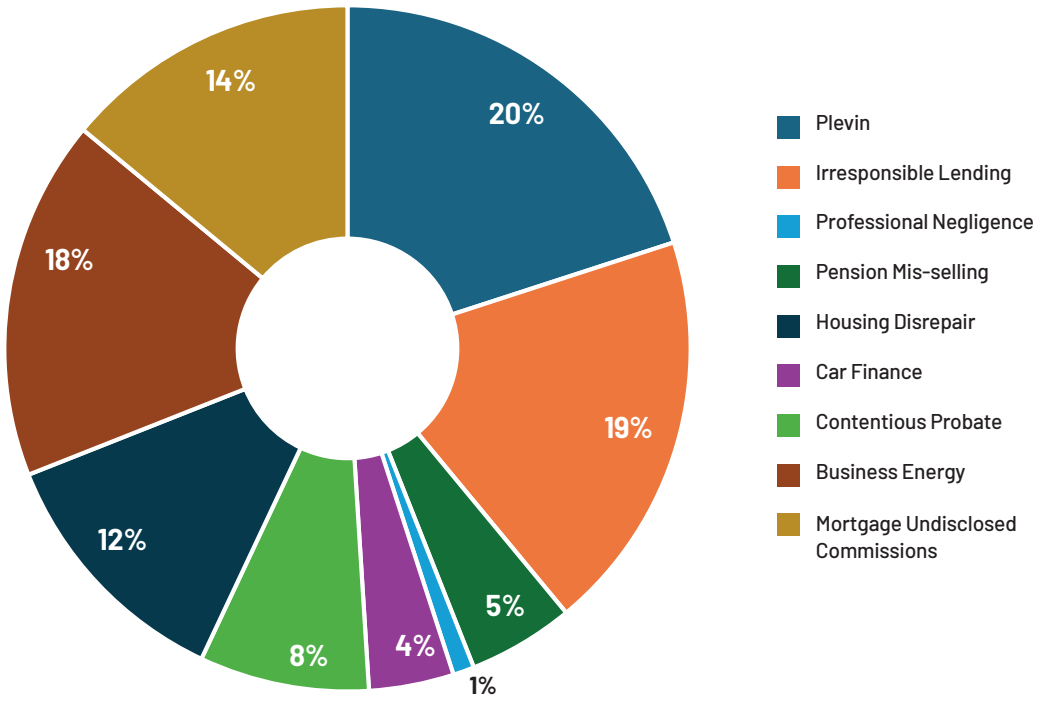
SEVEN STARS
Legal Funding



TARGET PORTFOLIO COMPOSITION

The chart below shows the portfolio composition we are working towards, at capital deployed of GBP 44 million.

Plevin would remain our largest claim type, but at 20% of the portfolio rather than the 42% shown above, and no claim type would exceed 30%. The target includes mortgage undisclosed commission claims, which we do not currently lend against. It is a target, not a forecast, and depends on our lending capacity and on suitable lending opportunities.



SEVEN STARS
Legal Funding

EXPANDING THE SEVEN STARS FOOTPRINT

SEVEN STARS
Legal Funding



Seven Stars has continued to grow its global footprint in Q3 and into early October, with Joe Wheeler undertaking visits to Thailand, Hong Kong and Singapore, and Kevin Prior re-establishing connections and meeting new faces in Peru and Panama.

There have also been developments at Seven Stars Amanah Justice.

SEVEN STARS IN ASIA

Our Head of Growth for Asia and the Middle East, Joe Wheeler, spent the second half of September in the region. He was in Bangkok from 16 to 18 September and Hong Kong from 21 to 25 September, finishing with the week of 28 September in Singapore.

Each stop saw Joe holding private meetings with prospective investors, covering the private credit market and how Seven Stars lends to UK law firms.

Our thanks to all who made time to meet him.

SEVEN STARS IN LATIN AMERICA



Our Chief Commercial Officer, Kevin Prior, returned to Latin America at the end of the quarter.

Kevin was in Lima from 28 September to 2 October, and in Panama from 5 to 10 October. The format matched Joe's trip. He had a full diary of private meetings, with discussions centred on private credit and how we lend.

Thank you to the existing contacts in Lima and Panama who reconnected with Kevin, and to everyone new who came to learn about what we do.



