

This announcement contains inside information

Press Release

Close Brothers Group plc and Close Brothers Finance plc

25 October 2024

JUDGMENT IN RESPECT OF THE “HOPCRAFT” CASE

Close Brothers Group plc (“Close Brothers” or “the Group”) notes the publication of the judgment in respect of the “Hopcraft” case, upholding the claimant’s appeal against Close Brothers Limited (“CBL”). The case, which was initially determined in CBL’s favour, was heard in early July 2024 by the Court of Appeal (“the Court”) together with two separate claims made against another lender.

Close Brothers disagrees with the Court’s extension of the existing case law in this area and intends to appeal this decision to the UK Supreme Court.

The Court has determined that motor dealers acting as credit brokers owe both a disinterested duty and a duty of loyalty (“fiduciary duty”) to their customers. This sets a higher bar for the disclosure of and consent to the existence, nature, and quantum of any commission paid than that required by current FCA rules, or regulatory requirements in force at the time of the case in question.

The financial impact of the Hopcraft case in isolation is not material to the Group. However, subject to the appeal to the UK Supreme Court, the judgment may set a precedent for similar claims, which may (depending on the specific facts of those cases) result in significant liabilities for the Group. The range of outcomes in these circumstances is currently uncertain, and the overall cost to the Group will depend on, amongst other factors, the application of the Court’s ruling, the number of claims received, the facts and circumstances of each individual claim, and the level of compensation, if any, granted by the Court in each case. It is therefore currently not possible to assess the timing, scope or quantum of any potential financial impact on the Group.

While the judgment is likely to extend the current period of uncertainty for the Group, we will continue to focus on supporting our customers and protecting our valuable business franchise. The Group is in a strong financial position, with a CET1 capital ratio of 12.8% as at 31 July 2024. As announced in our Full Year 2024 Results, the Group already has a number of actions in progress to further strengthen its capital position, including the agreed sale of Close Brothers Asset Management which is expected to increase the group’s CET1 capital ratio by approximately 100 basis points. Our conservative approach to funding is based on the principle of “borrow long, lend short” and we hold liquidity levels comfortably ahead of both internal risk appetite and regulatory requirements, with a 12-month average Liquidity Coverage Ratio in excess of 1,000% as at 31 July 2024.

We will be temporarily pausing the writing of new UK motor finance business while we review and implement any relevant changes to our documentation and processes to ensure compliance with these new requirements.

Inside information

This announcement contains information which is deemed by the Company to constitute inside information within the meaning of the UK version of the European Union’s Market Abuse Regulation ((EU) No. 596/2014). Upon the publication of this announcement via the Regulatory Information Service, the inside information is now considered to be in the public domain. The person responsible for arranging the release of this information on behalf of the Company is Sarah Peazer-Davies, Company Secretary.

Enquiries

| | | |
|-------------------|--------------------------|---------------|
| Sophie Gillingham | Close Brothers Group plc | 07525 732 025 |
| Camila Sugimura | Close Brothers Group plc | 07703 886 948 |
| Neil Bennett | H/Advisors Maitland | 07900 000 777 |
| Sam Cartwright | H/Advisors Maitland | 07827 254 561 |

About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ approximately 4,000 people, principally in the United Kingdom and Ireland. Close Brothers Group plc is listed on the London Stock Exchange and is a constituent of the FTSE 250.

Cautionary Statement

Certain statements included or incorporated by reference within this announcement may constitute “forward-looking statements” in respect of the group’s operations, performance, prospects and/or financial condition. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. There are also a number of factors that could cause actual future operations, performance, financial conditions, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. These factors include, but are not limited to, those contained in the Group’s annual report (available at: <https://www.closebrothers.com/investor-relations>). Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Except as may be required by law or regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser.

This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any shares or other securities in the company or any of its group members, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the company or any of its group members. Statements in this announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this announcement shall be governed by English law. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.