

Our Ref: SYH/JH/SYH/ELE/15/1 3206632V1

16 July 2015

FAO The Directors of City Factoring Limited  
City Factoring Limited  
244 Wallace Street  
Glasgow  
Lanarkshire  
G5 8AF

**BY HAND AND BY EMAIL**

Dear Sirs

**The Element Newhaven**

We act on behalf of the Element Newhaven Owners' Association (the "**Association**") acting through its committee TENOA (the "**Committee**").

City Factoring Limited ("**City**") was engaged by the Association to provide factoring services in relation to the Development called the Element Newhaven (the "**Development**"). The terms on which City would provide its factoring services are contained in its tender dated 23 July 2014 and the Service Level Agreement annexed by City to its tender (together the "**Tender**"). The Tender was accepted by the Association and City began work on or around 21 August 2014.

Since August 2014 City has committed a series of material breaches of contract. These breaches include, but are not limited to, the following:

1. City has failed to secure a significant amount of unpaid factoring fees from proprietors of the dwellings on the Development;
2. City has failed to secure a significant amount of unpaid additional maintenance fund payments from proprietors of the dwellings on the Development;
3. City has not completed the required work to address the serious issues with the electrics in the past 12 months;
4. City has not undertaken any fire risk assessment in the past 12 months as advised by the insurance broker;
5. City has allowed a significant debt to Scottish Power and Scottish Gas for electrical supply to accumulate resulting in a threat of disconnection of the supply on several occasions by Scottish Power;
6. City ignored a direct instruction from the Committee in March 2015 to make a payment to Scottish Power;
7. City has failed to provide the Association or the Committee with full details of creditors and the sums owing to the same;

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8. City has not produced monthly accounts;
9. City refused to allow the Committee to instruct an audit of the owners' account which is held by City;
10. City has failed to undertake a critical risk analysis of key areas such as lifts, power supply, maintenance of water pumps, car park extractor fans and dry riser maintenance;
11. City has failed to produce quotes, to be seen by the Committee, from contractors for work planned nor has the Committee given authorisation for works to be undertaken or for payment of work completed;
12. City has failed to address serious health and safety issues including a significant number of emergency lights in the staircases of each block remaining non-operational despite numerous requests for them to be fixed;
13. City has failed to advise the Committee that Orona, which was responsible for the maintenance of the lifts, had withdrawn its services on the basis it has not been paid;
14. City has failed to advise the Committee that Chubb, which was responsible for the maintenance of dry risers etc, had withdrawn its services on the basis it has not been paid;
15. City has failed to provide updates on the completion of outstanding works covered under the insurance claim;
16. City has allocated some income received for an outstanding insurance claim to cover factoring costs, resulting in some of the works covered by the insurance claim remaining outstanding;
17. City has generally failed to respond to many of the numerous emails sent by the Committee requesting updates on various outstanding issues.

In light of the material breaches of contract by City our client hereby terminates the contract for the provision of factoring services with immediate effect. No further work should be undertaken by City and all City personnel should be removed from the Development.

In addition, City should make no further transaction on the bank accounts which relate to the Development. A member of the Committee will contact you shortly to arrange a mutually convenient time to attend your offices on or before 22 July 2015 to collect all documentation relating to the Development, including but not limited to all invoices, bills, receipts, contracts, insurance paper works and any other paper works which pertains to the factoring of the Development.

If you are in any doubts as to your rights and obligations in terms of this letter we strongly recommend that you take independent legal advice.

Yours faithfully



**MacRoberts LLP**