SEVEN STARS IN THE MIDDLE EAST & SEVEN STARS AMANAH JUSTICE

We are pleased to confirm that Seven Stars Amanah Justice was certified as Shariah-compliant by Mufti Faraz Adam of Amanah Advisors on 23 July 2026. It is set up to provide Shariah-compliant finance to SRA-regulated law firms under a dual wakala structure.

We are also working with Emirates-based Muslim thought leaders, and conversations have begun across the Gulf Cooperation Council.

LESSONS FROM THE SECTOR

SEVEN STARS
Legal Funding



The sector has recently seen several businesses that lend money to law firms fall into difficulties. What has emerged from these cases points less to the underlying claims than to how the businesses themselves were run. The issues often concerned three things:

- **Governance:** who was accountable, and how investors' money was raised and used;
- **Oversight:** whether anyone independent was checking the records, the security and its value; and
- **Underwriting:** which law firms were lent to, on what terms and against what security.

WHAT THIS MEANS

It is not always clear whether these businesses could ever have supported what investors were promised. Where they could not, delays such as those in motor finance settlements exposed the problem rather than caused it.

For investors in any business that lends to law firms, these difficulties raise four practical questions.

1. What security stands behind investors' money?
2. How is the value of that security checked?
3. Who acts for investors if something goes wrong?
4. How does the lender check who it is dealing with?

SEVEN STARS
Legal Funding

These are fair questions to ask of Seven Stars too. Our own bonds carry the risks set out at the front of this newsletter:

Seven Stars Legal Limited is not authorised or regulated by the Financial Conduct Authority. These bonds are not covered by the Financial Services Compensation Scheme, and you will not have access to the Financial Ombudsman Service. This is a high-risk, illiquid investment and your capital is at risk.

What we can set out is how Seven Stars answers each question, and where you can check our answers. The diagram after these answers shows the full structure.

SECURITY

- We only lend on a full recourse basis where our funds are not tied to case outcomes. Borrowing law firms enter into a General Debenture with Seven Stars or, where this isn't possible, a Deed of Assignment of Funded Assets, as detailed in the Risk Mitigation section.
- Security for bondholders is held by an independent Security Trustee, Verdant Trustees Ltd, and the negative pledge in our debenture prevents competing security arrangements. The Security Trust Deed is publicly available at Companies House. So are the charges held for bondholders, which are registered against Seven Stars Legal Limited.

CHECKING THE VALUE

- The security values we report are supported by an independent limited assurance engagement performed by Anstey Bond LLP under ISAE 3000 (Revised). The engagement covers how those values are calculated. It does not assess the legal merits, enforceability or recoverability of the underlying claims.
- We carry out due diligence on borrowing law firms before lending, at each funding request and at regular intervals throughout the loan, as set out in How We Select and Approve Borrowing Law Firms.
- Case-level monitoring is carried out by InsyteIQ, which samples funded cases each month and reports its findings.

IF SOMETHING GOES WRONG

- Only the Security Trustee may enforce that security, at its sole discretion and subject to the Intercreditor Deed. After enforcement costs and statutory priorities, proceeds are shared pro rata across all bondholders by principal amount.
- In the event of solicitor default, the case or cases can be moved to another firm.
- When one of our borrowing law firms entered administration, its claims were transferred to other law firms with the SRA's knowledge and continued to be processed.

