



Statement 18 September 2023

Summary

The following update statement is necessarily lengthy so as to include in full the important information provided in the most recent updates by the Financial Services Compensation Scheme (FSCS) and the Joint Special Administrators (JSAs).

The information included in the full statement is summarised below:

FSCS compensation update:

- The FSCS has announced that it will cover up to £85,000 of any shortfall experienced by each client including the cost of transfer to a new custodian.
- Any compensation will be paid according to a Distribution Plan produced by the Joint Special Administrators, and approved by the Clients' and Creditors' Committee and the Court.
- The FSCS will continue to work closely with the JSAs as they provide updates on their work, and will provide further updates themselves as information becomes available.

BDO LLP update:

- BDO LLP, the Joint Special Administrators, published a statement reiterating the FSCS confirmation of compensation.
- The JSAs confirmed that they are currently working with their legal team to produce a Distribution Plan, and they anticipate submitting an application to the Court for approval of the Plan before the end of the calendar year.
- Around the same time as this application, the JSAs will send individual client statements detailing the effect on their accounts and how the FSCS will support them.
- Following this, a Court hearing is expected to be held on the approval of the Distribution Plan in the first quarter of 2024.

Stellar Asset Management:

What each of these statements means for you and your assets can be seen below the BDO statement.

Full statements

1. Financial Services Compensation Scheme (FSCS)

On 14 September 2023, The Financial Services Compensation Scheme published the following statement in relation to WealthTek LLP (WealthTek):

We have been continuing to work closely with the Joint Special Administrators about whether there are any claims that are eligible for FSCS compensation.

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We now anticipate that, for customers who are eligible under FSCS rules, we are likely to meet any losses suffered in relation to the following:

- *the costs of returning client money to the customer and;*
- *the costs of transferring any assets to a new broker - provided the particular assets are covered by FSCS's rules.*
- *client money shortfalls, that have occurred as a result of WealthTek not holding all the client money that it had undertaken to hold for that customer; and*
- *client asset shortfalls that have occurred as a result of WealthTek not holding the client assets it had undertaken to hold for that customer.*

Further information regarding eligibility for FSCS compensation can be found here:<https://www.fscs.org.uk/making-a-claim/claims-process/eligibility-rules/>

Any compensation payable by FSCS is subject to the statutory cap of £85,000 per eligible customer, per firm.

Prior to any compensation payment, the Joint Special Administrators' Distribution Plan needs to be approved by the Clients' and Creditors' Committee and the Court. This plan sets out how a customer's property will be returned to them.

We don't yet have a timescale for how long it is likely to take to return money and assets to customers. The Joint Special Administrators will be providing more updates as their work progresses. We will continue to work closely with them and will provide further updates ourselves, including on timescales, when that information is available.

At the moment, WealthTek customers do not need to take any action regarding FSCS compensation. We remain closed to customer claims.

We are pleased that the FSCS has stood behind the shortfall in full arising from the, as yet, unpublished and unknown activities which led to the administration of WealthTek.

This statement means that the FSCS will cover up to £85,000 of any shortfall experienced by each client including the cost of transfer to a new custodian.

This is a substantial commitment and we hope will provide a degree of comfort to all clients while we await further updates from the Joint Special Administrators.

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2. BDO LLP update statement

On 15 September 2023 BDO LLP published a statement in relation to their work as the Joint Special Administrators appointed in relation to WealthTek:

The Financial Services Compensation Scheme ('FSCS') published an update on its website on 14 September 2023, which can be viewed using the following link: [Wealth Tek LLP - latest customer info | FSCS](#).

The FSCS has confirmed that it anticipates that, for eligible customers, it is likely to meet any losses suffered in relation to the following:

- the costs of returning client money;*
- the costs of transferring any assets to a new broker (provided that the assets are covered by the FSCS's rules);*
- shortfalls suffered on any client money claim; and*
- shortfalls suffered on any client/custody asset claim.*

Further information regarding eligibility for FSCS compensation can be found via the following link: <https://www.fscs.org.uk/making-a-claim/claims-process/eligibility-rules/>.

*Any compensation payable by the FSCS will be subject to the statutory limit of £85,000 per eligible customer. **The FSCS has also confirmed that customers of WealthTek do not need to take any further action at this stage.***

As previously advised, the Joint Special Administrators ('JSAs') are required to return client assets under the terms of a Distribution Plan, which must be approved by both the Clients' and Creditors' Committee ('the Committee') and the Court. The JSAs and their legal team are currently in the process of preparing the Distribution Plan, however (and without waiving any legal privilege), the JSAs have been required to obtain advice from leading counsel on a number of issues arising from their investigations (including, in particular, issues arising from the shortfall in client assets) in order to determine how they should be dealt with in the Distribution Plan. The JSAs will continue to work closely with the FSCS and the Committee in relation to the preparation of the Distribution Plan.

The JSAs are not yet in a position to confirm when the application seeking approval of the Distribution Plan will be filed at Court although, based on current information, they anticipate that they will be in a position to make the application before the end of the calendar year, with an anticipated date for a Court hearing during the first quarter of 2024. Clients will be provided with further updates on timing as our work progresses. As part of this process, clients can expect to receive an individual client statement setting out the anticipated shortfall on their accounts around the same time as the application is made to Court.

Clients may continue to contact the JSAs' team either via email at wealthtekclients@bdo.co.uk or by calling our helpline on +44(0)151 351 4700 or +44(0)113 521 4470.

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The key points from these statements to highlight are:

1. Reconciliation complete

The vast majority of reconciliation work is complete and legal opinion is being sought on ensuring fair treatment for a small proportion of the monies identified which have unique circumstances. Once this legal opinion clarifies the findings of the Joint Special Administrators, it will enable the next action.

2. Individual client statements

BDO intends to send to all clients a statement based on the assets that it has found and how it relates to the client statements sent out shortly after its appointment. This will identify any loss arising for each client and confirm the proportion to which client assets are still held.

3. Distribution Plan

BDO will then be able to apply to the court to distribute the assets it has found to clients as per those client statements including the contribution from the FSCS.

As a member of the Clients' and Creditors' Committee (CCC), one of our key responsibilities is to see that BDO's primary objective, being the return of capital, is made as efficiently and effectively as possible. We are pleased that BDO has provided an update on when they expect an approval application for the Distribution Plan to be made. We remain in contact with the JSAs to receive timely updates on this process, and we are pleased that they will provide an update directly around the time of the application to the Court, now less than three months away. This will provide clients with a clear understanding of the personal effect of the situation and how the FSCS announcement will support them.

We will continue to engage with the Joint Special Administrators to help them meet this timeframe so that capital can be returned as soon as possible in the new year. However there is no action that you need to take at present.

We will continue to provide updates to our clients based on the information we receive from BDO and from the FCA as this process continues, both directly to clients and on our website at the following link: <https://www.stellar-am.com/wealthtek/>.

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