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Case No: CR-2022-004405

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY AND COMPANIES LIST

IN THE MATTER OF EC3 BROKERS LIMITED (IN ADMINISTRATION)

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 14/04/2026

Before:

CHIEF INSOLVENCY AND COMPANIES COURT JUDGE BRIGGS

Between:

**ANTHONY JOHN WRIGHT AND DAVID PAUL
HUDSON**
**(in their capacity as Joint Administrators of EC3
Brokers Limited)**

Applicants

THOMAS MUNBY KC (instructed by PINSENT MASONS LLP) for the APPLICANT

Hearing dates: 20 March 2026

Approved Judgment

This judgment was handed down remotely at 10.00am on 14 April 2026 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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CHIEF INSOLVENCY AND COMPANIES COURT JUDGE BRIGGS

Chief ICC Judge Briggs:

1. By an application notice dated 22 July 2025 (the “Application”) the joint administrators of EC3 Brokers Ltd (in administration) (the “Company”) seek directions pursuant to paragraph 63 of Schedule B1 to the Insolvency Act 1986.
2. Due to the nature of the Company’s business activities, as at the date of its entry into administration, the Company held client monies received in respect of its insurance distribution activities to which Chapter 5 of the Financial Conduct Authority’s Client Asset Sourcebook (“CASS”) applies.
3. The joint administrators seek directions in respect of a proposed scheme of distribution (the “Scheme”).

Background to the administration

4. I shall take the background from the evidence given in support of the Application by one of the joint administrators, Mr Wright.
5. The Company was incorporated on 16 October 2013 and operated as a regulated insurance broker registered with Lloyds of London and regulated by the Financial Conduct Authority (“FCA”). It brokered insurance and reinsurance policies between its clients and insurers or reinsurers (or their agents) underwriting the policies. The clients, in this context, were end-insureds or reinsureds or producing brokers operating in a chain (“Clients”).
6. The Clients consisted of corporate entities rather than individuals, with its key areas of operation focussed on the construction industry, live events and property.
7. Mr Wright explains that pursuant to the terms of insurance policies the Company would deal with Client money as follows:

“Clients would pay premiums to the Company (as broker), and the Company would then transfer such premiums, which varied in respect of insurance policies) to the relevant Insurer that was underwriting the insurance policy;

where Clients made a claim on their insurance policy, which was settled by an Insurer, frequently the claim monies were paid by the Insurer to the Company for onward payment to the Client; and

similarly, in the event a premium that had been onward paid by the Company to an Insurer needed to be refunded, the Insurer would return the premium to the Company for onward payment back to the Client.”

8. Where an insurer was registered with Lloyds or the London International Insurance and Reinsurance Market Association (LIMRA”), premium payments to or claim payments from the insurers were made using online portals operated by a third party known as Xchanging (DXC). Xchanging was responsible for matching the relevant insurance

policy holder to the premiums or claims and settling the sum. If the insurer was not registered to one of the above the Company effected the payments directly. Mr Wright explains that the client base of the Company was wide and varied [31]:

“Whilst the Company has clients in the United Kingdom, the Company’s Client base was predominantly found overseas with a focus on the American (North and South), Australian and New Zealand insurance and re-insurance markets. In particular, a large proportion of the Company’s Clients were intermediary brokers and/or insurers (seeking reinsurance) as opposed to the underlying insured. The Administrators understand that in some cases, the intermediary brokers did not have access to the Lloyds market, and this was a reason they engaged with the Company in order to place their business.”

9. The Company was also engaged in the business of binding authority agreements and co-brokerage activities. Mr Wright explains [22]:

“[The Company also] acted as a broker or coverholder in relation to Binding Authority Agreements. I understand that a Binding Authority Agreement is where a coverholder is authorised by the Insurer to enter into insurance contracts and accept risks on their behalf without the further need of approval from the Insurer. Typically, the Company would enter into Terms of Business Agreement between the Company and an insurer...Alongside acting as coverholder ...the Company would seek to find Insurers for a coverholder’s Binding Authority Agreement; and [it] undertook co-brokerage activities, where broker services for a Client are split between two brokers (one of which was the Company) at the same layer of the relevant insurance transaction. In such instances, the Company may receive monies from the co-broker (on behalf of the Client) but the co-broker was not the Company’s Client. This is to be distinguished from traditional broker chains where the Company would provide services to a producing broker which is the Company’s Client.”