WHO WE DEAL WITH

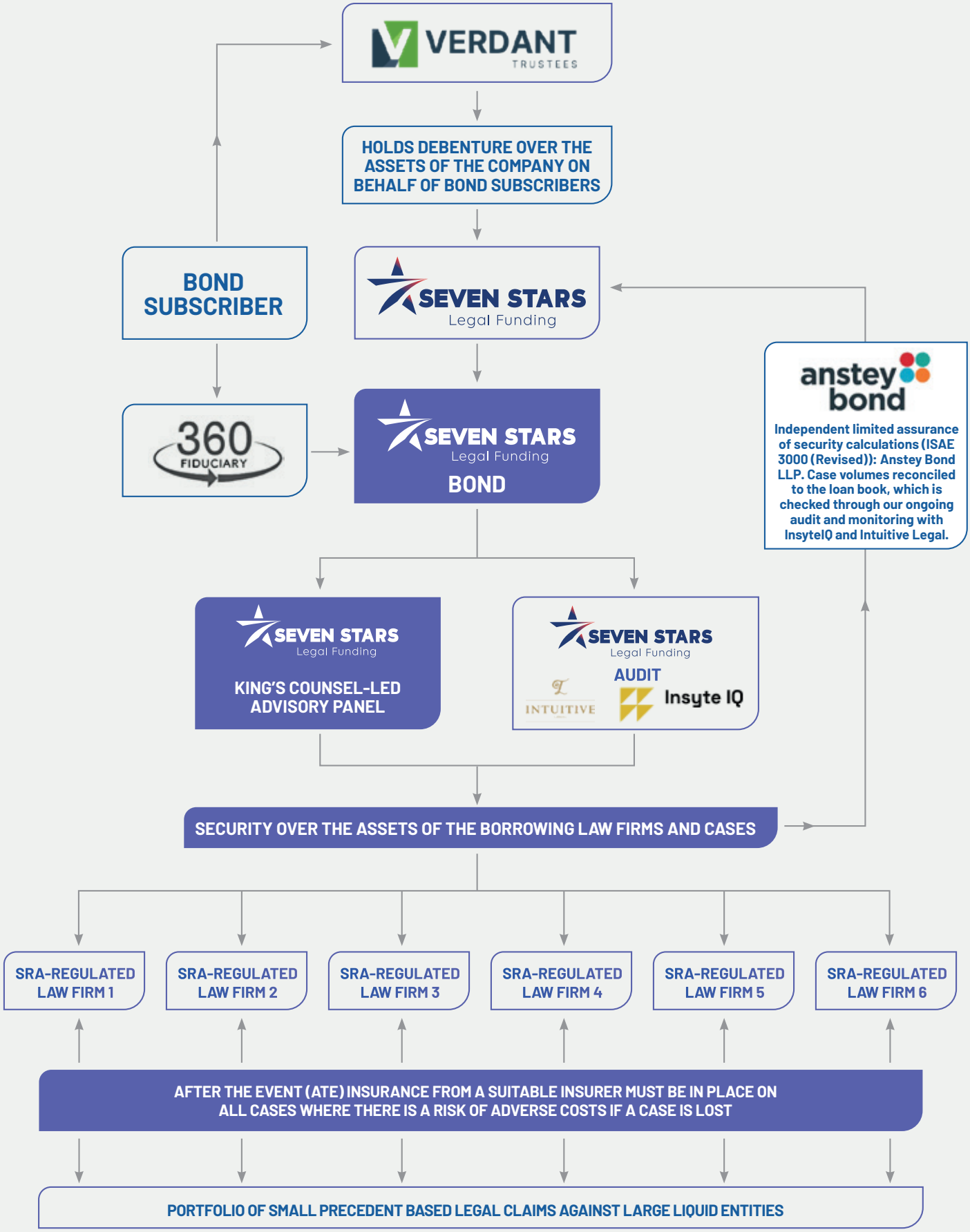
- Before we lend, we verify the solicitor and firm with the SRA and carry out full AML and credit checks on the borrowing party.
- New firms and case types are reviewed by our Advisory Panel, and no facility proceeds without the Panel's agreement in principle.
- Subscriptions are received by our registrar, 360 Fiduciary AG, which maintains strict and robust compliance with relevant Anti-Money Laundering and Know Your Customer requirements.
- Our Anti-Financial Crime Policy, updated in September 2026, sets out how we guard against money laundering, sanctions breaches, fraud and bribery. Bondholders can request a copy by emailing hello@7stars.legal.

The section after the diagram explains the Security Trustee's role in more detail.



SEVEN STARS
Legal Funding

OUR BOND STRUCTURE



SEVEN STARS Legal Funding



OUR SECURITY TRUSTEE

Verdant Trustees Ltd is the Security Trustee for Seven Stars bondholders. It is a UK company (company number 15560079), independent of Seven Stars and of any individual bondholder, and a member of TACT (The Association of Corporate Trustees).

