

Morses Club Trading and 2020 Results Update

Continued improvement for HCC and progress in the Digital division

Morses Club PLC ("the Company" or "the Group"), an established provider of non-standard financial services, provides the following update on trading and the publication of its FY20 results following the trading statement issued on 16 July.

Trading environment

The Company has continued to make progress in July despite the challenges of Covid-19. Collections in the HCC division for July increased to 98% of normal historic expectations when measured against expected terms, an increase from 91% at the end of June, and are anticipated to reach pre-Covid levels by the end of August 2020, as previously reported. Cash in July has improved slightly to 82.3% of the level achieved in 2019. Sales were 80.9% of the levels for the same period in 2019 again an improving trend whilst customer satisfaction has been maintained at 97% or above during the period.

Response to the launch of remote lending to new customers has been positive with demand building strongly. Payment to terms for the initial cohort of new customers is 100%, reflecting high quality lending. Payment to terms for new lending to existing customers currently stands at 97%.

The Company is encouraged by continued growth in customer interest in the online customer portal, which now has over 110,000 customers registered compared with c. 78,000 at the end of FY20, demonstrating the accelerated roll-out of our digital strategy despite the Covid-19 environment.

The Group has continued to implement structural changes to the business with employees and agents continuing to work from home until the end of the year. Further restructuring of the Group's property portfolio is progressing as a result and we are encouraged that agent vacancy rates are now at the lowest level in the Company's history.

During July, progress in Shelby Finance, the Group's digital division, has continued with growing levels of lending and an encouraging uplift in demand for longer-term lending products evident. Collections have strengthened at above 80% to terms, which is an improvement on the level prior to Covid-19, with the level of demand for the e-banking current account product remaining stable.

FY20 results

The audit process for the Company's FY20 results continues as the results will include the impact of Covid-19 on the impairment of the closing loan book as at 29 February 2020. Morses Club will update the market on the announcement date for its full year results in due course.

Arrangements for the AGM, which will be held virtually due to government guidance on social distancing, will be announced separately.

Paul Smith, CEO of Morses Club commented,

“We are encouraged by both the improvements in lending and the quality of the lending performance that we have delivered during July. We continue to make progress despite the impact of Covid-19, reflecting the success of our prudent approach to managing the business whilst strengthening and diversifying our product offering and putting our customers at the heart of the business.”

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Notes to Editors

About Morses Club

Morses Club is an established provider of non-standard financial services in the UK. The Group consists of Morses Club, the UK's second largest home collected credit ("HCC") provider, and Shelby Finance Limited, Morses Club's digital division, which operates under two online brands, Dot Dot Loans, an online lending provider, and U Account, which offers online e-money current accounts. The Group's growing digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver an increasingly broad range of financial products and services to the non-standard credit market.

UK HCC is considered to be a specialised segment of the broader UK non-standard credit market. UK HCC loans are typically small, unsecured cash loans delivered directly to customers' homes. Repayments are collected in person during weekly follow-up visits to customers' homes. UK HCC is considered to be stable and well-established, with approximately 1.6 million¹ people using the services of UK HCC lenders.

Morses Club's HCC division is the second largest UK Home Collected Credit (HCC) lender with 224,000 customers throughout the UK. The majority of the Company's customers are repeat borrowers and the HCC division enjoys consistently high customer satisfaction scores of 97%². In 2016, the Morses Club Card, a cashless lending product, was introduced and in 2019 the Company introduced an online customer portal for its HCC customers, which now has over 109,000 registered customers.

The Group's growing digital division, Shelby Finance, operates under two online brands. Dot Dot Loans provides online instalment loans of up to 48 months to 37,000 active customers. U Account is a leading



digital current account provider offering an alternative to traditional banking by providing a fully functional agency banking service. U Account currently has c. 18,000 customers.

Morses Club listed on AIM in May 2016.

About the UK non-standard credit market

The UK non-standard credit market, of which UK HCC is a subset, consists of both secured and unsecured lending and is estimated to comprise around 10 million consumers³ and total loan receivables of £10.7bn⁴.

Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit principally lend on an unsecured basis and the market is characterised by high frequency borrowing. Approximately 2 million people move annually between standard and non-standard markets⁴.

Since February 2014, unsecured personal lending has grown from £161 billion to £216 billion in February 2019⁵.

1 High Cost Credit Review ANNEX 1 - July 2017

2 Independent Customer Satisfaction Survey conducted by Mustard

3 FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt - July 2017

4 Apex Insight - Non-Prime Consumer Credit: UK Market Insight Report - September 2019

5 Table A5.2, Bank of England Money and Credit Bank stats February 2019