10. The COVID-19 pandemic led to a reduction in sales in 2020. Losses continued in 2021 and were exacerbated by the departure of key staff to join a competitor.
11. Attempts to restructure in 2022 with professional assistance and with the involvement of Santander UK plc as the Company’s secured creditor were interrupted by the presentation of a winding up petition by HMRC.
12. The Company entered administration on 25 November 2022, when Santander appointed administrators in its capacity as a qualifying floating charge holder under its all-monies debenture dated 14 December 2017.
13. The administration has been extended twice: once by the consent of the Company’s creditors and once by the Court. It is due to expire on 24 November 2026.

14. The administration is being undertaken under objective (c) of para 3(1) of Schedule B1 of the Insolvency Act 1986 (to realise property in order to make a distribution to secured or preferential creditors) and it is not anticipated that there will be sufficient funds to enable a distribution to unsecured creditors.
15. At the date of administration, the Company held approximately £13,000,000 of Client money. The figure is approximate since it is held in a range of currencies. In broad terms, that money represents premiums which were passing through the Company as broker on their way from insured-side Client to insurer at the time of administration; and insurance claim monies and premium refunds which were passing in the other direction.
16. Interest accrues on the Client money. At the date of the hearing, I am told that the accumulated interest is approximately £300,000.
17. At administration, it had 24 employees consisting of insurance brokers, claims handlers, client account technicians and support members. Soon after administration all but five employees were made redundant. In the years following the other employees were made redundant except Mr Anderson-Lowe. He held the office of Head of Technical Accounts at the Company. He is currently a consultant and has helped the joint administrators to, among other things, produce a reconciliation of Client monies held by the Company.
18. A difficulty found by the joint administrators is that in certain instances, payments of premiums were made by separate entities on behalf of Clients. Another issue met arises from the deficiencies found in the Client money records: different databases and spreadsheets were used over the years to record relevant transactions.

The scope of paragraph 63 of Schedule B1 to the Insolvency Act 1986

19. Paragraph 63 of Schedule B1 to the Insolvency Act 1986 provides:

“The administrator of a company may apply to the court for directions in connection with his functions.”
20. In *Re Worldspreads Ltd* [2015] EWHC 1719 (Ch), the administrators of a company in special administration applied under paragraph 63 for directions to enable them to distribute client money that was held on a statutory trust to which CASS 7 and CASS 7A applied. Birss J raised the issue of how wide the provision is but did not answer the question in his judgment. He said at [21]:

“Whether the paragraph 63 jurisdiction would be sufficiently wide on its own to justify the final order sought is at least open to question”.
21. In *Allenfield Property Insurance Services Ltd* [2016] Lloyds Re IR 217 HHJ Keyser KC found that [49]:

“the court has power under paragraph 63 of Schedule B1 to give directions to the administrators in respect of moneys held by a

company in administration on statutory trusts, although those moneys do not form parts of the assets of the company.”

22. He later observed [51]:

“...although paragraph 63 defines the matters in respect of which the court may be asked to give directions, it does not specify the scope of the directions that may properly be given. That is a distinct question, which arises where, as here, the administrators seek approval for a scheme of distribution which, in circumstances of imperfect knowledge, might involve a course of conduct that would otherwise amount to a breach of trust. The question is conveniently considered in the light of the alternative basis on which the application is brought, namely the invocation of the court’s inherent equitable jurisdiction”

23. The starting point, in my judgment, is that administrators are officers of the court and as such would have scope to make an application for directions in the absence of paragraph 63. The court could therefore provide directions pursuant to its inherent jurisdiction as it could to a liquidator in a compulsory winding up or a trustee in bankruptcy. It has been said that the inherent jurisdiction is a residual power to the statutory gateway of paragraph 63: *Lightman & Moss on the Law of Administrators and Receivers of Companies* (sixth edition, 12-006). The language of paragraph 63, in my view, sets the tolerable parameters for directions. The scope of directions given must be consistent with the statutory functions and duties of an administrator and promote the purpose of the administration as defined by paragraph 3 of Schedule B1. In doing so, the court “should provide effective assistance, by arriving at a practical and fair outcome, while ensuring that delay and costs are kept to a minimum”: *In re Lehman Bros International (Europe) (No 2)* [2010] Bus LR 489 [86].