TACT was founded in 1974 "to foster a high standard of corporate trustee service"[3]. Its members provide trustee services across pensions, private trusts and loan capital, and commit to observe TACT's Code of Practice, which TACT publishes at tactweb.org/membership. The Code covers integrity, organisation and control, resources and insurance, and clarity in business arrangements and statements, with a section on loan capital roles such as Verdant's [4].

Verdant was first appointed as Security Trustee in October 2024. In May 2025, by a deed of accession, it took over the security trustee role for earlier bond issues. That is why some older charges on the Companies House register still show the previous trustee's name.

Verdant's role is to:

- hold the security over Seven Stars Legal Limited on trust for all bondholders together;
- decide whether and when to enforce that security, as set out above;
- receive bondholder votes directly, rather than through Seven Stars;
- monitor Seven Stars' compliance with its obligations to bondholders, including its own quarterly checks of borrowing law firms' SRA registration and Companies House records; and
- issue a quarterly trustee certificate, which bondholders can request.

Verdant is not authorised by the Financial Conduct Authority. Its role is set out in the Security Trust Deed, which is publicly available at Companies House.

ADDITIONAL MARKET AND REGULATORY COMMENTARY

SEVEN STARS
Legal Funding



FCA REDRESS SCHEME CHALLENGES, TIMELINE AND LENDER PROVISION UPDATE

The FCA's motor finance redress scheme remains partially suspended while the Upper Tribunal hears the four legal challenges brought against it by the consumer group Consumer Voice, which argues that the scheme undercompensates claimants, and three lenders, Mercedes-Benz Financial Services, Volkswagen Financial Services, and CA Auto Finance [5].

At a case management hearing on 5 and 6 October 2026, the Tribunal considered applications to rely on expert evidence and for disclosure and has since listed the challenges to be heard from 16 February 2027 [6].

If the scheme is upheld and the judgment is not appealed, the FCA expects payments to begin in 2027. If it is overturned, the FCA has said it may tell lenders to resolve complaints individually, and that if it consulted on a revised scheme, compensation could be delayed until 2028 or beyond [7].

WHAT LENDERS ARE SETTING ASIDE

While the hearing and its outcome are awaited, lenders' latest accounts and results show them providing hundreds of millions of pounds for motor finance redress, which indicates that they expect to pay. Since the end of Q2:

- **Volkswagen Financial Services (UK)**, one of the lenders challenging the scheme, has disclosed a GBP 725 million provision in its 2025 accounts [8].
- **BMW Financial Services (GB)** roughly tripled its provision in its 2025 accounts, to approximately GBP 612 million [9].
- **Close Brothers** reported a provision of about GBP 320 million in its annual results on 29 September 2026, saying its approach "reflects the rules outlined in FCA Policy Statement PS26/3" [10].
- **MotoNovo Finance Limited** recognised a charge of GBP 153.2 million in its accounts for the year to 30 June 2026 [11].

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. In the FCA's words, "lenders representing most of the market and their trade bodies chose not to challenge" [12].

LENDERS STILL DEALING WITH COMPLAINTS

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**.

SEVEN STARS
Legal Funding

- **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 [13].

By the time payments under the scheme can begin, or complaints move to the courts, lenders will have told many complainants that they are not owed compensation under the scheme. That should make it simpler for law firms, and for those who finance them, to vet the claims that remain. The viability of the litigation track has itself been strengthened. On 30 June 2026, in *Black Horse Ltd v Stuart Angel & Ors* [2026] EWCA Civ 831, the Court of Appeal dismissed the lenders' appeal. More than 5,000 discretionary commission claims, each assumed to be worth around GBP 1,000, can proceed together on eight multi-claimant claim forms, one for each lender. The court said the case had "achieved almost nothing in its three-and-a-half year lifetime, save to run up extravagant costs", and criticised both sides [14].

A COUNTY COURT RULING ON TIME LIMITS

Under the redress scheme, lenders can exclude a claim they consider to be out of time. The FCA's starting point is that consumers generally have six years from the end of their agreement to bring a legal claim, a period likely to be extended where commission arrangements were deliberately not disclosed. Lenders that exclude consumers from the scheme for this reason must explain why, and the FCA has said it does not expect them "to routinely find that cases are out of time" [15].