24. However, there are limits. As a non-exhaustive list, first an application under paragraph 63 should not be used as a short-cut when an administrator has the power to use the statutory provisions provided by Schedule B1 and the Insolvency legislation to obtain a remedy.

25. Secondly, the courts tend to defer to the administrator when asked to review decisions, acts and transactions the administrator undertakes within the scope of his extensive statutory powers. This is because commercial decisions are the province of an administrator who is an expert and highly regulated: *Re: T&N Ltd* [2005] 2 B.L.C. 488 [76].

26. In *re Nortel Networks (UK) Ltd* [2016] EWHC 2769 (Ch), where the issue was whether the court should give directions in respect of a compromise, Snowden J. reinforced the commercial decision limitation. Administrators cannot ask the court to bless ordinary business judgments simply to avoid criticism, the court will not function as a commercial decision-maker, and it cannot be used to validate past decisions [49]-[50]:

“... the court should be concerned to ensure that the proposed exercise is within the administrator's power, that the administrator genuinely holds the view that what he proposes will be for the benefit of the company and its creditors, and that

he is acting rationally and without being affected by a conflict of interest in reaching that view. The court should, however, not withhold its approval merely because it would not itself have exercised the power in the way proposed.”

27. Thirdly the court should be satisfied that any directions proposed by the officeholder do not place the officeholder in a conflict of interest.
28. Lastly, the directions provided must be consistent with the laws of England and Wales: *In re MF Global UK Ltd (in special administration) (No. 3)* [2013] EWHC 1655 [21]-[23].

The Client Asset Sourcebook (“CASS”)

29. Authority to make CASS rules derives from the Financial Services and Markets Act 2000, and the rules form part of the FCA Handbook, which has statutory force. CASS exists to protect client money and assets if a firm becomes insolvent. A primary objective is to bolster protection of client assets and maintain market confidence.
30. CASS 5 defines client money and governs how insurance intermediaries must manage client money. Client money is money of any currency which, while carrying on insurance distribution activity, a firm holds on behalf of a client.
31. Client money that is held under a statutory or contractual trust is characterised as trust property, meaning the intermediary acts as trustee, not as debtor. A CASS 5.3 statutory trust arises automatically when the rules apply; no separate trust deed is needed. It operates so that the beneficial ownership remains with the clients. The rules detail how an intermediary is to treat client money when in its possession.
32. By contrast, Insurer money comprises funds held by the intermediary as agent of the insurer rather than the client. These are not subject to a CASS5 trust, unless the insurer agrees that the intermediary may treat it as client money with the trust interests of the insurer being subordinated to the interests of the intermediary’s other clients under CASS5.1.5A.
33. When an intermediary fails, CASS 5.6 requires the creation of a single Client Money Pool (CMP) containing all identifiable client money bank accounts; money improperly mixed with the intermediary’s own funds and money that should have been segregated but was not. In this case a CMP occurred when the Company entered administration on 25 November 2022. This is a similar concept to the pooling mechanism in CASS 7 but tailored to insurance distributions: *Pritchard Stockbrokers Ltd (in Special Administration)* [2019] EWHC 137.
34. The effect of CMP is that all the client money is aggregated to a single trust fund (CASS5.3.2R) and the clients share pro rata according to their client money entitlements (with non-insurer clients as a class coming ahead of insurers), regardless of the specific source of funds. In *Pritchard* (supra) [5] it was explained:

“the client money held by PSL was treated as pooled and that the individual entitlement of any given client to specific funds was replaced by a claim on the pooled fund: whereupon the firm

became subject to an obligation to distribute that pooled client money fund in accordance with CASS 7.7.2 R “so that each client receives a sum which is rateable to that client’s money entitlement calculated in accordance with CASS 7A.2.5R””