In Berry v Black Horse, a County Court judge hearing an appeal decided on 1 September 2026 that no limitation period under the Limitation Act 1980 applies to unfair relationship claims under section 140A of the Consumer Credit Act 1974. The claim concerned a hire purchase agreement taken out in 2005 and was issued in 2023. Instead of a fixed time limit, the court controls stale claims through its discretion, and the case has been sent back for a rehearing on delay [16].

The decision does not bind other courts, and both parties have made clear that they intend to appeal it [17]. If it is upheld, claims that lenders rule out of the scheme as out of time would face no fixed time limit in the courts, though a court could still refuse relief because of delay. The reasoning applies to section 140A claims generally, not only to motor finance. Plevin claims for undisclosed commission on payment protection insurance rest on the same section.

In our view, if the decision is upheld, it could open up claims over undisclosed commission on older agreements that are currently treated as out of time, in motor finance and in other consumer credit markets. Penningtons Manches Cooper takes a similar view: in that event, it says, "the pool of potentially eligible claims could be considerably wider than previously anticipated" [18]. Much will depend on the appeal, and on how the courts use their discretion on delay.

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. Claims outside the scheme, and funded, vetted and meritorious claims in the courts, can therefore proceed now. For complaints within the scheme, lenders are not required to calculate or pay redress until the Tribunal process concludes [19].

In addition, the Court of Appeal's ruling in *Angel* confirmed that law firms can pursue mass claims via omnibus forms on behalf of their clients.

THE REGULATOR'S TWO-SCHEME ARCHITECTURE REMAINS IN PLACE

The FCA set up two schemes:

- Scheme 1 for agreements taken out from 6 April 2007 to 31 March 2014; and
- Scheme 2 for agreements from 1 April 2014 to 1 November 2024.

It split them so that a challenge to the earlier period would not delay redress on later agreements [20]. The current challenges cut across both, and while the Tribunal hears them, lenders are not required to calculate or pay redress under either [21].

ADDITIONAL HEADS OF CLAIM REMAIN UNAFFECTED

Potential GAP insurance, irresponsible lending, and other wider add-on motor finance transaction and ecosystem-related claims sit outside the FCA scheme entirely and therefore are unaffected by the current challenges.

IMPLICATIONS FOR OUR POSITION

OUR CAUTIOUS MARKET ENTRY

Our market entry strategy has been deliberately timed to align with regulatory and legal clarity.

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 means PCP claims can be pursued via the complaints and litigation pathways, even if the scheme is quashed entirely. Our cautious deployment to date means our current exposure in this space remains carefully controlled.

IMPACT ON DEPLOYMENT

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 began in Q2. Following the partial suspension of the FCA's redress scheme, we have paused our capital deployment into motor finance claims.

UPDATED TIMELINE

- **From 16 February 2027:** Upper Tribunal to hear the challenges.
- **After the hearing:** The FCA expects a judgment "in the following months" [22].
- **2027 or later:** Redress payments under the scheme begin, depending on the Upper Tribunal's decision and any appeal.

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 Supreme Court has settled the law on liability. The question of time limits may now go to the Court of Appeal. *Berry v Black Horse* does not bind other courts and has not changed the scheme's rules. 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 chose not to challenge the scheme. Our market entry strategy and funding criteria are unchanged. So far, the material change for funders in this space has been one of timing.

SRA CONSULTS ON THIRD-PARTY LITIGATION FUNDING IN CONSUMER CLAIMS

On 9 July 2026, the SRA opened a ten-week consultation on how solicitors use and arrange third-party litigation funding for consumer claims. It closed on 17 September 2026, and the SRA will publish its decisions and how it will proceed once it has considered the responses [23] [24].

It proposed five new requirements:

1. Professional conduct obligations when acting in funded matters.
2. A prominent funding information document for clients.
3. Notification to the SRA whenever a firm uses or arranges funding.
4. A documented funding risk assessment.
5. An orderly closure plan for firms that meet certain thresholds, one of which is giving security for the funding.