35. The task for the joint administrators has been to determine the “client money entitlement” calculated from numerous factors such as the premiums paid but not yet transmitted, money received for claims made but not yet remitted and return premiums due.
36. The client money is returned to the client as beneficial owner where it can be identified. However, where the beneficiary cannot be identified after proper diligence the relevant funds cannot be distributed. They remain subject to a trust. In those cases where office-holders face practical difficulties in establishing the existence of beneficiaries or their identity the court may give a direction to enable distribution according to the practical probabilities, thereby following the jurisprudence established in *Re Benjamin* [1902] 1 Ch 723 and applying the court’s inherent jurisdiction: *MF Global UK Ltd (in special administration) (No 3)* [2013] 1 WLR 3874 [21-26]. Any distribution following a direction from the court does not destroy the interest of a beneficiary under a trust: *Allanfield Property Insurance Services Ltd* [2016] Lloyds Reports IR 217 [53] applying *MF Global UK Ltd*.
37. One particular issue that arises in this case, which arose in *Allanfield*, is a failure or inability of the joint administrators to determine in the case of all clients, by inspecting the books and records of the Company, if there was full compliance with CASS 5.1 to 5.6 to protect client money.
38. CASS 5 gives effect to a European Directive: European Parliament and Council Directive 2002/92/EC on Insurance Mediation (“the IMD”). It applies to the Company as it falls within the definition of “a firm that receives or holds money in the course of or in connection with its insurance distribution activity”. Article 4(4) of the IMD establishes a protective legal mechanism for policyholders by defining when payments made through an insurance intermediary are treated as received by the insurer or the customer.
39. The CASS guidance on protection is as follows:

“There are two particular approaches which firms can adopt which reflect options given in article 10.6. The first is to provide by law or contract for a transfer of risk from the insurance intermediary to the insurance undertaking (CASS 5.2). The second is that client money is strictly segregated by being transferred to client accounts that cannot be used to reimburse other creditors in the event of the firm’s insolvency (CASS 5.3 and CASS 5.4 provide different means of achieving such segregation). CASS 5.1.5A R permits a firm subject to certain conditions to treat money which it collects as agent of an insurance undertaking as client money; the principle of strict segregation is, however, satisfied because such undertakings

must agree to their interests being subordinated to the interests of the firm's other clients.”

40. CASS5.2 and CASS 5.1.5AR (holding client money as agent of an undertaking) creates a legal fiction so a premium paid by a client is treated as being received by the undertaking, and claims on the money and premium refunds will only be treated as received by the client when they are paid to the client: CASS 5.2.1 G.
41. The guidance provided by CASS 5.2.1G underpins the policy that firms must adopt arrangements that achieve protection equivalent to a statutory trust. The aim is to prioritise non-insurer clients of the intermediary, requiring them to be protected either by the firm acting as agent for the relevant insurer under a so-called “risk transfer” arrangement, alternatively the possibility of money being held on trust for the benefit of the non-insurer client.
42. Accordingly the core policy objective for insurance intermediaries namely, to ensure that client money is protected, is embedded in CASS 5 through the risk transfer and trust regimes. This has relevance to the scheme of distribution proposed by the joint administrators.
43. In *Allanfield* HHJ Keyer KC distinguished between one broker that had transferred risk and one that had not. His clear explanation paints a relatable picture [33-34]:

“[APIS] as an insurance broker, ... dealt directly with customers or their agents and arranged cover directly with the insurers or through intermediate sub-brokers. Importantly, risk transfer was in place in respect of at least the great majority, and possibly all, of premiums received by APIS. This meant that APIS received the gross premium as agent for the insurer, with the result that cover under the relevant insurance policies was inception when the customers paid the premium to APIS and that, until APIS remitted the balance due to the insurers, it held that balance for the benefit of the insurers and not the customers. Accordingly, by virtue of CASS 5.1.5 R (1)(b) the premiums were not received and held by APIS as client money for the benefit of the customer; however, subject to compliance with CASS 5.1.5A R, APIS would hold the money received as client money for the benefit of the insurer.

34. By contrast, ICP acted as an intermediary between a broker, which in the great majority of cases was Lockton Companies LLP (“Lockton”), and either the customers or, more usually, the customers’ property agents. None of ICP’s business was on risk-transfer terms. There was one insurance company with which ICP did business directly rather than through Lockton, but that insurance company is not a creditor of ICP or a claimant in respect of the ICP statutory trust pool. This means that for present purposes Lockton’s records reflect what ICP’s records would have shown. As for the customer side of its business, ICP

dealt mainly with one or other of two property agents: F&C Reit Property Asset Management plc (“F&C Reit”) and DTZ.”