BACKGROUND

- The Supreme Court decided PACCAR in July 2023 [25].
- In April 2024, at the request of the then Lord Chancellor, the Civil Justice Council (CJC) launched a review of third-party litigation funding [26].
- The CJC published its Final Report on 2 June 2025 with 58 recommendations, including that the effect of PACCAR be reversed as soon as possible, retrospectively and prospectively, and that funding move from self-regulation to a light-touch statutory regime [27] [28].
- On 17 December 2025, the government said it would legislate, with prospective effect, to clarify that litigation funding agreements are not damages-based agreements and would introduce proportionate regulation of those agreements. It would look at the CJC's wider recommendations once those two changes were in place [29] [30].
- The King's Speech on 13 May 2026 then left it out altogether [31].
- In September 2026, a justice minister told the House of Lords that the government was "working urgently to identify a new legislative vehicle" but gave no timetable [32].

In the consultation, the SRA said that it "would welcome compulsory regulation of third-party litigation funding" and that without decisive action "some of the fundamental risks driving adverse incentives in this market will remain unaddressed" [33].

THE SRA'S EVIDENCE

The consultation set out the evidence behind its proposals.

- Of 561 people who had appointed solicitors for a consumer claim, only 17% reported being told whether there was a cooling-off period, and only 27% what pursuing the claim would cost [34].
- Eighteen firms reported debt to a litigation funder exceeding their last reported annual turnover [35].

Separately, the consultation reports that, of 18 firms using funding in its thematic review:

- only six had checked their funder's capital adequacy;
- five had run money laundering checks;
- four had run sanctions checks; and
- two had researched the funder's funding history [36].

The SRA had already closed seven firms in the sector, and at the end of June 2026 it had 94 open investigations relating to 68 firms that manage high-volume consumer claims [37].

We will report on the SRA's decisions when they are published.





COURT OF APPEAL OVERTURNS COSTS ORDER AGAINST PPI CLAIMANT IN *ORTON V BARCLAYS*

Earlier in this section, we looked at the Court of Appeal's decision in *Black Horse Ltd v Stuart Angel & Ors*. In it, Lord Justice Coulson recognised what can happen to consumer claims when one side can outspend the other.

Another senior judge has since recognised a related problem.

In *Orton v Barclays Bank UK PLC* [2026] EWCA Civ 1025, handed down on 31 July 2026, the Court of Appeal overturned a costs order made against a consumer who had claimed about GBP 2,750, plus interest, over undisclosed commission on a payment protection insurance (PPI) policy [38]. Barclays had already paid him some redress, and he was claiming the balance.

The court recorded that it was framed as "essentially a standard Plevin claim" [39], a type of claim our borrowing law firms run. In this case, the claim was allocated to the small claims track, where costs are, by design, neutral.

Barclays' solicitors responded with correspondence demanding immediate discontinuance on short deadlines, threatening summary judgment, strike-out and costs. Mr Orton made a series of offers to settle, reducing from GBP 3,250 to GBP 1,690. All were rejected. Twelve days before trial he discontinued, on the basis that he would need counsel and the fees made the claim uneconomic.

A district judge found that he had behaved unreasonably and ordered him to pay GBP 2,132.88 of Barclays' costs. A circuit judge upheld the order.

Lady Justice Cockerill, the Deputy Head of Civil Justice, gave the lead judgment. She described one later letter as having "remained in bombastic terms". On the correspondence as a whole, she held: "The letters were not offers. They were 'invitations to discontinue': essentially rejections and ultimata." [40]

If the costs order stood, she said, it would open "the doors to well-resourced parties corresponding their way out of the costs neutral regime". That approach "would blow the scheme of the Small Claims Track to bits" [41].

The judgment cuts both ways.

She was just as clear that a claimant who pressured a defendant "by repeated offers to settle backed by deadlines and intimations of costs applications" would be acting "equally unacceptably" [42].

This is not a ruling for one side, but a ruling about a regime that only works if neither side can use cost exposure to force the other out of it.

Which is what connects it to *Angel*.

There, Lord Justice Coulson said separate claims would suit the lenders, because "the stronger claims can be settled and the less strong claims can be run into the ground" [43]. Here, Lady Justice Cockerill stressed "the undesirability of deterring parties from using the Small Claims Track" [44].

Different mechanisms, same outcome: a claim that never gets decided on its merits.

Why Mr Orton discontinued is the part that matters.

Not because his claim was hopeless. Before the Court of Appeal, the parties expressly agreed that it should be treated as arguable. He stopped because he would have needed counsel, and the numbers stopped working.

That is the practical reality of inequality of arms.