44. One of the tasks for the joint administrators is to distinguish those customers where there has been a transfer of risk and those where no transfer existed to satisfy themselves of the legal rights attaching to individual client money and premiums. I shall refer to other parts of CASS 5 when required but the above summary is sufficient groundwork to introduce the difficulties encountered by the joint administrators and the proposed Scheme.

Issues raised by the joint administrators

45. The court is concerned to understand the nature and scale of the problem facing the joint administrators in relation to a distribution by the Company. Part of the exercise is to provide precise steps which the joint administrators have caused the Company to take to identify clients, to quantify claims and produce a result. A scheme of distribution can be fashioned only after the distribution issues have been clearly identified. I am grateful to Mr Wright who has provided detailed evidence in his second and third witness statements.
46. The key issues can be summarised as follows:
- i) Like *Allanfield*, the joint administrators have experienced considerable difficulties in establishing the entitlements to moneys held in the client accounts. There is a combination of reasons for this including human error in recording transactions. A change in the record keeping method from 2021 has not assisted (see more below). This has resulted in a difficulty to establish client entitlement to share in the CMP. That is, those who are entitled and the size of their entitlements.
 - ii) The imperfect Company records do not make clear what client money balance is attributable to (a) the non-insurer client (where there has been no “risk transfer” and the statutory trust is triggered) or (b) the insurer where there has been a “risk transfer” and the Company holds money for the insurer with its rights deferred to the non-insurer client;
 - iii) The likelihood that some Clients will not make a claim. The issue being what should happen to the money if this event occurs.
 - iv) How the small sums that are due should be handled, particularly where the distribution cost will be greater than the sum distributed; and
 - v) Where a Client money balance cannot be matched due to record failures or tracing issues.
47. Mr Wright’s states that there are three databases. The first is an Excel Spreadsheet which consists of transactions relating to insurance policies entered using the broking services of the Company in the period October 2013 to sometime in 2021. The Excel Spreadsheet held information about Client money. In 2016, the Company introduced an insurance broking software system, Global XB Insurance System. This has policy

details and transactions; however, it was not working as it should meaning that the records are (to some extent) unreliable unless corroborated by other records.

48. The joint administrators have uncovered significant discrepancies between the client money calculation for the first Excel Spreadsheet when comparing it with the Global XB System [Wright, 48, 49].
49. The Company ran a second Excel spreadsheet which consists of transactions relating to insurance policies entered by Clients using the broking services of the Company after the introduction of a new database within the Global XB system. And a third Excel spreadsheet operated from around August 2020 which kept records relating to a property wholesale division.
50. Each currency recorded on the spreadsheets has a dedicated client account held at Barclays Bank Plc and direct client and insurer payments were paid into these accounts.
51. To complicate matters further, Mr Wright states [38] that the Excel Spreadsheets were used for reconciliation purposes even after the introduction of the Global XB Insurance System. The Global System was only considered capable of conducting a reconciliation on the accruals method but could not be used to conduct a reconciliation of all Client money because it could not be relied upon for reasons that are not relevant to specify.
52. In general there are some foreign currency reconciliation issues, a payment for company director's and officer's insurance which had been transferred from the Company's office account to the Company's client account for onward payment to Lloyds, an issue about how to treat some money received in US Dollars, a discrepancy in the third Excel Spreadsheet that related to a property wholesale division within the Company (referred to in the evidence as the "JEF3 Client Spreadsheet"), and unallocated monies. It appears that bulk payments to and from Lloyds or LIRMA had not been undertaken with care. These issues are coupled with incorrect references allocated to payments, misallocation of monies, and an overpayment in Australian Dollars. Mr Wright summarises the situation as follows:

“the Administrators are unable to reconcile any currency or bank balances in the Client Money Calculation for the Old Client Spreadsheet with the records of Global System at either an aggregate balance or Client-by-Client level. Accordingly, whereas for the New Client Spreadsheet and the JEF3 Client Spreadsheet the Administrators plan to rely on the records of Global System to make distributions of the Client Money Pool to the relevant Clients entitled, for the Client Money Calculation for the Old Client Spreadsheet, the Administrators will need to rely on the Old Client Spreadsheet as a starting point as this is the only source of information that includes correct (or close to correct) cash balances held in the respective bank accounts.”