It rarely looks like a consumer losing.

It usually looks like a consumer deciding not to continue.

SEVEN STARS
Legal Funding

BORROWER PROFILE

SEVEN STARS
Legal Funding



In each issue, we profile one of the law firms we lend to. This quarter, we're meeting Justizia.

Justizia

ABOUT JUSTIZIA & OUR ACTIVITIES WITH THE FIRM

Location: Lancaster, Lancashire

Established 2018 (as Phillipson Hardwick)

Website www.justizialaw.co.uk



About: Justizia Law believes in making the legal world easier for everyone to navigate, aiming to simplify things for its clients so they are not caught out by confusing jargon. The firm prides itself on keeping things straightforward and updating those it represents at every stage of the process, keeping their clients in control of their legal matters.

Claim Types Funded:
Plevin and Irresponsible Lending

Claims Funded: 38,319

Average Value of Claims Funded:
c. GBP 3,345 (Plevin) and
c. GBP 3,000 (Irresponsible Lending)

Seven Stars Position Value: GBP 17,977,824

Our position across the book is valued at GBP 17,977,824, secured against claims with a combined total value of approximately GBP 28.5 million.

SEVEN STARS
Legal Funding

CONTACT US

SEVEN STARS
Legal Funding



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

www.7stars.legal
hello@7stars.legal

REFERENCES

SEVEN STARS
Legal Funding

[1] TheCityUK | UK legal services 2025: Legal excellence, internationally renowned
https://www.thecityuk.com/our-work/uk-legal-services-2025/ | Accessed 3 September 2026

[2] The Law Society | Global position of English law in 2025 – International Data Insights Report
https://www.lawsociety.org.uk/topics/research/international-data-insights-report-2025 | Accessed 3 September 2026

[3] The Association of Corporate Trustees | About TACT | https://www.tactweb.org/about-tact/ | Accessed 16 October 2026

[4] The Association of Corporate Trustees | Code of Practice (revisions adopted July 2015)
https://www.tactweb.org/media/2019/01/TACT-The-Association-of-Corporate-Trustees-Code-of-Practice-Revised-2015.pdf | Accessed 16 October 2026

[5] Financial Conduct Authority | Motor finance scheme partially suspended
https://www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended | Accessed 10 October 2026

[6] Upper Tribunal (Tax and Chancery Chamber) | Directions following the hearing on 5 and 6 October 2026, paragraph 10 (published by the FCA)
https://www.fca.org.uk/publication/documents/motor-finance-directions-oct-2026.pdf | Accessed 13 October 2026

[7] Financial Conduct Authority | Motor finance scheme partially suspended
https://www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended | Accessed 10 October 2026

[8] Times Media Limited | Volkswagen faces £725m bill from car finance scandal
https://www.thetimes.com/business/companies-markets/article/volkswagen-725m-bill-car-finance-scandal-fm95nmzzc | Accessed 10 October 2026

[9] Times Media Limited | BMW's car finance compensation bill rises to more than £600m
https://www.thetimes.com/business/companies-markets/article/bmw-car-finance-compensation-bill-95wqww2l5 | Accessed 10 October 2026

[10] Close Brothers Group plc | Preliminary Results for the year ended 31 July 2026
https://www.investegate.co.uk/announcement/rns/close-brothers-group—cbg/preliminary-results/9795269 | Accessed 10 October 2026

[11] City AM Limited | Motonovo hikes motor finance provision as buyers circle Aldermore
https://www.cityam.com/motonovo-hikes-motor-finance-provision-as-buyers-circle-aldermore/ | Accessed 10 October 2026

[12] Financial Conduct Authority | Letter from Nikhil Rathi to Dame Meg Hillier, Chair of the Treasury Committee, 8 June 2026
https://committees.parliament.uk/publications/53492/documents/298885/default/ | Accessed 10 October 2026

[13] Financial Conduct Authority | Motor finance scheme partially suspended
https://www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended | Accessed 12 October 2026

[14] The National Archives | Black Horse Ltd v Stuart Angel & Ors [2026] EWCA Civ 831
https://caselaw.nationalarchives.gov.uk/ewca/civ/2026/831 | Accessed 5 October 2026

[15] Financial Conduct Authority | PS26/3: Motor Finance Consumer Redress Scheme, paragraph 1.23
https://www.fca.org.uk/publication/policy/ps26-3.pdf | Accessed 14 October 2026

[16] The National Archives | Christopher Berry v Black Horse Limited [2026] EWCC 54 | https://caselaw.nationalarchives.gov.uk/ewcc/2026/54 | Accessed 14 October 2026

[17] Ibid

[18] Penningtons Manches Cooper | When it's not fair, it's not time-barred: Berry v Black Horse
https://www.penningtonslaw.com/insights/when-its-not-fair-its-not-time-barred-berry-v-black-horse/ | Accessed 14 October 2026

[19] Financial Conduct Authority | Motor finance scheme partially suspended
https://www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended | Accessed 12 October 2026

[20] Financial Conduct Authority | PS26/3: Motor Finance Consumer Redress Scheme
https://www.fca.org.uk/publication/policy/ps26-3.pdf | Accessed 10 October 2026

[21] Financial Conduct Authority | Motor finance scheme partially suspended
https://www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended | Accessed 12 October 2026

[22] Ibid

[23] Solicitors Regulation Authority | SRA consults on new proposals to strengthen requirements for solicitors using or arranging third-party litigation funding in consumer claims | https://www.sra.org.uk/news/news/releases/consults-new-proposals-consumer-claims/ | Accessed 6 October 2026

[24] Solicitors Regulation Authority | Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims
https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/ | Accessed 2 October 2026

[25] UK Supreme Court | R (on the application of PACCAR Inc and others) (Appellants) v Competition Appeal Tribunal and others (Respondents)
https://www.supremecourt.uk/cases/uksc-2021-0078 | Accessed 6 October 2026

SEVEN STARS
Legal Funding

[26] Courts and Tribunals Judiciary | Litigation Funding
https://www.judiciary.uk/related-offices-and-bodies/advisory-bodies/cjc/current-work/third-party-funding/ | Accessed 5 October 2026

[27] Ibid

[28] Civil Justice Council | Review of Litigation Funding - Final Report
https://www.judiciary.uk/wp-content/uploads/2025/06/CJC-Review-of-Litigation-Funding-Final-Report-2.pdf | Accessed 5 October 2026

[29] GOV.UK | Increased access to justice for claimants to take on powerful organisations in court
https://www.gov.uk/government/news/increased-access-to-justice-for-claimants-to-take-on-powerful-organisations-in-court | Accessed 6 October 2026

[30] UK Parliament | Third-Party Litigation Funding – Statement made on 17 December 2025
https://questions-statements.parliament.uk/written-statements/detail/2025-12-17/hcws1192 | Accessed 2 September 2026

[31] GOV.UK | The King's Speech 2026 | https://www.gov.uk/government/speeches/the-kings-speech-2026 | Accessed 5 October 2026

[32] Legal Futures | Still no timescale on litigation funding reform, minister admits
https://www.legalfutures.co.uk/latest-news/still-no-timescale-on-litigation-funding-reform-minister-admits | Accessed 5 October 2026

[33] Solicitors Regulation Authority | Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims
https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/ | Accessed 2 October 2026

[34] Ibid

[35] Ibid

[36] Ibid

[37] Solicitors Regulation Authority | SRA consults on new proposals to strengthen requirements for solicitors using or arranging third-party litigation funding in consumer claims | https://www.sra.org.uk/news/news/releases/consults-new-proposals-consumer-claims/ | Accessed 5 October 2026

[38] The National Archives | Steven Orton v Barclays Bank UK PLC [2026] EWCA Civ 1025
https://caselaw.nationalarchives.gov.uk/ewca/civ/2026/1025 | Accessed 5 October 2026

[39] Ibid

[40] Ibid

[41] Ibid

[42] Ibid

[43] The National Archives | Black Horse Ltd v Stuart Angel & Ors [2026] EWCA Civ 831
https://caselaw.nationalarchives.gov.uk/ewca/civ/2026/831 | Accessed 5 October 2026

[44] The National Archives | Steven Orton v Barclays Bank UK PLC [2026] EWCA Civ 1025
https://caselaw.nationalarchives.gov.uk/ewca/civ/2026/1025 | Accessed 5 October 2026