53. The joint administrators have developed the proposed Scheme with attention to the identified concerns and in accordance with CASS 5 rules. Mr Wright explains:

“Owing to the difficulties encountered by the Company and the Administrators in reconciling the Client monies held by the

Company, the Administrators have been liaising with their legal advisors and the FCA to ascertain the most appropriate means of distributing the [CMP] to the relevant entitled Clients in a way which reflects (or best approximates based on available information) their entitlements under CASS 5.6.7R and 5.5.66R.”

The proposed Scheme of Distribution

54. The joint administrators have consulted the Financial Conduct Authority (“FCA”) and sought approval. Significantly, the FCA has, by its rule making powers, modified the terms of CASS 5.6.7R (the “FCA Rule Modification”). It has done so to enable the Scheme to be implemented following its approval.
55. The FCA Rule Modification mandates that the Company must distribute client money following CASS 5.3.2R or, as appropriate, CASS 5.4.7R, so that each client receives a sum which is rateable to the client money entitlement calculated by CASS 5.5.66R. The distribution is subject to 10 conditions. First among those conditions is that the Company should not go ahead until “the firm’s receipt of a sealed order of the Court approving the terms of a proposed Scheme for the client money held by the firm which has been pooled in accordance with CASS 5.6.7R”. At which point the Company is to carry out specified steps aimed at giving notice to stakeholders, insurer and non-insurer proofs, adjudicating claims made in a fair and just manner (including late claims), making distributions (where funds are allocated and safeguards for the allocated funds) and keeping records.
56. The FCA Rule Modification is premised on the terms of the statutory trust contemplated by CASS 5. To aid the joint administrators in their work it provides a basis for calculation for individual client balances:

“For the purposes of distribution of client money under CASS 5.6.67R, when the individual client balance needs to be ascertained for any purpose, such individual client balance for each client shall be deemed to be the amount which represents the firm’s administrators or liquidators’ current best understanding at the relevant time of clients’ identities and respective client money entitlements (based upon their reasonable efforts as approved by the court to investigate, verify and correct the records kept by the firm).”

57. Mr Wright explains the concept of the proposed Scheme:

“due to the issues with determining the circumstances where risk transfer arrangements are applicable, primarily in the case of the Old Client Spreadsheet and in the case of some Client monies recorded on the New Client Spreadsheet and the JEF3 Client Spreadsheet where the Administrators have been unable to locate an Insurer TOBA, the approach proposed by the Administrators proceeds on the basis that risk transfer arrangements for the Old Client Spreadsheet and those monies where an Insurer TOBA cannot be located do not apply, and that the Scheme of

Distribution follows a two-stage proving process, whereby there is a period for Insurer Clients (or Insurers seeking to prove they are Insurer Clients) to submit their claims first, followed by a period for Non-Insurer Clients to submit their claims.”

58. The detailed proof provisions in the Scheme divide insurer proof from non-insurer proofs. The rationale for this is that insurers are more likely to keep accurate records allowing the joint administrators to cross reference the records with non-insurer claims. The joint administrators take the commercial view that this will save time and costs. Fairness in the proposed process is layered so that a first distribution calculation is made prior to the giving of notice, and upon further information being received a final distribution calculation is to be made prior to the making of distributions. These calculations have regard to the costs of distribution, the prioritisation of distributions to non-insurer clients, and a discretion to make provision for claims of non-insurer and insurer clients who make late submissions, prior to distribution.
59. As there is a bar date, I questioned counsel about the discretion and how it would work in practice. I am satisfied that a bar date is consistent with the “Alpari order” jurisdiction, if I may call it that, which provides that a non-responsive client or a client with a minimal entitlement shall cease to have an interest in client money from a date certain. I am also satisfied that a bar date is both practicable and consistent with the work to be undertaken based on the Best Practical Reconstruction and the FCA Rule Modification.
60. To achieve distribution the Scheme incorporates a working basis for cases where it is either proportionately impractical or not possible to find whether there has been a risk transfer. This is engineered by using a presumption that money is held for the benefit of non-insurer clients. The presumption can be rebutted by contrary evidence. I am satisfied that the presumption is consistent with the principles of CASS 5 where the non-insurer clients are to be protected before the insurer clients.
61. In respect of the concern that some clients will either not engage with the process or fail for some other reason to claim their entitlement (on the basis that the joint administrators are satisfied that there is an entitlement), that money can be paid into the Insolvency Service account. The Insolvency Service has confirmed that it is able to accept the transfer of such unclaimed client money entitlements where the court orders or approves a scheme of distribution, on the same terms as unclaimed creditor dividends.
62. The Scheme makes provision for no notice to be given to clients with small balances below £100. The joint administrators believe that this may arise in relation to 14 clients. I agree with Mr Wright that the cost of giving notice, adjudicating on a proof and to make a distribution is disproportionate to the sums involved. The FCA also agrees.
63. The joint administrators seek directions in relation to those cases where, having carried out the Best Practical Reconstruction, there is no or insufficient evidence to support an allocation of a client balance. Mr Wright provides an example:

“For example, the Administrators are aware of a sum of USD 461 in the Client Money Pool recorded to [X]. There is no contact information for this entity in the records of the Company

(although the Administrators are able to perform online searches to identify this entity, but not with certainty), but importantly cannot classify such entity as a Client of the Company as it is not recorded as such, and the Administrators have not located either a Client TOBA or Insurer TOBA for such entity. Another potential instance of this is in respect of the small sum of USD 824 concerning [Y] as discussed earlier at paragraph 92. [X] and [Y] will be written to as part of the Scheme of Distribution as an Insurer being asked to submit a claim for an entitlement to the Client Money Pool that it considered it may have. Accordingly, in the event that no Client comes forward as part of the proving process under the Scheme of Distribution to claim such funds as recorded to this entity, the Administrators will end up with a sum of money that is not conclusively allocated to any particular Client of the Company and should form part of the Unallocated Client Monies Balance.”

64. The proposal is straightforward; any funds associated with unallocated sums should simply be treated as part of the client money pool available to make up any shortfalls. This is a practical solution.
65. It may be the case that a client company is dissolved: it no longer exists. In which case, notice should be given to the Bona Vacantia Division of the Government Legal Department.
66. The Scheme deals with a subsidiary (EC3 MEA) incorporated in the UAE and now in liquidation. The Administrators consider that EC3 MEA is an unsecured creditor, not a Client of the Company. Their investigations show that it does not have a proprietary interest to Client monies comprising the Client Money Pool.
67. As regards the directors’ and officers’ insurance payment, it is apparent that the Company has no right to the £11,760 paid. It should now be treated as part of the CMP.
68. Mr Salamh has asserted a proprietary claim of US\$564,000 which he said he paid to the Company in 2022 by way of a deposit in respect of a proposed nickel wire investment transaction facilitated by the Company. His position is that there was an express or other trust in respect of the money. The joint administrators have been corresponding with a law firm acting for Mr Salamh. At this point in time no evidence has been provided to support a proprietary interest. The representatives are aware of the Scheme and aware of the hearing where the joint administrators seek approval. They have made no representation to the court. I am satisfied that the position of Mr Salamh is sufficiently protected by his ability to advance any claim within the machinery of the Scheme of Distribution.
69. In my judgment it is fair and just to exercise my discretion and make an “Alpari order” setting a bar date of 28 days for Mr Salamh to provide any further information, and in the absence of cogent supporting material, Mr Salamh shall have no claim upon the CMP.

Remuneration

70. The joint administrators seek an order that their costs and expenses be provided for. In this regard CASS.3.2R (4) provides that a firm holds Client money as trustee on the following terms:
- “...on the failure of the [the Company], for the payment of the costs properly attributable to the distribution of the client money in accordance with (2) and (3).”
71. *Allenfield* concerned the extent to which the costs incurred in the ascertainment and distribution of a statutory trust pool could properly be met out of that pool. The central question was the scope of the expression “the costs properly attributable to the distribution”, and whether, and to what extent, the jurisdiction articulated in *Re Berkeley Applegate* [1989] 1 Ch 32 could be invoked to permit such costs to be paid from the client money.
72. In *Allanfield* Mr Munby submitted that the wording of CASS 5.3.2R encompassed all costs incurred for the purpose of effecting the distribution of the client money. HHJ Keyser KC accepted that submission (at [144]). The judge further held that the general principle in *Re Berkeley Applegate* namely, that an allowance may be made for costs, skill and labour expended in the administration of property where the work confers a substantial benefit on the trust property and those interested in it was capable, in principle, of supporting payment out of the pool of costs incurred in bringing about the distribution.
73. Mr Munby KC makes the same submission today and there is no reason to provide a different answer.
74. The proposed Scheme makes provision for the recovery of the administrators’ relevant remuneration, costs and expenses.
75. The joint administrators now ask the court to quantify office-holder remuneration only.
76. When undertaking the exercise of quantification, the general principles applicable to court-based quantification of an office-holder costs apply. It is not argued otherwise.
77. The principles are provided by Part VI of the 2020 Insolvency Practice Direction which specifies the objective:
- “The objective in any remuneration application is to ensure that the amount and/or basis of any remuneration fixed by the Court is fair, reasonable and commensurate with the nature and extent of the work properly undertaken or to be undertaken by the office-holder in any given case and is fixed and approved by a process which is consistent and predictable”
78. The guiding principles are provided by paragraph 21.2 of the Insolvency Practice Direction which I do not intend to repeat here.
79. In respect of work that has not yet been done but is projected, the joint administrators have provided:

- i) Details of the work they and their staff propose to undertake.
 - ii) The hourly rate (or rates) of the joint administrators and their staff propose to charge for each part of that work; and
 - iii) The estimated time that each part of the expected work will take.
80. Mr Wright explains that the joint administrators have provided progress reports to creditors that have set out the work undertaken in respect of the general administration and the specific work in respect of the reconciliation and distribution of Client monies.
81. The appendix to the second and third witness statement provides the court with charge out rates of the appointment taker within the firm, managers, other professionals and support staff. The rates rise each year. The schedules categorise work undertaken with a proportionate description.
82. The sum incurred up to and including 27 February 2026 of £1,084,949 plus VAT. The time entries are thorough. I am satisfied that the steps taken by the joint administrators have ensured that the costs are proportionate, duplication is avoided and tasks are allocated to suitable grades of staff. I find that the costs incurred are fair and proportionate given the reconciliation work undertaken, liaison with the FCA in respect of regulatory matters and the Rule Modification, transfers to new brokers, customer communications, gaining an understanding of the historical reconciliations, the interplay between the Excel spreadsheets and the Global XB System, understanding how historic risk transfers operated and communications with other parties such as solicitors acting for the FCA and the banks.
83. The proposed costs from 27 February 2026 to the completion of the distribution of the Client money are £702,068 plus VAT. This work includes finalising and filing court documents, preparing client letters, the notices under the Scheme, the two-stage approach leading to adjudication, the distribution calculation, possible late adjudications, the distribution and a contingency.

Conclusion

84. I am satisfied that the directions sought under paragraph 63 are consistent with the functions and duties of the joint administrators, do not put them in a position of conflict and the court should provide effective assistance.
85. The Scheme is compliant with the requirements of the FCA, the modified Rule and does not breach the laws of England and Wales. In my judgment, the Scheme strikes a proper balance between the rights of established clients, the prompt return of their money, the position of those with substantial claims, and the need for an efficient, cost-effective process that brings finality.
86. Given my assessment of the Scheme I shall order that the Company be permitted to proceed (and the joint administrators directed to cause the Company to proceed) on the footing that the client monies held by the Company at the time of administration, when the CMP was created, are to be distributed in accordance with the terms of the Scheme.

87. I am satisfied on the evidence that the joint administrators may act on the basis that no risk transfer arrangements apply between the Company and an insurer or reinsurer in circumstances where the joint administrators have not been able to determine if there was a risk transfer arrangement, using the best practical reconstruction, and the insurer has no records to demonstrate otherwise.
88. The Scheme is rational in that it follows the policy of CASS 5 by providing protection and priority for non-insurer clients.
89. On the evidence before me, the costs of £1,084,949 plus VAT to 27 February 2026 are fair, reasonable and proportionate. The work undertaken was necessary to secure an accurate reconciliation and orderly distribution of client money. I therefore conclude that these costs should be allowed in full.
90. The estimated further costs of £702,068 plus VAT, covering the remaining steps required to complete the distribution, are justified by the scope and necessity of the work identified.
91. I am grateful to Mr Munby and those who have helped him prepare the Scheme for court. I invite him to produce an order.

APPENDIX